HOUSE OF REPRESENTATIVES—*Thursday, November 5, 1987*

The House met at 10 a.m.

Rev. John A. Cupp, Jr., pastor, Brainerd Church of Christ, Chattanooga, TN, offered the following prayer:

Almighty and eternal God our Father in Heaven, we thank You for this day with the blessings we have already received and for the opportunities for service that are ours today.

We come to You, Father, to ask Your continued blessings upon our great Republic and the noble ideals for which it was established.

Help us as we continually strive for world peace and justice in the world. Bless all the rulers as they work with us in this noble endeavor. Please grant wisdom to those who have been elected and selected to serve, and help them not become discouraged in well-doing.

In our Master's name we pray. Amen.

THE JOURNAL

The SPEAKER. The Chair has examined the Journal of the last day's proceedings and announces to the House his approval thereof.

Pursuant to clause 1, rule I, the Journal stands approved.

MESSAGE FROM THE SENATE

A message from the Senate by Mr. Hallen, one of its clerks, announced that the Senate had passed without amendment bills, a joint resolution, and concurrent resolutions of the House of the following titles:

H.R. 3428. An act to provide for the distribution within the United States of the film entitled "America The Way I See It";

H.R. 3457. An act to amend the Packers and Stockyards Act, 1921, to provide financial protection to poultry growers and sellers, and to clarify Federal jurisdiction under such act;

H.J. Res. 368. Joint resolution designating the week of November 8 through November 14, 1987, as "National Food Bank Week";

H. Con. Res. 68. Concurrent resolution expressing the sense of Congress regarding the inability of American citizens to maintain regular contact with relatives in the Soviet Union;

H. Con. Res. 140. Concurrent resolution authorizing printing of the compilation of materials entitled "Guide to Research Collections of Former Members of the United States House of Representatives, 1789-1987"; and

H. Con. Res. 177. Concurrent resolution authorizing the printing of the compilation of materials entitled "Guide to Records of the United States House of Representatives at the National Archives, 1789-1989; Bicentennial Edition."

The message also announced that the Senate had passed with amendments in which the concurrence of the House is requested, bills of the House of the following titles:

H.R. 953. An act to authorize appropriations for fiscal year 1988 for certain maritime programs of the Department of Transportation and the Federal Maritime Commission; and

H.R. 2939. An act to amend title 28, United States Code, with respect to the appointment of independent counsel.

The message also announced that the Senate insists upon its amendment to the bill (H.R. 2939) "An act to amend title 28, United States Code, with respect to the appointment of independent counsel," and requests a conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. GLENN, Mr. LEVIN, and Mr. COHEN to be the conferees on the part of the Senate.

The message also announced that the Senate agrees to the amendments of the House to the bill (S. 442) "An act to amend section 914 of title 17, United States Code, regarding certain protective orders."

THE REVEREND JOHN A. CUPP, JR.

(Mrs. LLOYD asked and was given permission to address the House for 1 minute and to revise and extend her remarks.)

Mrs. LLOYD. Mr. Speaker, I urge my colleagues to join me in welcoming my minister and my friend, John A. Cupp, Jr., who delivered our opening prayer today.

John Cupp has effectively served as pulpit minister of the Brainerd Church of Christ in Chattanooga for nearly 5 years. But he has other titles of distinction as well. A man of great compassion, he is counselor, friend, lecturer, and adviser to a host of Tennesseans. Perhaps his best-known title is Lt. John Cupp, director of the narcotics information office, sheriffs office, of Hamilton County, TN.

Lieutenant Cupp's work in drug education spans two decades. He was a pioneer in this effort when he recognized through his ministerial counseling the depth of this problem. In the past 9 years alone, Lieutenant Cupp has spoken to over 270,000 persons on drug abuse and drug awareness.

Mr. Cupp is accompanied today by his wife, Carolyn. The Cupps have four children: Phyllis, Darlene, John III, and George; a granddaughter, Jennifer, and a grandson, Ryan Andrew.

SOVIET POLICY OF SEPARATING FAMILIES

(Mr. GREEN asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. GREEN. Mr. Speaker, this week we all share in the joy of Keith Braun on the arrival of his wife Svetlana from the Soviet Union. In celebrating their long-awaited reunification, we should take this opportunity to dedicate ourselves to a greater effort in behalf of those Americans still waiting for Soviet officials to permit their spouses and fiances to join them.

In the case of my constituent Antonette Bohonovsky, Soviet officials have succeeded in blocking her marriage to Évgeniye Grígorishin, despite granting them permission to marry on two occasions. After refusing to issue a visa to her to enter the U.S.S.R. for the first wedding date, arresting her fiance en route to the marriage ceremony once she finally arrived, and committing her to a hospital for several days against her will, Soviet authorities put Ms. Bohonovsky on a plane out of the Soviet Union and convicted her fiance of stealing. She has not seen Mr. Grígorishin since May 1986. He is serving a 5-year sentence.

I believe Grígorishin was taken into custody, charged and sentenced only because he intended to marry an American. The actions taken by Soviet authorities to block this marriage are in blatant violation of the Helsinki accords.

As administration officials prepare for the upcoming summit, I urge that they remember the plight of Antonette Bohonovsky and her Soviet fiance.

RESIGNATION AS CONFEREE AND APPOINTMENT OF CONFEREE ON H.R. 2713, DISTRICT OF COLUMBIA APPROPRIATIONS, 1988

The SPEAKER laid before the House the following resignation as a conferee of the House-Senate conference committee on the bill, H.R. 2713, District of Columbia appropriations, 1988:

AUTHENTICATED U.S. GOVERNMENT INFORMATION GPO

COMMITTEE ON APPROPRIATIONS,
Washington, DC, November 5, 1987.
Hon. JIM WRIGHT,
Speaker, House of Representatives, Washington, DC.

DEAR MR. SPEAKER: I hereby resign as a conferee on H.R. 2713—a bill making appropriations for the District of Columbia.

Sincerely,

MARTIN OLAV SABO.

The SPEAKER. Without objection, the resignation is accepted.

There was no objection.

The SPEAKER. The Chair appoints as a conferee on the bill, H.R. 2713, the gentleman from Oklahoma [Mr. WATKINS], and the Clerk will notify the Senate of the action of the House.

LEADERSHIP OF SPEAKER WRIGHT

(Mr. LEVINE of California asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. LEVINE of California. Mr. Speaker, I would like to compliment you on the leadership that you have been showing on two extraordinarily important issues for the country.

First, an issue in which I believe the entire world is looking at Washington right now and looking both at congressional and executive negotiators, the issue of finding a compromise in terms of dealing with the extraordinarily urgent and significant deficit reduction problems that are facing this country.

Second, Mr. Speaker, the leadership that you have been providing with regard to working with the Nobel Prize recipient, President Arias of Costa Rica in his heroic and historic efforts to achieve peace in Central America.

Mr. Speaker, I hope that the President will respond to the type of conciliatory and bipartisan initiatives that have been placed before him on the issue of both the budget deficits and the Central American peace process. But, Mr. Speaker, the reports that we have been receiving, both with regard to the budget deficit discussions and with regard to the peace process have been very disturbing. These reports suggest that the President's negotiators have thus far not been authorized to go beyond the sterile positions that the administration presented in its own budget proposal that was so thoroughly repudiated by the Congress earlier this year.

Mr. President, the world is waiting and watching both with regard to achieving a compromise here at home to deal with the urgent budget problems and peace in Central America. I hope the President will respond to your initiatives.

LEGISLATION ESTABLISHING STUDY OF HANFORD REACH OF THE COLUMBIA RIVER FOR INCLUSION IN WILD AND SCENIC RIVER SYSTEM

(Mr. MORRISON of Washington asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. MORRISON of Washington. Mr. Speaker, today I am introducing legislation to establish a study of the 57-mile stretch of the Columbia River known as the Hanford Reach for possible inclusion in our Nation's Wild and Scenic River System. Identical legislation is being introduced in the Senate by Senator EVANS and Senator ADAMS.

The Hanford Reach is often referred to as the last free-flowing stretch of the Columbia River in the United States. Although the segment lies between two major hydroelectric facilities, it maintains many of the characteristics of the river as it existed prior to the construction of the dams that helped develop the Pacific Northwest. Many Indian cultural and burial sites can be found along the banks of the river as well as a wide variety of wildlife ranging from deer and coyote to the American bald eagle. In recent years, the Hanford Reach has provided important spawning sites for the rapidly increasing number of salmon in the Columbia River.

The Corps of Engineers is currently studying the feasibility of a navigation channel in the Hanford Reach and have proposed a controversial spawning demonstration project in the area. While I believe it is important for the corps to continue its study of the environmental impacts of the navigation channel and the possible mitigation of those impacts, I also believe that other options for the river should not be precluded by these activities. The legislation I am introducing today will eliminate the controversy over the spawning demonstration project and ensure that Congress will have all the alternatives before it when it is asked to address the future of the Hanford Reach.

AUTHORIZING THE SPEAKER TO DECLARE RECESSES ON TUESDAY, NOVEMBER 10, 1987

Mr. WRIGHT. Mr. Speaker, I ask unanimous consent that it may be in order at any time on Tuesday, November 10, 1987, for the Speaker to declare recesses, subject to the call of the Chair, for the purpose of receiving in joint meeting the President of Israel.

The SPEAKER pro tempore (Mr. OLIN). Is there objection to the request of the gentleman from Texas?

There was no objection.

DIVIDED FAMILY RATNER

(Mrs. BOXER asked and was given permission to address the House for 1 minute and to revise and extend her remarks.)

Mrs. BOXER. Mr. Speaker, I want to attempt today to share with my colleagues for one brief minute the anger, the disappointment, the overwhelming frustration Marina Ratner of California experienced last October 9. On that day, Judith Ratner of Moscow and her family were senselessly denied for the 13th time permission to be reunited with Marina and Judith's frail 83-year-old mother in Israel.

It is incomprehensible that this family would be denied reunification. The mother is ill and fragile, and must face daily the dread that she may never see her daughter and grandsons again. Marina Ratner's husband, Leonid Bialy, was examined in Moscow 2 months ago by an American physician and appears to have acute and severe heart damage. He requires treatment now, and he cannot get it in Moscow.

Why? Why this senseless torture of a divided family? Soviet authorities have examined Leonid Bialy, and they say he suffers from a severe condition known as state secrets. It appears too that Leonid's son Mikhail suffers from this deadly congenital malady, for he too has been denied emigration for his father's state secrets. This is preposterous. Leonid Bialy worked as a TV repairman for the last 15 years, until his heart condition forced him to quit. State secrets? Please. I appeal to the Soviet authorities to let these people go.

DISPLAY OF ART WORK OF LESLIE COPE IN CANNON HOUSE OFFICE BUILDING

(Mr. MILLER of Ohio asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. MILLER of Ohio. Mr. Speaker, my colleagues and Hill staff alike have the unique opportunity this week to view the exceptional artwork of the talented Ohio-based artist, Mr. Leslie Cope. Leslie Cope's paintings reflect the lifestyle and values of rural America and capture the spirit of Americana. His exhibit is currently on display in the Cannon House Office Building Rotunda and will be available for viewing through Friday.

Southeastern Ohio is justifiably proud of Leslie Cope and his contributions to art. It is with that sense of pride in this resident of Roseville, OH, that I urge my colleagues and every staff member to view the Cope display and appreciate it as we have always appreciated him.

□ 1015

HOW WILL HISTORY TREAT CASPAR WEINBERGER?

(Mr. SCHUMER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. SCHUMER. Mr. Speaker, how will history treat "Cap" Weinberger? There is no doubt he was a patriot who gave many years of his professional life to Government service.

And there can be no doubt that he oversaw the most gigantic increases in defense spending in history.

Whether that was necessary I will leave to posterity to judge.

But on one point there is no doubt his legacy is not positive. There is a black mark on Cap Weinberger's record, his failure to deal with the waste, fraud, and abuse endemic in our Defense Department. When it came to spending money, Cap Weinberger did nothing to stretch our defense dollars. In fact he too often shrunk them by buying overpriced, useless, weapons we already had, or didn't need. The man once called "Cap the Knife" for his treatment of social programs at HEW will probably be remembered as "Cap the Ladle" for his treatment of the Defense Department.

He bought us too many tanks that do not run, too many guns that cannot shoot, and too many planes that do not fly.

We have suffered from a lack of preparedness in each of our military encounters. Troops without a gameplan in Lebanon, soldiers without radio contact in Grenada, ships without minesweepers in the Persian Gulf. This too is Cap Weinberger's legacy.

And so we close the book on Secretary Weinberger's problems with wasteful Pentagon spending. We hope that Frank Carlucci reads the lessons of this book well.

ON BEHALF OF ANDREI AND ELIZABETH ZHITKOV

(Mr. FAWELL asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. FAWELL. Mr. Speaker, I join with my colleagues to bring to the attention of this Congress the sad plight faced by many families divided by Soviet emigration policies. The personal drama of the divided spouses issue has been brought home to me through the case of Andrei and Elizabeth Zhitkov.

Elizabeth, an American citizen, met Andrei last fall while she was on a 4-month study program in Leningrad. They were married in March of this year. They had planned to live together in the Soviet Union, but due to unforeseen problems Elizabeth was forced to return to the United States only 2 days after their wedding. Andrei and Elizabeth have not seen each other since then.

For 7 long months Andrei has been trying in vain to join his wife here in the United States. He has attempted to comply with all of the regulations and requirements for emigration, yet always some new obstacle is thrown in his path. Promises of emigration have been made, and then suddenly broken. To make matters worse, as a direct result of complying with the demands of OVIR, the Soviet emigration office, Andrei has now lost his job and his right to live in Leningrad, and still with no hope of emigration in sight.

How long must these families wait before they are reunited? Why are they being punished, when all they ask is to live together as man and wife? Mr. Speaker, we are not here to make any political demands or denounce any system of government. Our appeal is strictly humanitarian. We urgently request that the Government of the Soviet Union allow the divided spouses to be reunited, so that couples like Andrei and Elizabeth Zhitkov may start new lives together, without the threat of government interference. Surely this respect for simple human dignity should not be too much to ask.

MULTINATIONAL CORPORATIONS EXPORT JOBS OVERSEAS

(Mr. TRAFICANT asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. TRAFICANT. Mr. Speaker, $600 billion multinational corporations have invested overseas. Tremendous amount of profits, $27 billion in 1985 alone, and much of it stays overseas.

What do we have to show for it? Our number one export in America has become jobs. Of the 100 largest multinational corporations of the world, 50 percent of them are in America. That may look good to some people.

The bottom line is those companies have exported 1.4 million jobs. IBM has 40 percent of their workers overseas; Exxon, 54 percent of their workers overseas. General Electric has become the biggest exporter of Taiwan. General Motors has 40 percent of their workers overseas. Ford Motor Co. has 53 percent of their workers overseas.

And some people are saying that these multinationals overseas are good for America because they are taking our costs down, it is good for the consumers.

Mr. Speaker, if the jobs are overseas and Americans are underemployed, who is going to buy anything in America? I say that the multinational corporations have been riding a gravy train elevator and the American workers have been getting the shaft.

Mr. Speaker, we had better start doing something about it here in the Congress.

IN BEHALF OF ANDREA WINE AND VICTOR FAERMARK

(Mr. SMITH of New Jersey asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. SMITH of New Jersey. Mr. Speaker, it seems to me that in light of the approaching summit that this is a most propitious time for Secretary General Gorbachev to demonstrate Soviet commitment to human rights.

Mr. Speaker, due to Soviet policy there are a number of individuals who have been denied the right to join their spouses or even are impeded from marrying their fiances.

One couple which I have been particularly concerned about is a personal friend of mine, a New Jerseyan, Andrea Wine who is a guest of this Chamber today, and her husband, a Soviet citizen, Victor Faermark.

Andrea and Victor first met in 1973 in the Soviet Union. Over the years the relationship blossomed and they were married in November 1985. That was 2 years ago this month. Despite the fact that repeated requests have been made to Soviet authorities in Moscow, in Washington, DC, and at the Helsinki meetings in Vienna, the followup conference, all those requests have been turned down thus far.

Mr. Speaker, Victor Faermark was working as a research scientist at a prestigious institute when he was first denied his application for emigration in 1971. Not only did he lose his job because of his desire to emigrate but his request was denied on the ground that he had access to state secrets. Frankly, Mr. Speaker, possession of state secrets is a flimsy excuse because Victor has not worked in any area which could possibly be regarded as threatening to the Soviet state of security since at least 1968, 19 years ago.

It is a tragedy that this couple and others are forced to begin and maintain their marriages thousands of miles apart. Our united message today, Mr. Speaker, is to let these couples be together, let Andrea Wine and Victor Faermark live their lives in peace and in the country of their choice.

JOY AND SORROW—THE ONGOING PLIGHT OF DIVIDED SPOUSES

(Mr. HOYER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. HOYER. Mr. Speaker, yesterday was a joyous day for Keith and Svetlana Braun. A married couple separated by the Soviet Government since 1984, they were welcomed by Members of Congress at a reception in their honor. Their presence yesterday demonstrated that the power of love was far greater than an ocean and, indeed, far greater than the Government that had separated them.

While we all shared in the joy of the reuniting of this couple after repeated attempts by Svetlana to leave the Soviet Union, let me take a moment to challenge Mr. Gorbachev to reunite the remaining divided spouses.

Mr. Speaker, I realize that General Secretary Gorbachev has limited space on the plane he will travel in to Washington for the December summit. But in the spare seats I would like to suggest that he take with him the remaining Soviet citizens who have been kept from joining their spouses in America. Mr. Gorbachev, why don't you take along with you: Yuri Balovlenkov, Galina Michelson, Sergei Petrov, Pyatras Pakenas, Victor Novikov, Andrei Zhitkov, Victor Faermark, Leonid Sheiba, Elena Kaplan, Vladislav Kostin, Yevgeny Grigorishin, and Tatiana Alexandrovich?

Let us hope that the surreal barriers the Kremlin has placed in the lives of these individuals will be torn down—and that they will be able to share the joy we witnessed yesterday with the reunification of Keith and Svetlana Braun.

IN SUPPORT OF DIVIDED SPOUSES

(Mr. SHAW asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. SHAW. Mr. Speaker, I would like to take a moment to note a very special reunion in the Soviet Union.

One of my constituents, Dr. Galina Vileshina, was allowed last month to visit her husband, Pyatras Pakenas, in Lithuania after a 7-year separation. I will tell you frankly that we had hoped they would be reunited permanently in the United States, but we are very happy that they are at least able to see each other.

I wish to congratulate the Soviet Government for granting Dr. Vileshina visit papers after turning her down for several years. It is my hope that when they see the joy of this couple together, they will allow Mr. Pakenas to emigrate and join his wife in America.

Dr. Vileshina has tirelessly worked to convince the Soviets to release her husband. In the face of despair, she continues to live—quite literally—on love.

I hope there is a happy ending to this love story. When Dr. Vileshina returns to the United States, may her husband soon be allowed to join her.

THE U.S. SUGAR PROGRAM IS NOT BROKEN—IT DOES NOT NEED TO BE FIXED

(Mr. TRAXLER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. TRAXLER. Mr. Speaker, this year, Mother Nature has provided the right combination of rain, sunshine and other conditions in most of this country's sugar beet and sugarcane growing areas and, as a result, it now appears the 1987 crop could be perhaps the largest in history. Keep in mind, however, a great share of this crop remains to be harvested and processing won't be completed until next spring. It's early to post any final numbers, but surely, the potential for a bumper domestic sugar crop exists.

This fact, coupled with the administration's refusal to take action to stem the rush of sugar-containing products and blends across our border in circumvention of the sugar import quota program, may result in a reduction of the sugar quota for the next calendar year. This decision must be anncunced by December 15.

In the meantime, however, some are clamoring for a change in the sugar program.

Because it's one farm program that is working well for both farmers and consumers, they claim it is encouraging expanded production and they want to dismantle it.

I'd like to remind my colleagues that in 3 of the 6 years we've had a price support loan program for sugarcane and sugar beets, cane and beet sugar production has actually declined from the level of the previous year. The U.S. Sugar Program is not broken; it doesn't need to be fixed.

KOCH SPEAKS OUT ABOUT SANDINISTA TORTURE

(Mr. LAGOMARSINO asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. LAGOMARSINO. Mr. Speaker, the Associated Press reports this morning that Mayor Ed Koch of New York has voiced concern about reports of torture of political prisoners by the Communist Sandinista government in Nicaragua. He thus joins a growing number of leaders from across the political spectrum who have observed with disappointment the Sandinistas' failure to live up to the Guatemala City peace accords. When Koch yesterday asked if he could visit the notorious Chipote prison to determine if the reports were true, a Sandinista official refused, saying she was offended that the Mayor would even bring the question of torture up.

The Sandinistas' refusal to abide by the peace accords, end human rights violations and grant amnesty to political prisoners except in the most minimum way makes it both necessary and appropriate that we continue to supply the Contras with food, clothing, and medicine.

HUMANITARIAN AID FOR NICARAGUAN RESISTANCE AND TRIBUTE TO CASPAR WEINBERGER

(Mr. KASICH asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. KASICH. Mr. Speaker, we are all hopeful that the Central American peace plan can be implemented as agreed to, but it has become evident, as the deadline looms today, that the Communist Sandinistas are not fulfilling important parts of the accords. President Arias was quoted on CBS radio this morning as saying he is not satisfied with the progress of the plan, and hopes that the Sandinistas will be more forthcoming on important measures like an internal amnesty.

Members will recall that only a few weeks ago, President Arias told Congress that existing humanitarian aid money as provided under the continuing resolution is proper and helpful. And let's not forget that the Wright-Reagan agreement permits humanitarian aid even after a cease-fire—and today, on the deadline of the Arias plan, the Sandinistas still have not granted a cease-fire. Under such circumstances, Mr. Speaker, the providing of food, clothing, and medicine to the resistance is the right thing to do.

Mr. Speaker, one other point I would like to make: an earlier speaker talked about Cap Weinberger. Let me say this: It was Cap Weinberger who served as Ronald Reagan's point man in developing bipartisan support for the defense buildup. Whether people like to admit it or not, under Ronald Reagan and under the stewardship of Cap Weinberger at the Department of Defense we are going to have for the first time in our history elimination of an entire class of nuclear weapons, and, second, serious discussions in reducing the strategic arsenals of the superpowers by 50 percent.

Let us give Cap Weinberger a well deserved round of applause for having strength and his goal of peace as a top priority. It is going to be successful.

□ 1030

A PLEA TO THE PRESIDENT TO HELP SOLVE THE ECONOMIC CRISIS

(Mr. KANJORSKI asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. KANJORSKI. Mr. Speaker, at this time in history, when the economy is fluctuating the way it is, I would like to urge the President of the United States to join in the discussions with the leaders of Congress to work out a deficit reduction plan.

Like most Americans, when the President took the sign, "the buck stops here," to the White House, I was excited to recognize that the President of the United States recognized a great leader in President Truman and would follow in his footsteps.

I would like to call to the President's attention two other great quotes from Harry S. Truman, the first of which said:

> Men make history and not the other way around. In periods where there is no leadership, society stands still. Progress occurs when courageous, skillful leaders seize the opportunity to change things for the better.

President Truman also said:

> As long as I was in the White House, I ran the executive branch of Government and no one was ever allowed to act in the capacity of the President of the United States except the man who held that office. I had no intention of being an acting President.

Mr. Speaker, I say to the President, Mr. Reagan, we ask you now to recognize the leadership of President Truman. Join directly in these discussions to solve the budget crisis of the United States and help solve our economic problems.

CALLING FOR RELEASE OF POLITICAL PRISONERS IN NICARAGUA

(Mr. DORNAN of California asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. DORNAN of California. Mr. Speaker, I just heard that indeed a few minutes ago Cap Weinberger, of California, did resign as Secretary of Defense, and I will make longer remarks about that this evening or when we come back on Monday. But it was a job well done. Thank you, Cap.

Mr. Speaker, today is November 5. We have had an argument over whether the Arias plan ends the negotiating period and starts the action period on the 90-day point today or, coincidentally, on the 70th anniversary of the Bolshevik revolution 2 days from now.

I go with a group of Congressmen down to Managua this evening or tomorrow morning. For me I go to principally ask one question: When do the political prisoners get out?

Mr. Ortega told me in that bizarre meeting in the presidential candidate's dining room, in Jesse Jackson's home in Chicago, a year ago August, that he had 3,000 political prisoners. Tomas Borge in the last month admitted to 8,800. Amnesty International now maybe thinks that our State Department is right, that the figure is 11,000. President Azcona in his home last month told me it is somewhere between 7,000 and 9,000.

Mr. Speaker, is he going to release 9,000 to 11,000 political prisoners with torture stories? It is not going to happen. Let me join together in this Congress, and as our great senior, CLAUDE PEPPER, said, get the Communists out of Central America.

LESS WAXING AND LESS RENDING

(Mr. WISE asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. WISE. Mr. Speaker, let me say this to the President: Mr. President, the stock market is an economic yo-yo right now. The dollar drops to its lowest in 40 years, and budget deficits are dragging us ever deeper. The country cries out for statemanship. "Bring us together" is the common cry. The White House and the Congress must work together in the budget summit.

And what is your reaction, Mr. President? There you go again—wax and wax, rend and rend. You revert to the old domestic cold war rhetoric, waxing about 50 years of deficits. They doubled under your administration, I might add. You are a big render also, Mr. President, rending apart the unity that everyone is working for.

Stop waxing with the old rhetoric, Mr. President. Stop rending us apart with the old battles. You have said you will negotiate with the Contras, you have said you will negotiate with the Communists. It is time to add the Congress to that list.

Mr. Speaker, in this case the best prescription to lick budget deficits is both less waxing and less rending.

NEGOTIATIONS ARE NOT CONDUCTED WITH CLUSTER BOMBS

(Mr. SMITH of Texas asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. SMITH of Texas. Mr. Speaker, while the peace accords of Guatemala City call for the Communist Sandinistas to negotiate with the Nicaraguan opposition, the facts are that they have refused to talk with Contra representatives, and have stepped up the level of terror in their attacks against the freedom fighters. According to recent reports, the Sandinista army has begun using cluster bombs against the Nicaraguan resistance.

While the Sandinistas claim to want peace, the use of cluster bombs and a new 30,000-man draft announced last month heighten the intensity and brutality of the civil war. Instead of using the Central American peace plan to pursue a fair and equitable settlement with the opposition, the Sandinistas apparently hope to bludgeon the freedom fighters into submission.

Mr. Speaker, the Arias peace plan calls for political negotiation and national reconciliation. But negotiations are not conducted with cluster bombs. Under such conditions, we in Congress ought to do the right thing: continue to provide food, clothing, and medicine to the Nicaraguan resistance.

NEITHER BOSTON NOR JERUSALEM REPRESENTED AT WORLD HISTORIC CITIES CONFERENCE

(Mr. ATKINS asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. ATKINS. Mr. Speaker, I rise today to describe a sad sequence of events that has resulted in the city of Boston withdrawing from the World Historic Cities Conference in Kyoto, Japan.

Mr. Speaker, without satisfactory explanation, the host city of Kyoto has refused to include Jerusalem among the historic cities to be invited to the conference. Despite repeated pleas, including those conveyed by many of my colleagues, urging Kyoto to extend an invitation to Jerusalem, Kyoto has remained intransigent.

Boston, a sister city of Kyoto and the sole representative of the United States invited to the conference, announced that it could not countenance such a slight to Jerusalem and reluctantly, but with dignity and honor withdrew. Such action seemed the only recourse when Kyoto turned down Boston's proposal to share its own space with Jerusalem, thus causing no inconvenience to Kyoto or other participants.

Is there really any question in anyone's mind that Jerusalem is among the world's most historic cities. Think for a moment of Jerusalem. It is the living legacy of King David who built Jerusalem. It is the site of the last supper. The Dome of the Rock is where Mohammed is thought to have ascended to Heaven. So many monuments, temples, and mosques stand to this day attesting to the rich and magnificent history of Jerusalem.) Which city in the world is more experienced in preserving historical treasures and celebrating cultural heritage? For once the world had an opportunity to celebrate Jerusalem as an historic city—a celebration that might have been free

of politics and dissension—if only Kyoto had seized the opportunity.

No valid explanation has been offered for Jerusalem's exclusion and, Mr. Speaker, believing that Kyoto was acting dishonorably in this matter, Boston in the end chose a noble protest. We hope the absence of two such great and remarkable cities will, in the end, prove a glaring example of the damage done by prejudice and discrimination.

WHO IS FISCALLY RESPONSIBLE?

(Mr. LUNGREN asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. LUNGREN. Mr. Speaker, we have heard a lot of talk about bipartisanship on the question of the budget. The American people are asking for it. But, frankly, I have been offended or upset by some of the comments I have seen coming from the other side of the aisle accusing the President of being the reason why we are not making progress toward taking care of the deficit.

Let us at least be honest about this. When I see a leader from the other party say that this President is not fiscally responsible, I have to go to the National Taxpayers Union rating of Members of Congress, both the House and the Senate, and it is obvious where the big spenders are. We cannot deny it.

There is a rating that is floating around the floor having been produced by a distinguished Member on that side of the aisle that rates Members of Congress. According to the rating, out of the top 138 big spenders of Congress, 1 is a Republican. Out of the best voters on spending; that is, those who vote for fiscal responsibility, there are 38 under his rating, and 1 is a Democrat.

I am not saying we cannot change, that we cannot have bipartisanship, but it is absolute nonsense to be saying on television that Ronald Reagan is fiscally irresponsible.

The buck stops here, Mr. Speaker, not at the White House. This is where we create the spending. This is where we take the bucks from our constituents' pockets. Let us at least be honest about it. Let us come together. Let us work in a bipartisan way, not like last week when we had 1 hour on a 1,000-page bill and yet had 10 hours yesterday on a 5-page bill.

THE BEST PLACE IN AMERICA TO RETIRE? MURRAY, KY

(Mr. HUBBARD asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. HUBBARD. Mr. Speaker, a new book published by Rand McNally entitled "Retirement Places Rated" has selected Murray, KY, home of Murray State University, as the most popular retirement location in the United States.

Naturally, as the Congressman for Murray, KY, and as one who was born in this city of 15,000, 50 years ago, I am very proud of this community and the honor bestowed upon it.

Rand McNally says:

> Murray, KY, and the wooded, rolling hill country around Kentucky Lake is at the top of our list of the 131 most popular retirement locations in America.

The competition was based on cost of living, climate, personal safety and services, health care, continuing education, housing, taxes, and leisure living.

To those of you today who would rather retire in La Jolla or Carmel, CA, or Sanibel Island or Fort Lauderdale, FL, I would encourage you to visit Murray, KY. You may just change your mind!

COMPLIANCE, NOT HYPOCRISY

(Mr. WALKER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. WALKER. Mr. Speaker, today is the deadline for the implementation of the Guatemala peace accords signed last August. In typically cynical fashion, the Sandinistas are reported to be orchestrating mass demonstrations today to "celebrate" the peace accords. However, there is nothing to celebrate if the Sandinistas' own compliance record is taken into account.

The Communist Sandinistas have thus far refused to negotiate a comprehensive cease-fire, they have refused to release political prisoners, and they refused to lift the state of emergency. They have censored the broadcasts of Radio Catolica. It is characteristic of the cynism of Communist regimes that the Sandinistas should be celebrating a treaty whose provisions they refuse to live up to.

Mr. Speaker, we need compliance from the Sandinistas, not hypocrisy. We need freedom in Nicaragua, not staged demonstrations. We need the Nicaraguan people to have a chance to choose their own destiny, not more Communist lies and distortions. We need peace, real peace, peace with freedom, not posturing, not Communist circuses.

KEITH AND SVETLANA BRAUN IN WASHINGTON PLEADING THE CAUSE OF REFUSENIKS

(Mr. CARR asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. CARR. Mr. Speaker, 3 years ago a determined young man from Southfield, MI, and a determined young woman from Moscow in the Soviet Union fought to be together.

Keith and Svetlana Braun were married in August of 1984 in the city of Moscow. They waited 3 years for the Soviet Government to grant permission to Svetlana to come to the United States and live with her husband.

On Tuesday of this week that wait came to an end, and now Keith and Svetlana are here together.

Instead of going off on a well-deserved time alone, as one might expect, they are spending the remainder of this week here in Washington to press the case of divided spouses before the Congress, the State Department, and the Soviet Government.

The plight of divided spouses and other refuseniks must continue to be highlighted, both in our Government and in the Soviet Union. That is why Keith and Svetlana are speaking openly and freely about themselves, and that is why the National Conference on Soviet Jewry will be marching here in Washington on December 6, the date of the United States-Soviet summit.

Mr. Speaker, today I want to give special recognition to Keith and Svetlana and wish them a long and happy future.

WHAT'S SO SURPRISING ABOUT ALL THOSE CESAREANS?

(Mr. PORTER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. PORTER. Mr. Speaker, Tuesday's Post had a front page article entitled "Group Decries Rising Rate of Cesarean Births." The group run by Ralph Nader says the cesarean section is the Nation's No. 1 unnecessary surgery.

They are undoubtedly right that all those cesareans aren't necessary. But Mr. Nader's group ignores the reason. That reason is the ridiculous medical malpractice situation affecting obstetricians and gynecologists. As one obstetrician points out in the article, when a woman's labor becomes complicated, the physician opts for the cesarean because he's scared of getting sued if the baby isn't perfect.

The 1985 data from a recently completed GAO study I commissioned bears out the legitimacy of that fear. Obstetricians and gynecologists are only 5 percent of all doctors, but they are named in 12 percent of claims which ultimately account for 30 percent of actual awards. They are sued more often, they are forced to pay more often, and the amount they must pay is more than for any other group of doctors. Is it any wonder that their

malpractice insurance and the cost of having a baby is so expensive?

Mr. Speaker, there is nothing more tragic than a child whose birth is not trouble free. But as a society we must face up to the reality that we are running an expensive, inequitable and unpredictable compensation system for these children through the tort system. We should look for alternatives because right now that system is producing unnecessary surgeries, high costs to consumers and unavailable prenatal and neonatal care. And that, Mr. Speaker, is unacceptable.

A WELCOME TO KEITH AND SVETLANA BRAUN

(Mr. LEVIN of Michigan asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. LEVIN of Michigan. Mr. Speaker, yesterday a bipartisan group of Members on both sides of the aisle welcomed Svetlana Braun to Washington. It was a heart-warming event. The glow is still with us. She reminded us, as did her husband Keith from Southfield, MI, that she leaves many behind her in the Soviet Union.

There are approximately 20 divided spouses who are still there. There are also tens of thousands of others who wish to leave the Soviet Union, as Svetlana was finally able to do.

The Secretary General, Mr. Gorbachev, will be in the United States on December 7. As mentioned here by the gentleman from Michigan [Mr. CARR], the Brauns are in Washington today, and they will be here in the next few days to help raise their voices so the pressure will remain on Secretary Gorbachev that he act as they finally did in the case of Svetlana Braun.

Mr. Speaker, may their presence here remind each of us in this House that the fight is still to be carried on.

□ 1045

BALANCING THE NATION'S ENERGY NEEDS WITH APPROPRIATE ENVIRONMENTAL PROTECTIONS

(Mr. IRELAND asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. IRELAND. Mr. Speaker, many of us have been working to develop an acceptable plan for offshore oil and gas leasing which balances our country's energy needs with appropriate environmental protections.

Recently, I received a visit from a company which hopes to bring clean coal technology to my State of Florida. The experimental project would cover boilers currently burning oil or natural gas to coal slurry fuel. Emissions normally associated with coal firing would be reduced through the use of advanced coal cleaning technologies.

Current trends indicate that the United States will be more than 50 percent dependent on foreign oil by the 1990's, and an increasingly large part of that will come from the Middle East. Therefore, I am highlighting the Florida proposal for the benefit of my colleagues so that we are all aware that there are many alternatives to our current dependence on oil.

By pursuing alternative resources we can guarantee that we attain the appropriate balance between environmental protection and fulfilling our energy needs.

OUR CHILDREN'S FUTURE AND THE FEDERAL DEFICIT

(Mrs. PATTERSON asked and was given permission to address the House for 1 minute and to revise and extend her remarks.)

Mrs. PATTERSON. Mr. Speaker, a few weeks ago I had the chance to meet with several high school students from Travelers Rest, SC.

These students were worried about the Federal deficit and had come to me to share their concern and present a check for $276.50 as a downpayment on the Federal deficit. In raising this money, these students washed cars and went door-to-door.

Their check may not be enough to fund the Department of Education for a minute, or to buy a part for a high-technology weapon system, but it represents something that I urge my colleagues to think long and hard about as we try to deal with the problem of the deficit.

We must take decisive steps now to drastically reduce the Federal deficit or this deficit is something we're going to pass on to our children. Bill Williams' students have given the Government one hard-earned check already. I don't want them to be doing it for the rest of their lives.

We have all heard the saying that "the future is now." Our decisions about responsible deficit reduction now will be our legacy to our children. The question is what kind of future will we leave them?

U.S. SUGAR PROGRAM

(Mr. STANGELAND asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. STANGELAND. Mr. Speaker, because a group of colleagues plan to unwisely introduce a bill next week which would for all intents and purposes destroy the U.S. Sugar Program, I would like to outline the benefits of the program and to clarify some of the misconceptions.

The sugar program is intended to insure an affordable, stable, supply of sugar to the American consumer with no excessive surpluses. It is working. Also, countries that export sugar to the United States benefit because an equitable price for their exported sugar is maintained. And most importantly, the sugar program is intended to operate at no cost to the U.S. Federal Government.

Critics of the program focus most of their criticism on the difference between the price of U.S. sugar and the price of sugar on the world market. What they fail to recognize is that the world price has little to do with its real economic value—it is the dumping price. This price is currently around 7 cents per pound, well below the cost of production anywhere in the world.

We do not need new legislation for the sugar program. The program is working and is essential to the rural areas where sugar is grown and to those places where it is processed in terms of jobs and revenue.

NEW ERA OF GLASNOST

(Mr. CARDIN asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. CARDIN. Mr. Speaker, on December 5, 1978, Elena and Yuri Balovlenkov were married. In most countries, this would not present a problem. But, since Yuri was a citizen of the Soviet Union and their marriage took place in the Soviet Union, Elena and Yuri have not known the experience of sharing the same household. For 10 years now, Elena, a resident of the Third Congressional District of Maryland, and Yuri have had to get by with infrequent phone calls, letters and visits. Miraculously, they do have two children—but Yuri has never seen his youngest in person. Yuri has gone on two prolonged hunger strikes to try and change the minds of Soviet officials who have repeatedly denied him permission to leave the country to join his wife in the United States.

As we approach the time of the summit between President Reagan and Secretary-General Gorbachev, it would certainly seem fitting if the United States and the Soviet Union could come together on the issue of human rights as they are doing on arms control. Denying a husband and wife the right to be together in the country of their choosing is a basic denial of those rights. I sincerely hope that the openness the Soviets profess to be practicing will be extended to those individuals who desire to make their lives outside of the Soviet Union. If the words of the Helsinki agreement are to ring true and if glasnost is to have any meaning at all, the Soviets will bring about an end to the suffering and pain of families by allowing them to settle—together as a family—

in the country of their choice. It is my wish and hope that Elena and Yuri will soon be among those to benefit from the new era of glasnost.

FURTHER CONTINUING APPROPRIATIONS, 1988

Mr. BONIOR of Michigan. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 302 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 302

Resolved, That upon the adoption of this resolution it shall be in order to consider, section 302(f) of the Congressional Budget Act of 1974, as amended (Public Law 93-344), as amended by Public Law 99-177), to the contrary notwithstanding, the joint resolution (H.J. Res. 394) making further continuing appropriations for the fiscal year 1988, and for other purposes, in the House. Debate on the joint resolution shall continue not to exceed one hour, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Appropriations. The amendment printed in section 2 of this resolution shall be considered to have been adopted. No other amendment shall be in order except the amendment printed in section 3 of this resolution, by and if offered by, Representative Bonior of Michigan, which shall be debatable for not to exceed sixty minutes, equally divided and controlled by the proponent and a Member opposed thereto. The previous question shall be considered as ordered on the joint resolution and amendments thereto to final passage without intervening motion except one motion to recommit, which may not contain instructions.

SEC. 2. On page 1, line 6 strike "November 20, 1987" and insert in lieu thereof "December 16, 1987".

SEC. 3. At the end of the joint resolution, insert the following:

SEC. 2. Section 101(a)(1) of the joint resolution of September 30, 1987 (Public Law 100-120), is amended by inserting before the semicolon at the end of the paragraph relating to military construction appropriations: ": *Provided further*, That any new assistance shall be provided consistent with the Central American peace agreement signed in Guatemala on August 7, 1987".

The SPEAKER pro tempore (Mr. OLIN). The gentleman from Michigan [Mr. BONIOR] is recognized for 1 hour.

Mr. BONIOR of Michigan. Mr. Speaker, for debate purposes only, I yield the customary 30 minutes to the gentleman from Tennessee [Mr. QUILLEN] and pending that, I yield myself such time as I may consume.

Mr. Speaker, House Resolution 302 provides for the consideration of House Joint Resolution 394 which makes further continuing appropriations for fiscal year 1988. The joint resolution shall be considered in the House and the 1-hour debate time shall be equally divided and controlled between the chairman and ranking minority member of the Committee on Appropriations.

The rule waives section 302(f) of the Congressional Budget Act against consideration of the bill. That section prohibits consideration of measures causing subcommittee levels or program level ceilings to be exceeded.

This rule has one self-executing section. The amendment printed in section 2 of House Resolution 302 changing the termination date of the continuing resolution from November 20 to December 16 is considered to be adopted upon adoption of the rule.

The only other amendment allowed to House Joint Resolution 394 would be an amendment printed in section 3 of the rule concerning Contra aid if offered by myself. I have decided, at this time, not to offer the amendment.

The rule allows one motion to recommit.

Mr. Speaker, House Joint Resolution 394 is a simple extension of the continuing resolution of September 30, 1987, until November 20, 1987, with a self-executing amendment further extending it until December 16, 1987.

Mr. Speaker, I urge the adoption of House Resolution 302.

Mr. QUILLEN. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, as has been ably explained, this is a simple extension of a continuing resolution until December 16. Appropriations are absolutely necessary.

Mr. Speaker, I support the rule, and I support the extension.

Mr. Speaker, I yield 3 minutes to the gentleman from Pennsylvania [Mr. WALKER].

Mr. WALKER. Mr. Speaker, I thank the gentleman for yielding me this time.

Yesterday at the end of the session we had a little bit of discussion on the floor about the historic implications of what is taking place in the House of Representatives, that we are moving more and more toward being a House where the tyranny of the majority and the dictatorship of the Chair rival that of the days of Speaker Reed and Speaker Cannon.

The people's House is more and more becoming a House where power is more important than individual rights.

I raise this in conjunction with this rule, because once again in this rule a step is being taken to undermine the rights of the minority in consideration of appropriations bills.

In this rule in an unprecedented action, the Committee on Rules is denying to the minority the ability to offer instructions on the motion to recommit on an appropriations bill. As nearly as I can determine, that is something which has not been done before, certainly not in recent history.

It is a precedent now established that I am certain we will see again, but it is a disturbing precedent, because it takes away from the minority one more fundamental right that we have to influence the course of legislation, particularly major appropriations bills as they come before the House, and particularly continuing resolutions which have become the vehicle by which most of the appropriations are being passed these days.

It is a very disturbing provision in this rule. In addition, as the gentleman from Michigan has pointed out, this bill waives section 302(f) of the Congressional Budget Act.

Once again we are a House where power is so closely held that we feel that we can ignore the law and do whatever we want.

This is one more rule where we have decided to ignore the law of the land; namely, the Budget Act, and go ahead and do what we want.

The question we have to begin to ask, it seems to me, as we see rule after rule of this type, is whether or not a House that is unwilling to protect the rights of its own Members, particularly the rights of its minority, can be trusted to protect the rights of the American people.

Mr. Speaker, I would ask that the rule be defeated.

Mr. QUILLEN. Mr. Speaker, I have no further requests for time, and I yield back the balance of my time.

Mr. BONIOR of Michigan. Mr. Speaker, I yield back the balance of my time, and I move the previous question on the resolution.

The previous question was ordered.

The resolution was agreed to.

A motion to reconsider was laid on the table.

□ 1100

Mr. WHITTEN. Mr. Speaker, pursuant to the rule just adopted, I call up the joint resolution (H.J. Res. 394) making further continuing appropriations for the fiscal year 1988, and for other purposes, and ask for its immediate consideration in the House.

The Clerk read the title of the joint resolution.

The SPEAKER pro tempore (Mr. GRAY of Illinois). Pursuant to House Resolution 302, the gentleman from Mississippi [Mr. WHITTEN] will be recognized for 30 minutes and the gentleman from Massachusetts [Mr. CONTE] will be recognized for 30 minutes.

The Chair recognizes the gentleman from Mississippi [Mr. WHITTEN].

GENERAL LEAVE

Mr. WHITTEN. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks, and that I may be allowed to include extraneous and tabular material on H.J. Res. 394, the joint resolution presently under consideration.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Mississippi?

There was no objection.

Mr. WHITTEN. Mr. Speaker, I yield myself such time as I may require.

Mr. Speaker, the resolution that we bring before you today continues the existing continuing resolution for an additional period. It is necessary to continue the orderly operations of the Government since the present resolution expires on November 10, 1987.

STATUS OF APPROPRIATIONS BILLS

The Appropriations Committee has completed its work on all 13 regular appropriations bills.

The House has passed the following 10 appropriations for fiscal year 1988:

Energy and water development on June 24;

Interior and related agencies on June 25;

District of Columbia on June 26;

Legislative branch on June 29;

Commerce, Justice, and State on July 1;

Transportation and related agencies on July 13;

Military construction on July 14;

Treasury-Postal Service on July 15;

Labor-Health and Human Services-Education on August 5; and

HUD-independent agencies on September 22.

And in addition, the committee reported the foreign assistance appropriations bill on August 6, the rural development, Agriculture bill on October 20, and the defense appropriations bill on October 28.

To date the Senate has passed 9 of the 10 House-passed appropriations bills and the House has agreed to go to conference on all 9 bills. Because the outlook is that it will require some time beyond November 10 for these bills to be handled in conference, and signed into law by the President, it is proposed that the continuing resolution be extended to allow time to complete action on the fiscal year 1988 appropriations bills. It is essential that this resolution be passed in a timely manner. Otherwise the Government comes to a halt until such action occurs.

We are currently operating under the resolution which the President signed and which became Public Law 100-120. Today, we are asking for an extension of this clean resolution which continues funding at "not to exceed the current rate of operations." This would stay in effect until December 16, 1987, or until the regular annual appropriations bills are enacted into law, whichever comes first. This extension would give us time to try to work out individual bills, which when enacted would drop out of the continuing resolution.

The resolution and the existing law which it amends is a very straightforward continuing resolution. There are no special provisions and no special funding levels for any programs. The resolution simply carries the Government forward at the current level until December 16 or until appropriations bills are enacted. It is a "clean" resolution.

PHILOSOPHY OF THE RESOLUTION

Provides a reasonable level of interim funding to allow for continued operation of Government programs until final decisions about bills are made—the current level.

Is of short duration.

Automatically disengages when regular annual bills are enacted.

Contains no extraneous provisions which more properly should be considered with regular bills.

LEVELS OF FUNDING UNDER THE RESOLUTION

Section 101 of Public Law 100-120 provides interim funding at the current rate of operations with one exception and under the terms and conditions in effect during fiscal year 1987, with one exception, for the following 13 regular appropriations bills:

First. The Agriculture, Rural Development, and Ralated Agencies Appropriations Act, 1987, and section 1241(a)(1) of Public Law 99-198;

Second. The Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Act, 1987, notwithstanding section 15(a) of the State Department Basic Authorities Act of 1956 and section 701 of the United States Information and Educational Exchange Act of 1948, as amended.

Third. The Department of Defense Appropriations Act, 1987;

Fourth. The District of Columbia Appropriations Act, 1987;

Fifth. The Energy and Water Development Appropriation Act, 1987;

Sixth. The Foreign Assistance and Related Programs Appropriations Act, 1987, notwithstanding section 10 of Public Law 91-672 and section 15(a) of the State Department Basic Authorities Act of 1956: *Provided,* That the rate of operations shall not be in excess of the current rate or the rate provided for in the budget estimate, whichever is lower.

Seventh. The Department of Housing and Urban Development-Independent Agencies Appropriations Act, 1987;

Eighth. The Department of the Interior and Related Agencies Appropriations Act, 1987;

Ninth. The Department of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 1987, and section 101(n) of Public Laws 99-500 and 99-591;

Tenth. The Legislative Branch Appropriations Act, 1987;

Eleventh. The Military Construction Appropriations Act, 1987, except for section 206 of such act;

Twelfth. The Department of Transportation and Related Agencies Appropriations Act, 1987; and

Thirteenth. The Department of Treasury, Postal Service, and General Government Appropriations Act, 1987.

NO NEW STARTS

The resolution also prohibits any new starts—section 101(a)(2) of Public Law 100-120—from beginning during this interim time period.

TERMINATION DATE

Section 102 of Public Law 100-120 is amended by this resolution to provide that funds shall continue to be made available until December 16, 1987, or until the enactment of the regular appropriations acts. When regular bills are signed into law, the provisions of the continuing resolution automatically disengage and the regular appropriations bills then become the funding device. This continuing resolution in no way precludes subsequent enactment into law of the regular appropriations bills.

CONCLUSION

Prompt enactment of this resolution will allow more time to work on the regular annual 1988 appropriations bills. We hope to clear as many of the regular bills as possible during the effective date of this resolution.

Mr. Speaker, I urge its adoption.

Mr. Speaker, at this time I would like to include information showing the funding levels in this resolution—as it amends Public Law 100-120—compared to our budget allocation:

COMPARISON TO THE 302(b) SUBDIVISIONS

This continuing resolution provides $482,128 million of discretionary budget authority, $9,047 million less than the Appropriations Committee allocation of discretionary budget authority. The Appropriations Committee filed a 302(b) allocation report on July 19 (Rept. 100-253). A comparison of this continuing resolution to the spending allocations follows:

COMPARISON TO SPENDING ALLOCATION

[In millions of dollars]

	Budget authority	Outlays
Continuing resolution:		
Discretionary	$482,128	$266,702
Mandatory [1]	120,544	322,412
Total	602,672	589,114
Appropriations Committee 302(b) allocation:		
Discretionary	491,175	271,317
Mandatory [1]	120,544	322,412
Total	611,719	593,729
Continuing resolution over (+)/under (−) 302(b) allocation:		
Discretionary	−9,047	−4,615
Mandatory [1]		
Total	−9,047	−4,615

[1] Conforms to budget resolution estimates.

Mr. MICHEL. Mr. Speaker, will the distinguished chairman yield?

Mr. WHITTEN. I yield to the distinguished gentleman from Illinois.

Mr. MICHEL. Mr. Speaker, I thank the gentleman very much for yielding.

I had intended actually to make a few remarks with respect to the rule. I want to express my appreciation to the majority side, frankly, for heeding

what I thought were very appropriate reservations on the original rule that was contrived for this continuing resolution, because it was my clear understanding from my consultations with the distinguished chairman and his subordinates that this continuing resolution would in fact be simply without any inhibitions or reservations a continuing of the level of spending for all the departments and agencies of Government as is.

There was some reverberation with respect to the Contra issue and the kind of funding that is involved in the last continuing resolution, and that frankly will be involved in this continuing resolution; but I think on balance, as I said again, having raised these very serious objections during the course of the Rules Committee hearing yesterday, and we will expand upon what we did say up there in the record during the course of these remarks so that the record will be abundantly clear.

We will probably have to enjoin this issue at the time of the long-range continuing resolution because of some of the broad implications, particularly with respect to the mechanism for delivery of nonlethal assistance to the Contras.

I just wanted to put it on the record at this time, No. 1, to express my appreciation to the Speaker and to the gentleman from Michigan [Mr. BONIOR] for heeding what we thought were adequate warnings up in the Rules Committee yesterday, to the distinguished chairman for the position that he has taken all along to make this as simple a kind of resolution as possible. There is going to be plenty of time for fireworks and hassling over the long-term one, undoubtedly, because it happens every year. We may not like it, but we know it is going to happen.

So I just wanted to take this opportunity to express my appreciation to the distinguished chairman of the committee.

Mr. Speaker, if I might have the attention of the gentleman from Massachusetts, the distinguished minority member of the committee, I know the gentleman has been involved in the budget negotiations downstairs and developments have moved rather rapidly here with the adoption of the rule. We are now on the debate on the continuing resolution.

I just expressed my own appreciation to the distinguished chairman and those responsible here for keeping it a clean resolution for the time being. That does not suggest that there will not be some fireworks on the long-term one when it comes up in December.

I would like to think that nothing would happen, but we know better than to expect it to be as smooth sailing as this one.

The gentleman probably need not make any comment, but I certainly wanted to at least kill a little time for the gentleman so that he might have an opportunity to make whatever remarks he feels appropriate at this time.

Mr. Speaker, I thank the distinguished chairman again.

CONGRESSMAN BOB MICHEL, TESTIMONY BEFORE RULES COMMITTEE, ARGUMENTS AGAINST ANTI-CONTRA AMENDMENT, NOVEMBER 4, 1987

Let me quickly get to the point about this amendment because we are all aware of the background against which this debate takes place.

The amendment, no matter how it is phrased, has one goal: to forbid the House to continue non-lethal aid to the contras, aid we have recently agreed to extend.

The House, in a bi-partisan fashion, with the full concurrence of the Speaker, agreed to extend non-lethal aid on September 23, 1987, knowing full well what the Guatemala Peace agreement said.

Well, if it was right for the House to pass such aid a few weeks ago, with no such amendment attached, why do we need the amendment now?

If we agree to this amendment, we will not only be sending the wrong signal to the Communists in Nicaragua, who would seize upon our action and use it for propaganda purposes, but would be overturning a bi-partisan consensus that we agreed to only a few short weeks ago.

We have to get straight in our minds exactly what this country's position should be toward the Peace Accords.

We are not a signatory to them. We want them to work if their success leads to freedom in the entire Central American region. But we are not allied to an agreement—we are allied to a principle—freedom.

The United States has a duty to do what we believe is right concerning our own duties and responsibilities in this area.

By our action on September 23, we have committed the word of the United States to helping the contras—by non-lethal means—during this period of negotiations.

And we are doing so precisely because everyone involved with the peace accord recognizes—and many have publicly stated—that it is the existence of a strong contra force that has created the atmosphere in which the peace accord was possible.

That point must be emphasized. Without the existence of a contra force that is able to maintain its readiness during this negotiations period, the Communist government of Nicaragua has absolutely no reason to live up to the agreement it signed.

Let the peace process continue.

Let the democracies of Central America keep a close eye on the Communist.

But while this is going on, the United States of America in general and this House in particular, have a sacred duty not to abandon or to appear to abandon the freedom fighters precisely at the historic moment when their presence is being so effective in leading toward possible freedom and democracy in Nicaragua.

The amendment's term "consistent with the Central America peace Agreement" is vague. Consistent according to whose interpretation? Consistent with what set of principles? Consistent with what the House has already committed itself to, in a true bi-partisan fashion only weeks ago? Or consistent with the communists' view of the peace agreement?

I believe that the United States should be consistent with the principles of freedom and democracy and helping the Nicaraguan people to get the chance to freely elect a government.

That is the consistency we have to honor. That is the consistency the Communists understand.

I urge that this amendment be rejected because it is in effect telling us, Democrats and Republicans alike, that the aid we passed in a bi-partisan fashion only weeks ago is somehow not in the interest of peace.

Well, the Speaker of the House believes it is in the interest of peace. That's why he agreed to include such aid in the September 23rd CR.

Let the nations who are signatories to the treaty continue to monitor its specific proposals, as we do. They have that responsibility.

But we have another responsibility as well. We have the responsibility to live up to the commitment we in the House already agreed to only a few weeks ago.

I strongly urge that this amendment be rejected and that the House continue to extend non-lethal aid. We did the right thing in the extension and we should continue to do it without any incumbering amendments that depend upon the vague, ill-defined and shadowy theories as to exactly what is consistent with the peace agreement, when such consistency exists and how it is to be interpreted.

If this amendment is not rejected and becomes part of the Rule, and if the resolution passes, I want to tell you now, Mr. Chairman, I will personally and with all the energy and commitment I can muster, lead a fight to get 145 votes to sustain a presidential veto of this measure.

We are willing to go the wall on this one, Mr. Chairman. This amendment would seek to tie the President of the United States to an agreement made by other countries, an agreement of which we are not a part, an agreement the specifics on which this amendment would bind us in law.

This is, so far as I know, unprecedented and ought to be rejected.

Mr. CONTE. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I will be very brief. At the outset, I want to thank my Republican leader, Congressman BOB MICHEL, for giving me this opportunity. I was downstairs in the budget summit and did not expect the rule to get through that quickly or I would have been up here.

I met with my good chairman, Congressman JAMIE WHITTEN, before he had drafted the continuing resolution and we agreed on what we were going to do in the short-term continuing resolution.

I want to commend the chairman. We cooperated together. We worked together and we did come up with a clean, short resolution. Originally we brought it up before the full Appropriations Committee with an expiration date of November 20, but there is no way in the world that we can get all of our work done and be out of here by November 20. We also had a continuing resolution which would take

effect on November 20 and go the entire fiscal year. At that point I told the chairman, we have always leveled with each other, that I would have to oppose the full-year CR if it came up today because my arguments in fighting the reconciliation battle were that we were meeting downstairs on the summit with the Senate at that time, and now on the House side, and that it would be wrong to try to pass a continuing resolution with all 13 appropriation bills before the summit had an opportunity to work its will and try to come out with a plan that would reduce the deficit considerably this year and next year.

So I am very pleased that the long continuing resolution has been pulled and that we have this short continuing resolution which the chairman has amended to expire on December 16. It makes a lot of sense. I think by that time that the summit will come to fruition and will come out with a package. If not, the whole darn country is going to go down in a hand basket.

An extension through December 16 is reasonable, and has the support of the administration.

I hope that both the House and the Senate will pass this resolution without amendment, so that we can continue the budget negotiations without distraction.

I particularly hope that my colleagues on the Republican side of the aisle will understand that this is a vote to continue appropriations at last year's levels, with the support of the administration, and with no extraneous legislation or special interest provisions.

It is a vote for outlay levels for discretionary programs which are: $6.8 billion below our 302(a) allocation; $14 billion below the President's budget; $5.7 billion below the bills reported to or passed the House, and $12.7 billion below the Gradison baseline.

It is a vote to reaffirm the position taken by Republicans on reconciliation that the House should not proceed with final spending legislation until the budget negotiations have been completed.

I understand and share your frustrations with the process. At another time a "no" vote would be in order.

But this is not the time. Vote "yes" and give us time to complete those negotiations.

Mr. Speaker, I yield 2 minutes to my good friend, the gentleman from Texas [Mr. ARMEY].

Mr. ARMEY. Mr. Speaker, I thank the gentleman for yielding.

Let me say at the outset that I do intend to vote for this continuing resolution today. As I say that, I also want to express my appreciation to Chairman WHITTEN and to the gentleman from Massachusetts [Mr. CONTE], and the members of the committee. I know this is a difficult committee, I say to the gentleman from Massachusetts [Mr. CONTE]. I know that the gentleman worked very hard on that.

I also realize that given the obligation we voted ourselves in the 99th Congress to live with the new mandate and the new limits imposed by Gramm-Rudman that it is a difficult process, more so than it has been in past years. The upshot of that process is that I do believe we must expect that we will have a full continuing resolution with all 13 appropriation bills for the remainder of the fiscal year sometime before Christmas.

I wanted to rise at this time and say that although I appreciate your efforts today and will vote for your efforts today, and in fact, appreciate the efforts of the committee throughout all the appropriation process and even in light of the necessary long-term continuing resolution that will necessarily have to be brought down to us.

At that point, given the fact that a lump sum continuing resolution that includes within it all 13 appropriation bills does negate the President's legitimate existing veto authority that could have under a timely passage allowed him to consider each bill separately, having the circumstance where that will be negated, I will go to the Rules Committee and I will request a rule that will allow me to amend that long-term continuing resolution to include in it enhanced decision authority that would allow the President to examine that large omnibus spending bill line item by line item and make line-item vetos, as it were, with a simple majority override capacity remaining for the House.

If the Rules Committee does not grant me that rule, I will use the parliamentary procedures available to me, including attempting to defeat the moving of the previous question on the rule. Then, if necessary, I will try to defeat the previous question to make that amendment in order.

I would ask all of the Members of this body, including the Rules Committee, including the Appropriations Committee, to consider this case, consider that long-term continuing resolution's are exceptions to our own procedures, our own rules, that they do have this perverse impact on the President's ability to be involved and see if in fact you could not support me in that effort. I would appreciate that support.

Again, I want to express my appreciation to the committee and express my willingness to happily vote "yes" today in appreciation for your good work.

Mr. WHITTEN. Mr. Speaker, I yield myself such time as I may require.

I want to say to my colleagues, I appreciate their statements and I assure the House that it is a pleasure for me to work with the gentleman from Massachusetts. We try to keep each other informed. We have worked together through the years.

May I say that I have pointed out the reason for us to pass the continuing resolution. The House has performed its duties. We have handled bills in the regular way. We have appointed conferees on those bills where they are ready for it. We have been ready to meet with the Senate. We are now.

One of the problems, and I say it at this time, is that while we have done all the things that are required in connection with concluding our work, they have a different 302 allocation in the Senate that differs from ours.

In every case the Senate 302(b) subdivision for each subcommittee is different from those of the House.

As the Senate passes bills, and we go to conference, we need to keep in mind that this difference in allocations affects each subcommittee and thus, the entire committee. Points of order, of course, lie in the House if we exceed our 302(b) allocation in the conference agreement on each bill. This, therefore, further complicates matters. It may mean that we will have to go to a continuing resolution for the balance of the year, but, if so, it will be because of matters such as that and not because of any negligence on our part.

May I say that I appreciate the cooperation of all the people here because we have to do this. We are doing it the best way we know how. There is no disturbance of anything that exists and I appreciate the support that we have had in bringing us to this level.

Mr. Speaker, for purposes of debate only, I yield 2 minutes to the gentleman from Virginia [Mr. OLIN].

Mr. OLIN. Mr. Speaker, I thank the committee chairman for yielding this time to me.

Mr. Speaker, I certainly rise in support of the short-term continuing resolution. It obviously needs to be passed. It is a good way to give us a little more time to deal with the longer term problem.

I was unhappy that the gentleman from Michigan [Mr. BONIOR] chose not to offer the amendment that was authorized by the Rules Committee. I understand the gentleman's logic in doing that, because the subject is extremely controversial. I do not seek in any way to criticize his decision in that regard.

I would like, however, to call the attention of the Members to the issue of Contra aid and continuing Contra aid as a matter of information. In the agreement of the five country Presidents under the heading of "Cessation of Aid to Irregular Forces or Insurgent Movements," their agreement said:

The governments of the five Central American nations ask the governments of the region and governments outside the region which are providing openly or covertly military, logistical, financial, rhetorical

(propanganda), and assistance in the form of humanitarian aid, arms, supplies, and equipment to irregular forces or insurgent movements to stop such aid as an indispensable element to achieving a lasting and stable peace in the region.

□ 1115

The above does not include aid which is given for reparation or in its place relocation and the necessary assistance for reintegration into the normal life of those persons who belong to said groups or movement."

The Bonior amendment which will not be introduced would have made it clear in appropriating any new money for the Contras it was to be in the spirit of the agreement of the five Presidents. I think I understand the reason for not offering the amendment. I am not suggesting people vote against the motion.

I want to point out that in the long term we need to come to grips with this issue. Undoubtedly we will later on in the longer term CR, if we have it. I myself in good conscience feel that we need to specify that any further aid is for relocation purposes only and not to support the cease-fire that has not occurred.

Mr. WHITTEN. Mr. Speaker, for purposes of debate only, I yield 4 minutes to the gentleman from Delaware [Mr. CARPER].

Mr. CARPER. Mr. Speaker, I thank the gentleman for yielding me this time.

Mr. Speaker, I have a question I would like to direct to the chairman or really anyone else who happens to be on the floor. I was just having a discussion with the gentleman from Massachusetts [Mr. CONTE] on this point. The question that concerns me is this, we are talking about adopting a short-term continuing resolution that goes well beyond the date of November 20, the date at which sequestration is to occur unless we have agreed on a deficit reduction plan. Which supersedes, Gramm-Rudman or this short-term continuing resolution on November 21? My understanding is that sequestration, absent an agreement with the White House, sequestration kicks in on November 21.

Mr. WHITTEN. Mr. Speaker, will the gentleman yield?

Mr. CARPER. I yield to the gentleman from Mississippi.

Mr. WHITTEN. Mr. Speaker, it is my understanding that at such time as this would be adopted it would not in any way change whatever the rules are in connection with sequestration.

Mr. CARPER. So, if I understand what the chairman is saying, even if we adopt this short-term CR and November 20 comes and goes, we do not have an agreement with the White House on a deficit reduction plan, then this CR, for all intents and purposes, becomes moot, and Gramm-Rudman and the reductions that are mandated under Gramm-Rudman become effective. Is that correct?

Mr. WHITTEN. My understanding is they are two separate things. It would be handled and would go ahead, as the gentleman says, with whatever the law may be.

Mr. CARPER. I find that confusing, because under this CR, as I understand it, we provide for level funding, 1987 and 1988 funding are the same. Under sequestration, domestic discretionary spending would be cut by about 8 percent and defense discretionary spending would be cut by about 10 percent. I do not see how we can have it both ways. We cannot have both the freeze that we have under this CR past November 20 and then the 8- or 10-percent cuts mandated by Gramm-Rudman.

Mr. CONTE. Mr. Speaker, will the gentleman yield?

Mr. CARPER. I am happy to yield to the gentleman from Massachusetts.

Mr. CONTE. Mr. Speaker, the gentleman is confusing two things. This CR does not become moot, as the gentleman says, if Gramm-Rudman triggers on November 20. It has nothing to do with it. If on November 20 we have not done anything about cutting the budget by $23 billion, then Gramm-Rudman-Hollings triggers in, and that will have an effect on the entire budget. The budget will be cut.

Mr. DICKS. Mr. Speaker, will the gentleman yield?

Mr. CARPER. I yield to the gentleman from Washington.

Mr. DICKS. Mr. Speaker, one thing that does happen, you still have a continuing resolution, but it would be at the Gramm-Rudman levels as that would occur on November 20. But there still are 10 days after that when a privileged resolution could be introduced to modify Gramm-Rudman, so there is still a chance to change it after November 20, at least as I understand the Budget Act.

Mr. WHITTEN. One other thing, if I may say so, we all understand that if they reach agreement on any of these bills and get them through conference and adopted by the Congress and signed by the President, they come out from under the continuing resolution. I would not lead the gentleman to believe that is likely to happen, but it is true so far as procedures are concerned.

Mr. CARPER. Let me take my few seconds still available to say that I am uncomfortable in adopting a continuing resolution that carries us past November 20. I think we have a tendency around here to only react in times of crisis. I think we need to hold our feet to the fire, I think we need to hold the feet of our negotiators from the White House to the Congress to the fire so that we can negotiate seriously about the deficit reduction plan by November 20.

Mr. CONTE. If the gentleman will yield to me again, let me say that the gentleman cannot compare Gramm-Rudman-Hollings with the continuing resolution. Assuming that Gramm-Rudman-Hollings goes into effect and triggers on November 20, the continuing resolution, I tried to explain, is only a vehicle to keep the Government going and it has nothing to do with Gramm-Rudman. Gramm-Rudman-Hollings can go into effect unless the privileged resolution the gentleman from Washington talks about were introduced to change it. We would have to vote on that here.

This only continues the work of the Government through December 16. With the 1 week that we are going to be off for Thanksgiving, the 3 days we are going to be off next week, there is no way in the world, even the great Houdini could not pass 13 appropriation bills.

So we are going to have to have a continuing resolution to keep the Government running until December 16.

That is all this does.

Mr. WEISS. Mr. Speaker, I plan to cast my vote in favor of House Joint Resolution 394, which extends the existing short-term continuing resolution until December 16. However, I do so only with great reluctance.

The resolution contains funding for every domestic and foreign assistance program of the U.S. Government. It is absolutely essential to keep the Government and its programs running, and therefore it is not possible for me to vote against this measure.

Unfortunately, the resolution also continues a small amount of nonlethal aid for the Contras which was included in the short-term continuing resolution voted on last month for food, medicines, clothing and the like. For the 36 days covered by House Joint Resolution 394, the measure would provide approximately $3.2 million in nonlethal aid for the Contras.

I strongly believe that even this small amount of aid is totally unnecessary and flies in the face of the Guatemala peace plan at the very moment when the regional leaders are working on implementing the accord.

Nevertheless, I am persuaded that, at the moment, efforts to delete these funds would be counterproductive. Losing that vote could have a negative effect on the major battle coming up in approximately 2 weeks to terminate all support to the Contras.

That is the struggle on which we must concentrate our efforts. When we win that fight we will at long last have brought America's vote in the killing to an end. We can then start to restore America's image as a law-abiding member of the community of nations.

Mr. ATKINS. Mr. Speaker, I rise in opposition to House Joint Resolution 394.

I fully realize the importance of this legislation. But I must oppose the bill because, like the short-term continuing resolution we approved in September, it includes assistance to the Contras to be administered by the Department of Defense and the CIA. My conscience did not allow me to vote for such aid in September, and I must vote against it today.

We are all aware of the track record of the DOD and the CIA when it comes to Central America. We should not allow this aid to be administered by the main proponents of a military solution in Central America. If the aid is to be truly humanitarian, it should be administered by the Red Cross or other relief agencies.

Today is a day that could go down in history as the beginning of peace in Central America. Today the five signatories to the Arias accord will announce their intentions for complying with the agreement. At this critical moment, the peace process demands the cooperation of the United States. But approval of this aid could be seen as a sign of bad faith on our part. This is, once again, the wrong kind of aid at the wrong time.

I urge my colleagues to oppose the bill.

Mrs. MORELLA. Mr. Speaker, it is with some reluctance that I will vote for the continuing resolution, a measure which will continue Government spending until December 16 for all programs funded by the 13 reqular appropriations bills.

Without passage of a continuing resolution, there would be no paychecks for Federal employees, 60,000 of whom live in Maryland's Eighth Congressional District, and essential Government services would soon grind to a halt.

I am opposed to the provision of the continuing resolution that appropriates an additional $3.2 million in nonmilitary aid for the Nicaraguan Contras. To authorize such funding on the very day the Guatemala accord is supposed to go into effect is unfortunate. I am disappointed that there was no opportunity to vote on an amendment to strike this provision from the resolution.

Under the rule that was approved, the only amendment that was in order was an amendment, that could only be introduced by Congressman BONIOR, that would provide that any aid to the Contras under the bill be consistent with the Guatemala accords. I was disappointed that Congressman BONIOR chose not to offer this amendment, which would have required the $3.2 million to be delivered by a neutral organization, such as the International Red Cross, as opposed to the CIA. Had this amendment been offered, I would have voted for it.

It is unfortunate that Government funding should come to this. All too often in recent years, Congress has failed to pass appropriations bills in a timely fashion and has had, instead, to pass omnibus spending bills outside of the normal, careful funding process. As a result, individual items are not given the consideration which is their due, but are instead wrapped into a large spending package which must be approved to keep the Government operating.

Mr. KENNEDY. Mr. Speaker, I am voting against the short-term continuing resolution today for the same reason that I voted against the last short-term CR a few weeks ago—because it contains over $3 million in aid to the Contras in Nicaragua.

The bottom line is that I am opposed to aid to the Contras, but today there is an even stronger reason to oppose sending them more money. Today, November 5, marks a major milestone in the Central American peace process begun 3 months ago. The five governments who are signatories to the Guatemala accords initiated by President Oscar Arias of Costa Rica have asked all nations to cease military and logistic aid to insurgent forces such as the Contras in Nicaragua. The $3.2 million included in this second short-term CR is a repeat of the Contra aid money this Congress passed without my support a few weeks ago. This so-called logistical, humanitarian aid is illegal under the Arias plan. It will go for boots and supplies delivered by the CIA to support a deadly force that murders innocent civilians in Nicaragua.

Last weekend Daniel Ortega told President Arias that the Sandinistas will eventually negotiate a cease-fire with the Contras but that "now is not the proper time." I say to Ortega that there is no better time for peace than now. Ortega should declare full amnesty and empty Nicaragua's jails of political prisoners. He should hold discussions to arrange a ceasefire in the guerrilla war. He should establish real freedom of the press and media, beyond the symbolic opening of La Prensa. At the same time, our allies in Honduras have taken no action to evict Contra forces from their territory as required by the Arias plan. From this day forward the verification process of compliance with the Arias plan goes forward. All parties to the plan should make a conscientious effort to support it. A vote for this CR is a vote against the peace plan signed in Guatemala by leaders of all five Central American nations.

Had I had the opportunity to support an amendment to eliminate all Contra aid from the CR, or an amendment requiring that the aid go only toward eliminating the Contra threat, I would have done so. Today that is not an option. More people will die in Nicaragua because of this money, and I cannot support a continuing resolution that allows more innocent civilians to be killed.

Mr. CONTE. Mr. Speaker, I have no further requests for time, and I yield back the balance of my time.

Mr. WHITTEN. Mr. Speaker, I have no further requests for time, and I yield back the balance of my time.

The SPEAKER pro tempore. Under the rule, the amendment in section 2 of House Resolution 302 is considered as having been adopted.

The text of House Joint Resolution 394, as amended by House Resolution 302, is as follows:

H.J. RES. 394

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That section 102(c) of the joint resolution of September 30, 1987 (Public Law 100-120), is hereby amended by striking out "November 10, 1987" and inserting in lieu thereof "December 16, 1987".

The SPEAKER pro tempore. No other amendments are in order except the amendment printed in section 3 of House Resolution 302, if offered by Representative BONIOR. If the gentleman from Michigan [Mr. BONIOR] does not seek recognition, under the rule, the previous question is ordered.

The question is on the engrossment and third reading of the joint resolution.

The joint resolution was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER pro tempore. The question is on the passage of the joint resolution.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. KENNEDY. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

The vote was taken by electronic device, and there were—yeas 256, nays 159, not voting 18, as follows:

[Roll No. 415]

YEAS—256

Ackerman	Dixon	LaFalce
Alexander	Donnelly	Lancaster
Andrews	Dowdy	Lantos
Annunzio	Downey	Latta
Anthony	Dwyer	Leath (TX)
Archer	Dymally	Lehman (FL)
Armey	Edwards (OK)	Lent
Aspin	Emerson	Levin (MI)
Badham	English	Lewis (CA)
Baker	Erdreich	Livingston
Bartlett	Espy	Lloyd
Bateman	Fascell	Lott
Bennett	Fawell	Lowery (CA)
Bentley	Fazio	Lujan
Bereuter	Fish	Luken, Thomas
Bevill	Foley	Lukens, Donald
Bilbray	Ford (MI)	MacKay
Bliley	Ford (TN)	Madigan
Boehlert	Frank	Manton
Boggs	Frost	Martin (NY)
Boland	Gallo	Martinez
Bonior	Garcia	Mazzoli
Bonker	Gaydos	McCollum
Borski	Gejdenson	McCurdy
Boucher	Gekas	McDade
Boulter	Gibbons	McGrath
Brooks	Gilman	McHugh
Broomfield	Gingrich	McMillan (NC)
Brown (CA)	Glickman	McMillen (MD)
Bryant	Goodling	Meyers
Bunning	Gordon	Mica
Bustamante	Gradison	Michel
Byron	Grandy	Miller (OH)
Callahan	Grant	Molinari
Cardin	Gray (IL)	Mollohan
Carr	Gray (PA)	Montgomery
Chandler	Green	Morella
Chapman	Guarini	Morrison (WA)
Chappell	Hall (TX)	Mrazek
Cheney	Hammerschmidt	Murphy
Clarke	Harris	Murtha
Clinger	Hatcher	Myers
Coats	Hawkins	Natcher
Coble	Hayes (LA)	Nelson
Coelho	Hefner	Nichols
Coleman (MO)	Hochbrueckner	Nowak
Coleman (TX)	Holloway	Obey
Combest	Hoyer	Ortiz
Conte	Huckaby	Owens (UT)
Cooper	Hunter	Packard
Coughlin	Hutto	Parris
Courter	Jenkins	Pashayan
Craig	Johnson (CT)	Patterson
Crockett	Jones (NC)	Penny
Darden	Jones (TN)	Pepper
Davis (MI)	Kanjorski	Pickett
de la Garza	Kaptur	Pickle
Dickinson	Kasich	Price (IL)
Dicks	Kleczka	Price (NC)
Dingell	Kolbe	Pursell
DioGuardi	Kolter	Quillen

Rangel
Ravenel
Ray
Regula
Rhodes
Richardson
Rinaldo
Roberts
Roe
Rogers
Rose
Rostenkowski
Roukema
Rowland (GA)
Roybal
Sabo
Saiki
Saxton
Schumer
Shaw
Sisisky
Skeen
Skelton
Slattery
Slaughter (VA)
Smith (FL)
Smith (IA)
Smith (NE)
Smith (NJ)
Smith (TX)
Solarz
Spence
Spratt
St Germain
Staggers
Stallings
Stenholm
Stokes
Stratton
Stump
Sundquist
Sweeney
Swift
Synar
Tallon
Tauzin
Taylor
Thomas (GA)
Torricelli
Towns
Traficant
Traxler
Udall
Valentine
Vander Jagt
Vento
Visclosky
Volkmer
Vucanovich
Walgren
Watkins
Weber
Weiss
Weldon
Whittaker
Whitten
Wise
Wolf
Wolpe
Wortley
Wylie
Young (AK)
Young (FL)

NAYS—159

Anderson
Applegate
Atkins
AuCoin
Ballenger
Barton
Bates
Beilenson
Berman
Bilirakis
Bosco
Boxer
Brennan
Bruce
Buechner
Burton
Campbell
Carper
Collins
Conyers
Coyne
Crane
Dannemeyer
Daub
Davis (IL)
DeFazio
DeLay
Dellums
Derrick
DeWine
Dornan (CA)
Dreier
Durbin
Dyson
Early
Eckart
Edwards (CA)
Evans
Feighan
Fields
Flake
Florio
Foglietta
Frenzel
Gallegly
Gonzalez
Gregg
Gunderson
Hall (OH)
Hamilton
Hansen
Hastert
Hayes (IL)
Hefley
Henry
Herger
Hertel
Hiler
Hopkins
Horton
Hubbard
Hughes
Inhofe
Ireland
Jacobs
Jeffords
Johnson (SD)
Jontz
Kastenmeier
Kennedy
Kennelly
Kildee
Konnyu
Kostmayer
Kyl
Lagomarsino
Leach (IA)
Lehman (CA)
Leland
Levine (CA)
Lewis (FL)
Lewis (GA)
Lightfoot
Lowry (WA)
Lungren
Mack
Markey
Marlenee
Martin (IL)
Matsui
Mavroules
McCandless
McCloskey
McEwen
Mfume
Miller (CA)
Miller (WA)
Mineta
Moakley
Moody
Moorhead
Morrison (CT)
Nagle
Neal
Nielson
Oberstar
Olin
Owens (NY)
Oxley
Panetta
Pease
Pelosi
Perkins
Petri
Porter
Rahall
Ridge
Ritter
Robinson
Rodino
Roth
Rowland (CT)
Russo
Savage
Sawyer
Schaefer
Scheuer
Schneider
Schroeder
Schuette
Schulze
Sensenbrenner
Sharp
Shays
Shumway
Shuster
Sikorski
Skaggs
Slaughter (NY)
Smith, Denny (OR)
Smith, Robert (NH)
Smith, Robert (OR)
Snowe
Solomon
Stangeland
Stark
Studds
Swindall
Tauke
Thomas (CA)
Torres
Upton
Walker
Waxman
Wheat
Williams
Wyden
Yates
Yatron

NOT VOTING—18

Akaka
Barnard
Biaggi
Brown (CO)
Clay
Daniel
Dorgan (ND)
Duncan
Flippo
Gephardt
Houghton
Howard
Hyde
Kemp
Lipinski
Oakar
Roemer
Wilson

□ 1130

The Clerk announced the following pairs:

On this vote:

Mr. Akaka for, with Mr. Brown of Colorado against.

Mr. Barnard for, with Mr. Houghton against.

Messrs. LELAND, SIKORSKI, GUNDERSON, RUSSO, FOGLIETTA, FLORIO, SAVAGE, PANETTA, HAYES of Illinois, McEWEN, OBERSTAR, LEHMAN of California, SWINDALL, WAXMAN, RODINO, RITTER, HUGHES, DEWINE, and COYNE, and Mrs. COLLINS changed their votes from "yea" to "nay."

Messrs. WEBER, SKELTON, ARCHER, and GLICKMAN changed their votes from "nay" to "yea."

So the joint resolution was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

PERSONAL EXPLANATION

Mr. DORGAN of North Dakota. Mr. Speaker, I missed the vote on House Joint Resolution 394, the short-term continuing resolution; because the device in my office to notify me of votes failed to signal a vote was in progress.

Had I been present, I would have voted "no" on the resolution.

□ 1145

PERMISSION TO HAVE UNTIL MIDNIGHT TOMORROW TO FILE CONFERENCE REPORT ON H.R. 1451, OLDER AMERICANS ACT AMENDMENTS OF 1987

Mr. KILDEE. Mr. Speaker, I ask unanimous consent that the managers may have until midnight tomorrow night to file a conference report on the bill (H.R. 1451) to amend the Older Americans Act of 1965 to authorize appropriations for the fiscal years 1988, 1989, 1990, and 1991; to amend the Native Americans Programs Act of 1974 to authorize appropriations for such fiscal years; and for other purposes.

The SPEAKER pro tempore (Mr. GRAY of Illinois). Is there objection to the request of the gentleman from Michigan?

There was no objection.

PERMISSION FOR COMMITTEE ON INTERIOR AND INSULAR AFFAIRS TO FILE REPORTS ON H.R. 2967 and S. 247

Mr. UDALL. Mr. Speaker, I ask unanimous consent that the Committee on Interior and Insular Affairs have until 5 p.m. today to file reports on H.R. 2967 dealing with safe disposal of nuclear waste and on S. 247 designating the Kern River as a wild and scenic river.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Arizona?

There was no objection.

PERSONAL EXPLANATION RELATIVE TO COSPONSORSHIP OF H.R. 3400

Mr. McEWEN. Mr. Speaker, if the rules would permit, I would ask that my name be removed as a cosponsor of the bill, H.R. 3400.

LEGISLATIVE PROGRAM

(Mr. LOTT asked and was given permission to address the House for 1 minute.)

Mr. LOTT. Mr. Speaker, I take this time for the purpose of determining the schedule for the balance of the day and for next week. It is my understanding that after this colloquy we will take up the rule on the foreign aid authorization bill, but only the rule, and that should not take too long, and that would conclude the business for the day and the week.

I would be glad to yield to the majority leader to receive the schedule for next week.

Mr. FOLEY. Mr. Speaker, I thank the distinguished Republican whip for yielding.

Mr. Speaker, the gentleman is correct, we will this afternoon take up the rule on the International Security and Development Cooperation Act of 1987, providing for 1 hour of debate. That completes the schedule for the day and for the week.

The House will meet at noon on Monday, November 9, and we have scheduled 10 bills under suspension of the rules, as follows:

H.R. 2752, to encourage use of program crop acreage for the purpose of creating game and wildlife habitat;

H.R. 519, to require a limited FERC decision on the Swan Falls, ID, hydroelectric plant license;

H.R. 2167, Railroad Unemployment Insurance and Retirement Improvement Act;

H.J. Res. 385, expressing the sense of Congress that the U.N. General Assembly Resolution 3379 (which equates Zionism with racism) should be overturned;

H.J. Res. 376, calling upon the Soviet Union to grant permission to immigrate to all those who wish to join spouses in the United States;

H. Con. Res. 209, expressing the sense of Congress with respect to demonstrations in Latvia commemorating Latvian Independence Day;

H. Con. Res. 186, regarding the Berlin Wall;

H.R. 2210, Organotin-Based Antifoulant Paint Control Act of 1987;

H.R. 2853, San Francisco Bay National Wildlife Refuge Authorization; and

H.R. 2598, Commercial Fishing Industry Vessel Anti-Flagging Act of 1987.

We will also take up H.R. 1326, the Public Health Service Infant Mortality Amendments Act of 1987, subject to a rule.

Mr. Speaker, Members may wish to be advised that we will withhold votes on suspensions debated on Monday until the end of consideration of the public health bill and votes on that bill. There will, in other words, be votes at the end of the day on Monday. There will be votes on that day, and we cannot advise Members precisely when those will take place at the end of the legislative day, but from the schedule I assume that Members would be taking some risk of missing votes if they come later than 2:30 or 3.

On Tuesday, November 10, the House will meet at 10 a.m., and we will consider H.R. 435, the Uniform Poll Closing Act, under an open rule, with 1 hour of debate. The House will recess at 2:30 p.m. and reconvene at 3:15 p.m. to receive the President of Israel in a joint meeting.

Following the joint meeting and the address of President Herzog, the House will reconvene for legislative business.

Mr. LOTT. Mr. Speaker, let me ask this question at this point: Is it the intent or presumption that we would probably be able to finish the Uniform Poll Closing Act before 2:30, since we are coming in at 10 a.m.?

Mr. FOLEY. We hope to be able to do that, yes.

On Wednesday and the balance of the week, November 11, 12, and 13, the House will not be in session, for Veterans' Day, Wednesday, and the 12th and the 13th. And that is on the assumption, which is very much in order today, I think, that the continuing resolution has been sent to the President. So that one caveat that I expressed before in answer to the questions of the gentleman from Mississippi has now been removed, and I think we have gone from 99.8 percent certainty to something very close to 100 percent.

The House will accordingly be in session only on Monday and Tuesday next week, but I repeat that there will be votes on both days. There will be votes on both Monday and Tuesday.

Mr. LOTT. Mr. Speaker, let me state to the distinguished majority leader that it is my understanding that he has stated here that Members should be aware of possible further action on the continuing appropriations resolution. I guess that is based on the possibility that the short CR might get hung up for some reason. But the gentleman's intention is to bring up the larger CR the week of November 16; is that correct?

Mr. FOLEY. The gentleman is correct.

Mr. LOTT. In that connection, does the gentleman have any plans at this time for that Monday, November 16?

Mr. FOLEY. We are not able to advise Members at this time about the Monday schedule. But I do wish to go back, if I may, to this coming Monday and correct the statement I made on that so there is no misunderstanding.

We will postpone the votes on next Monday on legislative matters until after the conclusion of the Public Health Service Amendments Act, but in view of the immediate past history, Members would have to be advised that procedural votes could occur earlier. We hope that they do not, but they might, and so Members will have to make their own judgment in respect to that.

Mr. LOTT. Mr. Speaker, I have one final question. Does the gentleman have any information he could give the membership with regard to Thanksgiving and what the recess would be for that time?

Mr. FOLEY. Mr. Speaker, the House will be concluding business on Friday, November 20, at the close of business, and will begin a Thanksgiving recess that will encompass the entire week of Thanksgiving. The House will return to session on Monday, November 30. We do not anticipate legislative votes on that day. Again procedural votes could occur.

We will be in session on Tuesday, December 1. We do not anticipate legislative votes on that day. Procedural votes could occur. But we do expect debate on suspensions on Tuesday, December 1. The votes will be rolled until Wednesday, December 2.

So as far as legislative votes are concerned, from the conclusion of business on Friday, November 20, until the meeting of the House on Wednesday, December 2, the House will either be in recess or will be meeting without legislative votes expected.

Mr. MONTGOMERY. Mr. Speaker, will the gentleman yield?

Mr. LOTT. I yield to the distinguished chairman of the Veterans' Affairs Committee.

Mr. MONTGOMERY. Mr. Speaker, I would like to take this time to thank the majority leader and the leadership on behalf of the number of Members of Congress as well as the number of veterans' organizations for giving Members a chance to have the holiday for Veterans Day, November 11, 12, and 13. I would like to also thank the majority leader, because I am sure we will be able to get out rather early on Tuesday afternoon to meet our obligations on Wednesday.

Mr. FOLEY. Mr. Speaker, I thank the gentleman from Mississippi.

Mr. Speaker, if the gentleman will yield further, I have been advised that what I described in answer to the question of the gentleman from Mississippi was the proposed, but not yet final, arrangements for Thanksgiving, so Members should treat that as not yet official. We will attempt to make the decision very shortly. This is the proposal that will be discussed and made final very soon, but for the moment the schedule for November 20 and through the week of Thanksgiving, with legislative business but without votes on November 30 and December 1, should be considered as tentative. We will try to accommodate the Members with a final statement on that as soon as possible. The rest of the schedule is official.

Mr. LOTT. Mr. Speaker, let me ask, the gentleman expects to try to pass the adjournment resolution next week, not today, the adjournment resolution for next week; is that right?

Mr. FOLEY. The gentleman is correct.

Mr. LOTT. And the gentleman only expects to have one legislative day on next Tuesday?

Mr. FOLEY. In the sense that the gentleman refers to Tuesday, yes, I think just one. We will try to advise the Members in advance if there is any change in that.

HOUR OF MEETING ON TUESDAY NEXT

Mr. FOLEY. Mr. Speaker, I ask unanimous consent that when the House adjourns on Monday, November 9, 1987, it adjourn to meet at 10 a.m. on Tuesday, November 10, 1987.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Washington?

There was no objection.

REPORT ON RESOLUTION PROVIDING FOR CONSIDERATION OF H.R. 1326, PUBLIC HEALTH SERVICE INFANT MORTALITY AMENDMENTS ACT OF 1987

Mr. HALL of Ohio, from the Committee on Rules, submitted a privileged report (Rept. No. 100-422) on the resolution (H. Res. 305) providing for the consideration of the bill (H.R. 1326) to amend the Public Health Service Act to provide for additional funds to Community and Migrant Health Centers for the purpose of reducing the incidence of infant mortality, which was referred to the House Calendar and ordered to be printed.

PERSONAL EXPLANATION

Mr. YATES. Mr. Speaker, last Monday I missed rollcall votes Nos. 396, 397, 398, and 399. These were procedural votes, and I missed the votes because of illness in my family.

PROVIDING FOR CONSIDERATION OF H.R. 3100, INTERNATIONAL SECURITY AND DEVELOPMENT COOPERATION ACT OF 1987

Mr. HALL of Ohio. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 293 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 293

Resolved, That at any time after the adoption of this resolution the Speaker may, pursuant to clause 1(b) of rule XXIII, declare the House resolved into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 3100) to authorize international security and development assistance programs and Peace Corps programs for fiscal years 1988 and 1989, and for other purposes, and the first reading of the bill shall be dispensed with. After the general debate, which shall be confined to the bill and which shall not exceed one hour, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Foreign Affairs, the bill shall be considered for amendment under the five-minute rule by titles instead of by sections and each title shall be considered as having been read. No amendment to the bill shall be in order except those printed in the Congressional Record on or before November 10, 1987. Subject to clause 6 of rule XXIII, debate on all amendments except as provided in the next sentence, shall not exceed ten hours. It shall be in order to consider an amendment in the nature of a substitute by, and if offered by, Representative Broomfield of Michigan, or his designee, said amendment shall not be subject to amendment except one en bloc amendment by and if offered by Representative Broomfield or his designee, which could only include amendments to the bill which have been adopted in the Committee of the Whole and shall be debatable for not to exceed one hour, equally divided and controlled by the proponent and a Member opposed thereto. It shall be in order for the chairman of the Committee on Foreign Affairs, or his designee, at any time to offer en bloc amendments printed in the Congressional Record, including modifications in the text of any amendment which are germane thereto. Such amendments en bloc shall be considered as having been read and shall not be subject to amendment or to a demand for a division of the question in the House or in the Committee of the Whole. Such amendments en bloc shall be debatable for not to exceed twenty minutes, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Foreign Affairs. The original proponents of the amendments offered en bloc shall have permission to insert statements in the Congressional Record immediately before the disposition of the amendments offered en bloc. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit with or without instructions.

□ 1200

Mr. HALL of Ohio. Mr. Speaker, I yield the customary 30 minutes to the gentleman from Mississippi [Mr. LOTT], for purposes of debate only, pending which I yield myself such time as I may consume.

Mr. HALL of Ohio. Mr. Speaker, House Resolution 293 is a modified open rule providing for the consideration of H.R. 3100, the International Security and Development Cooperation Act of 1987.

The rule provides for 1 hour of general debate to be equally divided and controlled by the chairman and ranking minority member of the Committee on Foreign Affairs. The bill shall be considered for amendment by titles, instead of by sections, and each title shall be considered as having been read.

It should be noted that the rule provides that no amendment to the bill is in order except those printed in the CONGRESSIONAL RECORD on or before November 10, 1987. Since it is difficult to predict how many and what kind of amendments might be offered to this important foreign policy legislation, it will be helpful to the managers to have fair advance notice of the contents of potential amendments. This will facilitate the efficient use of House floor time, and will allow the managers ample opportunity to examine amendments that can be accepted without extended debate.

Subject to clause 6 of rule XXIII, debate on all amendments shall not exceed 10 hours. Although there is a 10-hour limit on amendments, amendments printed in the CONGRESSIONAL RECORD shall be debatable for 10 minutes, equally divided between the proponent of the amendment and a Member opposed to it.

In addition to the 10 hours of debate on amendments, the rule makes in order an amendment in the nature of a substitute by, and if offered by, Representative BROOMFIELD of Michigan, or his designee. The Broomfield amendment shall not be subject to amendment except for one en bloc amendment by, and if offered by, Representative BROOMFIELD or his designee, which could only include amendments to the bill which have been adopted in the Committee of the Whole. This provision in the rule allows the gentleman from Michigan [Mr. BROOMFIELD] to incorporate in his substitute selected amendments adopted in the Committee of the Whole. The Broomfield amendment shall be debatable for 1 hour, equally divided and controlled by the proponent and a Member opposed to it.

The rule makes it in order for the chairman of the Foreign Affairs Committee, or his designee, at any time to offer en bloc amendments printed in the CONGRESSIONAL RECORD, including germane modifications in the text of any amendment. Such amendments en bloc shall be considered as having been read, and shall not be subject to amendment or to a demand for a division of the question in the House or in the Committee of the Whole. The amendments en bloc shall be debatable for not to exceed 20 minutes, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Foreign Affairs.

The rule states that the original proponents of the amendments offered en bloc shall have permission to insert statements in the CONGRESSIONAL RECORD immediately before the disposition of the amendments offered en bloc.

My colleagues should be aware that the provisions in this rule relating to the grouping of amendments en bloc are similar to those incorporated in House Resolution 160, the rule considered earlier this year for the Department of Defense authorization, H.R. 1748.

Finally, Mr. Speaker, this rule provides for one motion to recommit, with or without instructions.

This is a bipartisan rule. It enjoys the support of Members on both sides of the aisle from both the Foreign Affairs Committee and the Rules Committee. It is a fair rule, designed to expedite floor consideration of the often complex and sometimes controversial issues relating to the foreign aid authorization.

Mr. Speaker, with respect to H.R. 3100 itself, I wish to commend the Foreign Affairs Committee for some of the positive actions it has taken in this bill to meet basic human needs in the developing world. In particular, I call my colleagues' attention to the funding provided for the Child Survival Fund, for UNICEF, for African famine recovery and development, for the Peace Corps, and to provide credit for the poor in developing nations. In my opinion, programs such as these are among the best components of the foreign aid we provide. I wish to encourage the committee to continue its good work in these areas.

Mr. Speaker, I urge my colleagues to adopt this bipartisan rule.

Mr. LOTT. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, House Resolution 293 is categorized as a modified open rule. Again, this could be a little misleading because of the word "open." It still remains a restrictive rule; therefore, I would like to refer to it as modified close.

Mr. Speaker, as the gentleman from Ohio [Mr. HALL] has so ably explained, after 1 hour of general debate to be equally divided and controlled by the chairman and ranking minority of the Foreign Affairs Committee, the bill shall be considered for amendment

under the 5-minute rule by titles instead of by sections and each title shall be considered as having been read.

The rule provides that no amendment to the bill shall be in order except those printed in the CONGRESSIONAL RECORD on or before November 10. Subject to clause 6 of rule XXIII, amendments, printed in the CONGRESSIONAL RECORD are debatable for not to exceed 10 hours.

Mr. Speaker, I am not too comfortable with the requirement that amendments be printed in advance in the RECORD, unless there is a compelling reason for doing so. I think most Members already put their amendments in the RECORD as a matter of courtesy to the committee and their colleagues, as well as for their own position. But, to require printing on short notice—in this case, before the rule has even been considered on the floor—may catch many Members unaware, and thereby shut them out of the amendment process.

Also, the rule provides that the Chair of the Foreign Affairs Committee may group and accept amendments for en bloc consideration, including germane modifications in the text of any amendments. These amendments are debatable for 20 minutes.

Further, the rule makes in order an amendment in the nature of a substitute by Representative BROOMFIELD or his designee. This amendment is nonamendable, and it is debatable for 1 hour.

Finally, Mr. Speaker, the rule provides for one motion to recommit with or without instructions.

Mr. Speaker, this bill authorizes approximately $23 billion for international security and development assistance programs for fiscal years 1988 and 1989. It is also replete with administering of foreign policy.

It restricts the United States from providing economic or military assistance to any person or groups assisting the freedom fighters. Mr. Speaker, this provision restrains our ability to carry out normal foreign assistance relationships with security assistance recipients that also wish independently to support the Nicaraguan Democratic Resistance. In other words, Mr. Speaker, this provision literally ties the President's hands.

Of course there are other provisions in this bill that I am sure will be addressed when the House considers it. Adoption of this rule allows the House to expedite action on this measure. I urge adoption of this resolution.

Mr. Speaker, I yield 3 minutes to the gentleman from Michigan [Mr. BROOMFIELD].

Mr. BROOMFIELD. Mr. Speaker, I thank the gentleman for yielding me this time.

Mr. Speaker, while I have reservations on several of the provisions in H.R. 3100, the committee bill, I support the rule allowing for consideration of the foreign aid authorization bill.

At the outset, I would like to express my sincere appreciation to the gentleman from Florida [Mr. FASCELL] for incorporating several of the minority's concerns into the rule. I only wish that everyone, including the administration, had been as committed as the chairman to producing a bill that could command broad, bipartisan support and hopefully could pass the House.

Unfortunately, we have been unable to develop such a consensus approach to foreign aid. But the chairman and I will continue to work closely in an attempt to find a workable approach.

The authorization process should be the primary mechanism through which Congress exercises its role in the formulation of U.S. foreign policy. Despite the steady erosion of this historic role in the direction of appropriations measures, it would be irresponsible to walk away from the authorization process. I do not believe that sound foreign policy decisions can or should be made during the mad rush of considering a continuing resolution.

For that reason I am pleased that the rule to be considered today allows the minority to offer a substitute bill, which I hope can win the support of a majority of this body.

A unique feature of the rule allows the gentleman from Michigan to incorporate into the minority substitute any or all amendments added to the bill during the 10 hours of floor consideration in the Committee of the Whole.

Members should take notice that all amendments, including the minority substitute, must be printed in the CONGRESSIONAL RECORD on or before November 10, 1987. I invite every Member to study the minority substitute and acquaint yourself with its provisions.

I believe this is a fair rule and I am hopeful that it will facilitate Republican efforts to join with our majority colleagues in producing a foreign aid bill we can all support.

Mr. FASCELL. Mr. Speaker, will the gentleman yield?

Mr. BROOMFIELD. I yield to the gentleman from Florida.

Mr. FASCELL. Mr. Speaker, I thank the gentleman for yielding.

Mr. Speaker, I want to thank the gentleman from Michigan [Mr. BROOMFIELD] for the gentleman's remarks and express my appreciation to the gentleman, and to the other members on the minority on the Committee on Foreign Affairs for the hard work and good faith and diligent effort made to achieve a bipartisan posture, not only with respect to the rule, but also with respect to the bill.

I join the gentleman in the hope that we can continue this kind of work to present to the House a bill which can be supported.

Mr. HALL of Ohio. Mr. Speaker, I yield myself such time as I may consume.

I would like to clarify one thing that was mentioned by the distinguished gentleman from Mississippi that in fact the rule does say total time on the amendments will take 10 hours; but the rule does say under clause 6 of rule XXIII, that even though we might run out of time, even though it is possible to go over the 10 hours, each amendment is guaranteed at least 5 minutes on each side.

Mr. Speaker, with that I have no requests for time.

Mr. LOTT. Mr. Speaker, I yield back the balance of my time.

Mr. HALL of Ohio. Mr. Speaker, I move the previous question on the resolution.

The previous question was ordered.

The SPEAKER pro tempore (Mr. GRAY of Illinois). The question is on the resolution.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. CONTE. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

The vote was taken by electronic device, and there were—yeas 316, nays 97, not voting 20, as follows:

[Roll No. 416]

YEAS—316

Ackerman	Burton	Downey
Alexander	Bustamante	Durbin
Anderson	Byron	Dwyer
Andrews	Campbell	Dymally
Annunzio	Cardin	Dyson
Anthony	Carper	Early
Applegate	Carr	Eckart
Atkins	Chandler	Edwards (CA)
AuCoin	Chapman	Erdreich
Ballenger	Clarke	Espy
Bartlett	Coats	Evans
Bateman	Coble	Fascell
Bates	Coelho	Fawell
Beilenson	Coleman (TX)	Fazio
Bennett	Collins	Feighan
Bentley	Conte	Fish
Bereuter	Conyers	Flake
Berman	Cooper	Flippo
Bevill	Coughlin	Florio
Bilbray	Courter	Foglietta
Boehlert	Coyne	Foley
Boggs	Crockett	Ford (MI)
Boland	Darden	Ford (TN)
Bonior	Davis (MI)	Frank
Bonker	de la Garza	Frost
Borski	DeFazio	Gallo
Bosco	Dellums	Garcia
Boucher	Derrick	Gejdenson
Boxer	DeWine	Gibbons
Brennan	Dicks	Gilman
Brooks	Dingell	Glickman
Broomfield	DioGuardi	Goodling
Brown (CA)	Dixon	Gordon
Bruce	Donnelly	Gradison
Bryant	Dorgan (ND)	Grant
Bunning	Dowdy	Gray (IL)

Gray (PA)
Guarini
Gunderson
Hall (OH)
Hamilton
Hansen
Hastert
Hatcher
Hayes (IL)
Hayes (LA)
Hefley
Hefner
Hertel
Hiler
Hochbrueckner
Hopkins
Horton
Hoyer
Huckaby
Hughes
Hutto
Jacobs
Jeffords
Jenkins
Johnson (CT)
Johnson (SD)
Jones (NC)
Jones (TN)
Jontz
Kanjorski
Kaptur
Kasich
Kastenmeier
Kennedy
Kennelly
Kildee
Kleczka
Kolbe
Kolter
Kostmayer
LaFalce
Lagomarsino
Lancaster
Lantos
Leach (IA)
Leath (TX)
Lehman (CA)
Lehman (FL)
Leland
Lent
Levin (MI)
Levine (CA)
Lewis (GA)
Livingston
Lloyd
Lowery (CA)
Lowry (WA)
Lujan
Luken, Thomas
Mack
MacKay
Manton
Markey
Marlenee
Martin (NY)
Martinez
Matsui
Mavroules
Mazzoli
McCloskey
McCollum
McCurdy
McDade
McGrath
McHugh
McMillen (MD)
Meyers
Mfume
Mica
Michel
Miller (CA)
Miller (OH)
Miller (WA)
Mineta
Moakley
Molinari
Mollohan
Montgomery
Moody
Moorhead
Morella
Morrison (CT)
Morrison (WA)
Mrazek
Murphy
Murtha
Myers
Nagle
Natcher
Neal
Nelson
Nichols
Nielson
Nowak
Oakar
Oberstar
Obey
Olin
Ortiz
Owens (NY)
Owens (UT)
Panetta
Patterson
Pease
Pelosi
Penny
Pepper
Perkins
Pickett
Pickle
Porter
Price (IL)
Price (NC)
Pursell
Quillen
Rahall
Rangel
Ravenel
Ray
Regula
Richardson
Rinaldo
Ritter
Robinson
Rodino
Roe
Rogers
Rose
Rostenkowski
Roukema
Rowland (CT)
Rowland (GA)
Roybal
Russo
Sabo
Saiki
Savage
Sawyer
Saxton
Scheuer
Schneider
Schroeder
Schulze
Schumer
Sharp
Shays
Sikorski
Sisisky
Skaggs
Skeen
Skelton
Slattery
Slaughter (NY)
Smith (FL)
Smith (IA)
Smith (NJ)
Smith, Robert (OR)
Snowe
Solarz
Spence
Spratt
St Germain
Staggers
Stallings
Stark
Stokes
Stratton
Studds
Sundquist
Swift
Synar
Tallon
Thomas (GA)
Torres
Torricelli
Towns
Traficant
Traxler
Udall
Valentine
Vento
Visclosky
Volkmer
Walgren
Waxman
Weiss
Weldon
Wheat
Whitten
Wilson
Wise
Wolf
Wolpe
Wortley
Wyden
Yates
Yatron
Young (AK)

NAYS—97

Archer
Armey
Badham
Baker
Barton
Bilirakis
Bliley
Boulter
Buechner
Callahan
Cheney
Clinger
Coleman (MO)
Combest
Craig
Crane
Dannemeyer
Daub
Davis (IL)
DeLay
Dickinson
Dornan (CA)
Dreier
Edwards (OK)
Emerson
English
Fields
Frenzel
Gallegly
Gaydos
Gekas
Gingrich
Gonzalez
Grandy
Green
Hall (TX)
Hammerschmidt
Henry
Herger
Holloway
Hubbard
Hunter
Hyde
Inhofe
Ireland
Kyl
Latta
Lewis (CA)
Lewis (FL)
Lightfoot
Lott
Lukens, Donald
Lungren
Madigan
Martin (IL)
McCandless
McEwen
McMillan (NC)
Oxley
Packard
Parris
Pashayan
Petri
Rhodes
Ridge
Roberts
Roth
Schaefer
Schuette
Sensenbrenner
Shaw
Shumway
Shuster
Slaughter (VA)
Smith (NE)
Smith (TX)
Smith, Denny (OR)
Smith, Robert (NH)
Solomon
Stangeland
Stenholm
Stump
Sweeney
Swindall
Tauke
Tauzin
Taylor
Thomas (CA)
Upton
Vander Jagt
Vucanovich
Walker
Watkins
Weber
Whittaker
Wylie
Young (FL)

NOT VOTING—20

Akaka
Aspin
Barnard
Biaggi
Brown (CO)
Chappell
Clay
Daniel
Duncan
Gephardt
Gregg
Harris
Hawkins
Houghton
Howard
Kemp
Konnyu
Lipinski
Roemer
Williams

□ 1230

Mr. EDWARDS of California and Mr. COBLE changed their votes from "nay" to "yea."

So the resolution was agreed to.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

REMOVAL OF NAME OF MEMBER AS COSPONSOR OF H.R. 2260

Mr. FRANK. Mr. Speaker, I ask unanimous consent that my name be removed as cosponsor of H.R. 2260.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

PERMISSION TO FILE CONFERENCE REPORT ON S. 825, HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1987, AND TO WAIVE THE 3-DAY RULE

Mr. ST GERMAIN. Mr. Speaker, I ask unanimous consent that the managers may have until midnight, Friday, November 6, 1987, to file a conference report on the Senate bill (S. 825) to amend and extend certain laws relating to housing, and for other purposes, and I further ask unanimous consent to waive the 3-day rule, and that the House be permitted to consider the conference report any time after it is filed notwithstanding clause 2 rule XXVIII, subject to 2-hour availability.

The SPEAKER pro tempore (Mr. GRAY of Illinois). Is there objection to the request of the gentleman from Rhode Island?

Mr. WYLIE. Mr. Speaker, reserving the right to object, and I will not object, I want to say that this procedure has been cleared with the minority leader and this side has no objection.

Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Rhode Island?

There was no objection.

DRUG TESTING IS AN ENORMOUS INVASION OF PRIVACY

(Mr. ACKERMAN asked and was given permission to address the House for 1 minute and to revise and extend his remarks and include extraneous matter.)

Mr. ACKERMAN. Mr. Speaker, I have stood before this House and argued against drug testing for the past 2 years because I believe that drug testing is an enormous invasion of privacy. Drug tests can be used to identify urinary tract infections, epilepsy, venereal disease, whether you're under the care of a prescribing psychiatrist, or pregnancy.

Now, Mr. Speaker, in this morning's Washington Post, there is a front-page story about drug testing of job applicants by the D.C. Police Department.

The twist to this story is that the police department was also secretly testing the urine of female job applicants for pregnancy—without their knowledge or consent. Is potential motherhood another crime we have to invade people's bodies to check out?

If it's Government's function to make these determinations in the interest of society, shouldn't the results be made public?

Maybe we should brand these people's foreheads with scarlet letters identifying what we find in their blood, if it's really in the public interest to know.

Mr. Speaker, there is a malodious tide rolling across our Nation, a tide of those who thirst for a police state, who would constantly monitor our blood, have us hooked up to lie detectors, and if they could, censor our minds for impure thoughts.

If we would stop it, where do we start?

The article referred to is as follows:

[From the Washington Post, Nov. 5, 1987]

APPLICANTS FOR D.C. POLICE SECRETLY TESTED FOR PREGNANCY, OFFICIALS REASSESS POLICY AFTER COMPLAINT

(By Victoria Churchville)

Women who have applied to be D.C. police officers during the past two years have been given pregnancy tests without their knowledge, district police officials have confirmed.

The secret pregnancy tests were conducted on urine samples that the women were required to submit for drug screening to the Police and Fire Clinic in Southwest Washington. If the samples showed no traces of drugs, they were marked with a red F—for female—and tested for pregnancy. The women were aware of the drug screening test requirement to become police recruits, but were not told of the pregnancy test.

Police officials could not say how many women had received the pregnancy test since November 1985, but said that during the past two years, 126 women have joined the 3,880-member force, which now counts about 525 women officers in its ranks. It was also unclear whether any women had been denied a position as a police recruit because of a positive test result. District law prohib-

its discriminating against women because they are pregnant.

Clinic officials said that they halted the secret pregnancy tests Tuesday after a female employee of the clinic complained that they were an invasion of privacy and demanded to see the policy in writing.

It's been a policy to do the testing, but they [the female applicants] should have been informed," said Lt. Michael Irish, administrative lieutenant for the clinic, 2 D.C. Village La. SW. "They were not informed; the policy was never written down, therefore we've suspended the program until the policy can be clearly defined in writing."

But Capt. William White III, a police spokesman, disputed that version of events, saying that the process of testing applicants for pregnancy without their knowledge was "under [a] review that will determine whether it's appropriate—the process of them being informed as well as the test itself."

Neither White nor Irish could explain why the pregnancy tests were conducted in secret. Form letters sent to police department applicants inform them of the drug screening tests and other qualifications necessary for becoming a police officer, but do not mention the pregnancy tests.

Last week, one recruit learned that she was pregnant after submitting her urine to be tested for drugs, police sources said. The astonished woman was informed by police officials that she was pregnant and would have to reapply after her pregnancy.

The secret pregnancy tests immediately raised constitutional questions concerning sexual discrimination and an individual's right to privacy, and further deepened the controversy already surrounding the integrity of the department's drug screening program.

"This is one of the things that is a danger of the current drug testing craze because an employer who says he's going to test for drug use can also find out other things about a person, such as whether that person is pregnant, whether the person has a sexually transmitted disease such as syphilis or AIDS and whether the person is taking medication under a psychiatrist's care, and all those things would be very invasive of a person's privacy," said Arthur Spitzer, director of the national capital area chapter of the American Civil Liberties Union.

Police officials said that they began the pregnancy tests in November 1985 as a precaution against injury to women or fetuses that they thought could be caused by the rigors of training at the police academy. They said that if a police officer applicant is determined to be pregnant, they defer consideration of her application until after the birth of the baby, at which time she can reapply.

"We don't discriminate against people who are pregnant—that would be against the Human Rights Act of the District," said Capt. Max P.T. Sachs, the department's personnel officer.

"However, we will defer you until the completion of your pregnancy. Wouldn't you want to know whether you're pregnant before you become a police officer?"

Under police department rules, when officers on the force learn they are pregnant they must notify their superiors. Then the woman's doctor and a clinic doctor decide what kind of duty assignment is best for the officer.

Since mid-August, the drug screening program has been under investigation by an in-house panel of police officials. The investigation was started after two workers at the clinic took allegations of serious flaws in the testing procedures to Mayor Marion Barry and U.S. Attorney Joseph E. diGenova. A report on the panel's findings is expected to be completed this month.

The clinic whistle-blowers alleged "gross misconduct and possible criminal violations" by police officials, including bribery, tampering with physical evidence and violations of standards of conduct. In one case, they alleged, police officials tampered with the positive drug test result of an official up for promotion.

Since the drug testing program began in 1982, it has emerged as a critical component of the police department's personnel procedures. The urine of police officers now is tested when they are new recruits, when they are up for promotion, when they are accused of substance abuse and during routine annual physicals given to officers 35 and older. Officers are subject to termination after one positive drug test. During the last five years, at least 40 officers have been fired because their urine allegedly was tainted by drugs.

FIFTIETH ANNIVERSARY OF GREEK ORTHODOX COMMUNITY OF GREATER HARRISBURG, PA

The SPEAKER pro tempore (Mr. GRAY of Illinois). Under a previous order of the House, the gentleman from Pennsylvania [Mr. GEKAS] is recognized for 5 minutes.

Mr. GEKAS. Mr. Speaker, I stand today to talk about an event that may not capture the headlines of world publications but to a certain group of people in Harrisburg, PA and the surrounding communities it is an extraordinary event.

It is the 50th anniversary celebration of the birth of the existence of the Greek Orthodox community of that area of Pennsylvania culminated by a dinner which will honor the new establishment, the new cathedral of the Greek Orthodox Church, the Holy Trinity Cathedral of Greater Harrisburg. As I said, this is not an extraordinary event and daily on the floor of this House we hear of the 50th anniversary, the 100th anniversary, the 75th anniversary of various individuals and entities and organizations and institutions, but this one has, of course, a unique distinction in my own being, and that is coming from the fact that I have lived through every single 1 of these 50 years about which I speak and I saw this church and church community grow from literally a handful of people who met for religious services with visiting clergy from New York and elsewhere from 1933 on, and meeting in various places like an old paint shop, a home that was abandoned, a hall that was used primarily for ballroom dancing and for basketball, and in various other almost uncomfortable but nevertheless places that did the service that was required, namely to house religious services for this nucleus of people of the Greek Orthodox faith.

□ 1240

I served as an altar boy in this paint shop and I remember very vividly, I do remember a small fire starting in the altar area because some of the paint got mixed up with some of the flames of the candles that we were in charge of as altar boys.

These things crowd into one's memory when one looks back at this 50 years and can only breathe nostalgia every time one talks about it. So from those early beginnings, finally because some of the elders who worked incessantly to bring about a home of our own, as it were, a building enshrined with the Greek Orthodox theme, and finally in downtown Harrisburg in the early 1940's we did establish a church of our own, and that was a blessed place to meet. Not only did we have for the first time a permanent place for the choir and a permanent place for the clergy to perform their religious services, but we had permanent seats for the congregation. What a change from what we had experienced until that time.

From that building has grown the movement toward the establishment of the now cathedral in which the services are currently conducted where it is the wonder of our area, the beauty and majesty of the church itself, the cathedral, and of the wondrous events that occur there, not only the religious ones but the social ones, which include the annual and sometimes twice-a-year bazaars and other community events that attract people from around the region.

Every moment that we spend in this 50th celebration, those of us who lived through, as I said, these 50 years, makes us wonder how we got through it. But one thing is sure, for our part we have established something for our successors, the children and grandchildren who are going to partake of the taste of Greek Orthodoxy in the central Pennsylvania area, and we salute those of our fathers and grandfathers who established the first community in 1937 and who helped us work through a half a century of progress and of beauty and of a day when we can look back and say thank you to all of them and charge our successors, the youngsters who are celebrating with us, that they have a heavy responsibility to form the 100th celebration 50 years from now.

Mr. GONZALEZ. Mr. Speaker, will the gentleman yield?

Mr. GEKAS. Certainly, I am happy to yield to the gentleman from Texas.

Mr. GONZALEZ. Mr. Speaker, I thank the gentleman for yielding and rise to compliment him and to add my felicitations to the church in Harrisburg. In San Antonio, in my home

town, we have St. Sophia, the Greek Orthodox Church, which has a magnificient structure, even though the population is indeed a minority. So I just merely wanted to say I am sure my constituents extend felicitations to yours in Harrisburg.

Mr. GEKAS. I thank the gentleman from Texas.

Mr. EMERSON. Mr. Speaker, will the gentleman yield.

Mr. GEKAS. I yield to the gentleman from Missouri.

Mr. EMERSON. Mr. Speaker, I, too, want to commend the gentleman for the statement he has just made. I had no idea that the gentleman was approaching the ability to remember back over 50 years. He appears to be far too young for that.

But it is a very moving statement the gentleman has made, and I was delighted to be able to listen to what he had to say, and my felicitations and those of my constituents to yours and your church on this very happy occasion.

Mr. GEKAS. I thank the gentleman. If I had two or three more of these I may issue a blanket invitation to all of us to join me for the next bazaar in our community.

Mr. Speaker, I yield back the balance of my time.

INFRASTRUCTURE IMPROVEMENTS ACT OF 1987

The SPEAKER pro tempore (Mr. HAYES of Louisiana). Under a previous order of the House, the gentleman from Pennsylvania [Mr. COYNE] is recognized for 5 minutes.

Mr. COYNE. Mr. Speaker, I rise in support of the Infrastructure Improvements Act of 1987.

Mr. Speaker, America's cities are in a rut; one that threatens to stunt economic development in this country. The basic public facilities of America are either insufficient, nonexistent or in need of substantial repair. All around us there is an urgent need for better bridges, highways, ports, waterways, mass transit, airports, and greater water and sewage treatment capacity.

Our systems are, by most accounts, strained far beyond their capacity to serve the needs of the public and the business community.

What is equally strained is the ability at all levels of Government to finance the construction or repair of vital infrastructure facilities. Today I am introducing the Infrastructure Improvements Act, which is designed to revamp the way we finance critical public works projects. The key is using low-interest loans instead of direct Federal grants.

The task for the country is mammoth. The most recent congressional estimates by the Joint Economic Committee and the Congressional Budget Office put the cost of needed infrastructure between for the rest of the century at between $52.6 and $64.3 billion. Even more disturbing is the gap separating what we are presently spending and what is needed—between $17 and $25 billion each year.

Local governments traditionally have relied on State and Federal grants to cover a major portion of the costs of public works. That era is clearly over. State and Federal funds have become increasingly scarce during the 1980's for local infrastructure projects. Total real spending has grown at a rate of only 0.6 percent per year since 1972. Actual real spending by States and the Federal Government has declined by more than $10 billion since 1980; dropping to the level of the 1970's.

During the Reagan administration, the Community Development Block Grant Program has been cut 18.5 percent; the urban mass transit program has been cut 20 percent; Economic Development Administration funds have been cut 51 percent and Environmental Protection Agency sewage plant construction funds have been reduced 50 percent; and general revenue sharing has been eliminated entirely. Combined Federal spending in these programs was slashed nearly in half to approximately $7 billion in 1987, down from more than $13.8 billion in 1981.

The Federal Government can no longer afford to appropriate billions of dollars in direct grants for infrastructure projects given the competing social and national defense needs in this age of large budget deficits. Infrastructure has been among the hardest hit during the past decade as we have adjusted our spending priorities.

Some of the reductions in Federal development programs, I believe, have shortchanged our future. And unless we implement a new program dedicated to revitalizing and building our infrastructure, many of our finest urban centers may crumble in the not too distant future.

My legislation offers the Congress, States, and local governments a new direction for financing public works projects that can create jobs and spark economic growth.

Basically, my bill would establish a 5-year loan program, providing States with up to $2.5 billion annually for infrastructure projects. A key component to this program would be that local governments would be required to repay with interest these funds. Another important element of my proposals is that communities with higher than average unemployment, job losses, or business failures would have top priority in obtaining the loans.

To obtain a loan, a local government would have to submit a detailed economic plan to the State. Each plan must include a description of the project, a description of actions taken to retain businesses and industry currently located in the Government's jurisdiction, a job retraining program for dislocated workers and the economically disadvantaged, evidence of community involvement in developing the plan, and a schedule of repayment for the loan. In this way, loans can be made in areas with the greatest need and the most comprehensive, long-range plan for utilizing infrastructure to promote economic development. These plans will also serve as economic roadmaps for businesses looking to expand, locate, or establish new plants.

The Department of Commerce would allocate the funds to States, which would in turn make loans to cities and counties. States would be charged interest on the loans equal to 25 percent of the average annual rate paid on 3-month Treasury bills. In communities where the unemployment rate remains 150 percent or more of the national average 1 year after the completion of the projects, repayment can be deferred for up to 12 months. After that, up to 25 percent of the loan can be forgiven if unemployment remains 150 percent or more of the national average. But in all cases, States will be obligated to repay no less than 75 percent of the original loan, limiting the revenue loss to the Federal Government. In any event, the interest on the loans should be more than adequate to cover revenues lost due to this forgiveness provision.

There would be other net revenue gains for the Federal Government as a result of this program. When public works projects attract new businesses or prompt others to expand, new long-term, private sector jobs would be created. This would add a sizable amount of increased personal income to the economy, creating a demand for goods and services, and increase personal and corporate taxes. The Federal Government might also see a significant reduction in demand for its social service programs for the unemployed as more people join the work force.

This is not just a guess. In 1976 and 1977, Congress created a $6 billion public works capital program that provided funds for more than 10,000 projects. The Economic Development Administration estimated that those projects generated more than 1 million jobs in the construction and related industries. In another real-world example, the Corps of Engineers concluded that its McClellan-Kerr Arkansas River navigation project contributed to the creation of 21,000 jobs per year and $297 million in additional personal income to the national economy. Furthermore, a study by Data Resources Inc. on the effects of infrastructure estimated that each $1 billion in construction spending for public works would create about 32,000 jobs.

Make no mistake about the importance of adequate infrastructure to the ability of a community to keep or attract a business or industrial plant. Planning officals in Wayne County, MI, have reported that their county lost an automobile manufacturing plant, and potentially thousands of new jobs, in part because of the lack of funds to finance additional sewage treatment capacity.

Business leaders in a Census Bureau survey conducted about 10 years ago, indicated that out of 254 categories the availability of public works was either a critical or significant importance to location decisions. Infrastructure was often cited as a more important factor than the existence of local tax incentives or local industrial revenue bond financing to those surveyed.

The goal of this legislation is to help communities help themselves by providing low-interest loans that will, hopefully, generate both short-term public sector jobs and permanent private sector employment opportunities. This bill specifically targets those communities and individuals in the greatest need by emphasizing job retraining and the use of local labor pools. And finally, this bill should cost the American taxpayer next to nothing while pro-

viding incalculable long-term economic benefits.

SECTION-BY-SECTION SUMMARY OF THE INFRASTRUCTURE IMPROVEMENT ACT

(This summary was prepared with the assistance of the Congressional Research Service)

Sections 1 and 2: Short Title and Findings and Policy.—The Infrastructure Improvement Act of 1987 would supplement existing programs to help communities improve their infrastructure. Real spending on infrastructure has been growing at a relatively slow rate since 1972. In addition, a substantial gap between infrastructure needs and expenditures is estimate through 1990. The bill would give priority to projects in economically distressed areas so that they might better attract and keep businesses and jobs, as well as to projects that would employ economically disadvantaged individuals and dislocated workers.

Section 3: Loans to States.—States could apply for loans to the Secretary of Commerce. The funds would come from two loan accounts, a Nondiscretionary Loan Account and a Discretionary Loan Account. The Nondiscretionary Loan Account would have three component accounts, namely, the Above-Average Unemployment Loan Account, the High Unemployment Loan Account, and the Business Failures Loan Account.

A State's share of funds from the Nondiscretionary Loan Account could not exceed the sum of its shares from the other three component accounts. If a State's unemployment rate averaged over the 24-month period preceding the date of application was equal to or greater than the median of the average unemployment rates of the 50 States and the District of Columbia during the same period, it would be eligible for funds from the Above-Average Unemployment Loan Account. If eligible, a State's maximum entitlement from this account would be based upon the following formula: (the number of unemployed persons in the State/the number of unemployed persons in all eligible States)—the amount of funds allocated to this account. If a State's unemployment rate for the 12-month period preceding the date of application exceeded 4.5 percent as determined by the Bureau of Labor Statistics (BLS), it would be eligible for funds from the High Unemployment Loan Account. If eligible, a State's maximum entitlement from this account would be based upon the following formula: (the number of unemployed persons in the State/the number of unemployed persons in all eligible States)—the amount of funds allocated to this account. If a State's rate of business failures per 10,000 concerns in the State during a calendar year exceeded the failure rate of all States for that year, as determined by the Census Bureau, it would be eligible for funds from the Business Failures Loan Account. If eligible, a State's maximum entitlement from this account would be based upon the following formula: (the number of business failures in the State during the calendar year/the number of business failures in all eligible States)—the amount of funds allocated to this account.

The Secretary of Commerce also could make loans from discretionary funds to States that submit applications. The Secretary should give priority to States that are ineligible for nondiscretionary loans and contain units of local government which are eligible for loans.

States would have to repay loans over a 10-year period, although the Secretary could extend that period. Deferral and partial forgiveness of payments would be permitted. The annual payments would begin after a 12-month grace period. The interest rate would be one-fourth of the 3-month Treasury bill rate during the most recent calendar year. Interest would begin to be applied to the State's loan once it loans money to a unit of local government.

Section 4: Loans by States to Units of Local Government.—To be eligible for loans from the State, a unit of local government would have to have a population of at least 50,000, and must meet one of four economic distress criteria and one of three other economic distress criteria. The first four criteria are: (1) excluding employment changes of a temporary or seasonal nature, the jurisdictional area of the government unit must experience a "sudden and significant decline" in employment over a 24-month period, (2) the jurisdictional area of the unit must fall, in whole or part, within a labor surplus area so designated by the U.S. Secretary of Labor, (3) the percent change in employment in the area within a 24-month period must be less than the percent change in population of the area, (4) the median duration of unemployment in the area during a calendar year must be longer than 26 weeks. The second three criteria are: (1) a decline in the area's tax revenues during a fiscal year due to a decrease in the government unit's taxable resources, (2) the most recently recorded percent change in the area's population must not exceed the percent change in the Nation's population over the same period, (3) the proportion of households in the area with annual incomes below the poverty level, based upon the most recent Census Bureau data, must not be less than the proportion for all households throughout the United States.

In order for a unit of local government to obtain a loan, it would have to submit an economic plan to the chief executive officer of its State. The plan would have to describe the project and the need for it, the government's prior efforts to retain local businesses, how the project will promote job and business creation, and how it will directly or indirectly retrain and employ economically disadvantaged individuals and dislocated workers. The plan also would have to include the amount to be borrowed, schedule and source of repayment, and evidence of local community involvement.

Loans could only be used for projects involving the construction of publicly owned facilities on public owned land (e.g. highways, streets, bridges, mass transit facilities and equipment, resource recovery facilities, airports and related facilities, water and wastewater systems, dams, docks, ports). Projects to be given priority include those that would maximize the use of local labor, especially that of economically disadvantaged individuals and dislocated workers as well as of persons certified to be jobless for at least 15 out of the last 20 weeks, and projects that would promote business creation as well as job creation and training for the just-mentioned groups.

Loans to a unit of local government could not be used to replace existing infrastructure funding or to serve as the non-Federal share of a project using other Federal funds. The loans would have to be repaid over a 10-year period, beginning after a 12-month grade period once the project is completed. The interest rate would be one-fourth of the 3-month Treasury bill rate. Loans could be deferred for 12 months if, during the 10-year repayment period, an area's annual unemployment rate is at least 150 percent of the national rate. If a unit of local government that has been granted a deferral then maintains an annual average unemployment rate of 150 percent of the national rate for 12 months, the unit may ask the State to forgive a portion of the loan. The State, in consultation with the Secretary of Commerce, could forgive 25 percent of the loan. The unit would have had to demonstrate good-faith efforts to reduce unemployment and create jobs.

Section 5: Establishment of Loan Accounts.—In the Treasury, there would be two accounts for sums appropriated to carry out this Act. The Discretionary Loan Account would receive 5 percent and the Nondiscretionary Loan Account would receive 95 percent of appropriations under the Act. Within the Nondiscretionary Loan Account, each of the three component accounts would be allocated one-third of the total.

Section 6: Schedule.—Within 90 days of the Act's becoming law, the Secretary of Commerce would submit to Congress a schedule for collecting information necessary to carry out the Act and for making loans.

Section 7: Review of the Program.—Every 12 months, the General Accounting Office (GAO) would review the States' and local governments' activities. GAO then would report to Congress and the President on the effectiveness of the economic plans and the decisions of the State officials in targeting priority projects, the activities of units of local government that received deferral or forgiveness of loan payments, and the effectiveness of the Act in reducing unemployment in economically distressed areas, improving public works infrastructure, and providing training and jobs for economically disadvantaged individuals and dislocated workers in distressed communities.

Section 8: Determinations.—The Secretary of Labor shall make determinations of the average unemployment rates and numbers of unemployed required in Sections 3 and 4. The Secretary of Commerce, acting through the Bureau of the Census, shall make determinations of the rates of business failures for Section 3 and the proportions of households having an annual income of less than the poverty level of income for Section 4.

Section 9: Definitions.—The term local government refers to Metropolitan Statistical Areas under rules issued by the Director of the Office of Management and Budget, cities, counties, parishes, boroughs, or combinations thereof. The term Secretary refers to the Secretary of Commerce. The term business concern refers to activities conducted for the purchase, sale, lease, or rental of personal or real property, for the manufacture, procuring, or marketing of products, commodities, or other personal property or for sale of services to the public. The term state refers to any of the 50 states, the District of Columbia, Puerto Rico, the Virgin Islands, Guam, American Samoa, the Northern Mariana Islands, the Trust Territory of the Pacific Islands, and other territories and possessions of the United States.

Section 10: Authorization of Appropriations.—In fiscal years 1989 through 1993, $2.5 billion would be appropriated annually.

PERSONAL EXPLANATION

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from New York [Ms.

SLAUGHTER] is recognized for 5 minutes.

Ms. SLAUGHTER of New York. Mr. Speaker, due to a long-standing commitment to speak before 300 members of the Rochester Rotary, I was unable to be present for rollcall votes taken on November 3, 1987. Had I been present I would have voted "yea" on rollcall Nos. 402, 403, 404, and 405. In addition, Mr. Speaker, if U.S. Air had not discontinued its 1:20 p.m. flight effective October 31, I would have been able to keep my commitment to the Rochester Rotary and would have arrived in Washington on time to make the afternoon votes.

EXPOSING STALIN'S CRIMES AND GORBACHEV'S

The SPEAKER pro tempore. Under a previous order of the House the gentleman from California [Mr. LUNGREN] is recognized for 5 minutes.

Mr. LUNGREN. Mr. Speaker, several days ago, Soviet General Secretary Mikhail Gorbachev broke 23 years of silence about the Stalinist holocaust and declared: "The guilt of Stalin * * * is enormous and unforgivable. This is a lesson for all generations." Gorbachev criticized the use of policies appropriate to an internal class war in a "period of peaceful socialist construction." And he expressed regret over the suffering of "many thousand of people inside and outside the [communist] party."

Although some Soviet scholars acknowledge that millions actually perished during Stalin's rule, we in the West should commend Mr. Gorbachev's movement toward historical truth. Such a reaction does not preclude our recognition that his address invites as many questions as it does reasons for encouragement.

For even as Mr. Gorbachev condemns Stalin's guilt, he leaves untouched his own responsibility for human rights abuses of the most grotesque character. In the October 21 edition of the New York Times, a prominent Soviet dissident exposed the continuing perversion of psychiatric treatment into instruments of repression. Vladimir Titov, the man who reported the employment of slave labor in the construction of the Siberian gas pipeline, has just completed 5 years of confinement in psychiatric hospitals. He vividly recalls the injection of psychotropic drugs which produced fever, pain, slurred speech, and an inability to lie, sit or stand with comfort. Asked about the impact of Mr. Gorbachev on these abuses, he told the Times: "There are no changes. On the contrary, it's getting nastier."

The Soviets maintains a explicit nexus between psychiatry and internal security policy. Soviet psychiatric textbooks still list "sluggish schizophrenia"—described as an obsessive desire to "seek social justice"—as a form of chronic mental illness. The Ministry of Internal Affairs, not the Ministry of Health, continues to administer the 18 infamous special psychiatric hospitals. It was therefore not an accident that shortly before Mr. Titov's release, officials of Soviet state security—the KGB—visited him in his hospital quarters and urged him to recant his opinions. Remarkably, Mr. Titov's tormentors released him on the condition that he emigrate immediately to Israel—despite the fact that he is not Jewish and that tens of thousands of Soviet Jews who do wish to depart for Israel cannot do so.

In this context, Mr. Speaker, I'd like to once again call on Soviet authorities to release all dissidents from psychiatric facilities. Thanks in part to the efforts of the American Psychiatric Association, Yegor Volkov, a labor activist who has spent much of the past 19 years in the special mental hospitals which house dissenters, has been moved to a conventional mental hospital. But many others—too many others—remain in brutal confinement, N.S. Akhmetov, a winner of the Rotterdam International Poetry Award and the PEN Freedom-to-Write Award, remains incarcerated in a Soviet psychiatric clinic. At that location, he has already experienced a severe beating—on the evening of March 6—as well as injection with sulfazin, a sulfur compound that causes extreme and debilitating pain.

In a letter smuggled out of the West, Mr. Akhmetov stated:

> I am having to submit to cruel treatment: sulfazin, cedoxin * * * and the devil knows what they will give me next. I lose my capacity to think clearly and if they resort to haloperidol * * * I will be unhappier than any animal.
>
> Already in the reception room a commission awaited me consisting of the public prosecutor, a local KGB man, a professor and the head of the department I was assigned to. They demanded that I sign a paper declaring that I had no wish to go to the West. Help me please if you can.

To use Mr. Gorbachev's own words, Mr. Speaker, the immorality of such persecution is both "enormous and unforgivable." While no one can mistake Gorbachev for Stalin, no one should doubt that the champion of glasnost remains as committed to the ruthless preservation of authoritarianism as his five predecessors.

CENTRAL AMERICAN PEACE PLAN

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from California [Mr. DORNAN] is recognized for 5 minutes.

Mr. DORNAN of California. Mr. Speaker, my colleagues, and any other American citizens that are interested in what we say here after formal business is over, do you not love these camera shots panning an empty Chamber? All right, an empty Chamber is because 300,000 or 400,000 people are watching on television. So it is important what we say here at the end of the day.

Mr. Speaker, we have a major problem with the security of freedom and liberty in this hemisphere. Today, November 5, or the day after tomorrow, Saturday, November 7, pick your day, both days have been used willy-nilly over the past couple of months, is supposed to be the final deadline for setting in place the Arias peace plan. The President of Costa Rica, is a single term 4-year President, who will be gone in another couple of years, probably off to teach in a university or on the lecture circuit using the power of his Nobel Peace Prize. This most recently elected of the four democratically elected Presidents in Central America, Mr. Arias, instituted his plan on the heels by only 48 hours of the so-called Wright-Reagan plan or the Reagan-Wright plan, depending on which side of the aisle you are sitting on. Here is why the whole thing is sad. There is no defined criteria, none, no set rules that we can use to understand whether or not compliance is occurring. A defined criteria of compliance has never existed.

Here is what I have been able to find out in some top secret briefings, without giving particulars or leaking, as some people do in both bodies. This was never the Wright-Reagan plan, it was the Tunnerman plan, delivered to Wright. Tunnerman is the Communist ambassador of the Communist government from Managua, Nicaragua, and the Tunnerman-Wright plan was sold to Reagan. Unfortunately it gave the wrong signals to the strongest of the two elected Presidents down there, President Azcona of Honduras, and President Duarte of El Salvador, and they decided they would not be upstaged and instead cut their own deal a couple of days later in Guatemala at Esquipulas.

The second major problem here is the slippage of these dates. We have already established that there is no defined criteria for compliance. Just look at how we are trying to boilerplate the intermediate nuclear weapons, nuclear forces treaty that is going to be signed supposedly by General Secretary Gorbachev and President Reagan.

In January, we are going to have 535 interpretations of compliance plus the interpretation of the State Department, and the interpretation of the National Security Council which will now be under Gen. Colin Powell, an excellent officer, and then a separate interpretation by President Reagan. Unless you have a defined criteria, nobody knows what you are talking about. The result is so that you get all of these ambiguities like we had under

the series of Boland amendments. We almost had one today by the gentleman from Michigan [Mr. BONIOR], my good friend, which was going to be attached to the CR, which passed overwhelmingly today.

No, this Arias peace plan is a mess right now. I still hold out hope for Mr. Arias. I still respect him, although I did not vote to commend him for the peace plan. It was not because I do not think he is a good man and not because I do not like him. I just think when they violate their own cutoff date, rush to give him an award, a Nobel Peace Prize, to give him an award for a potential peace, for an idea as to how to bring about peace which has really been an idea with no defined criteria. If you combine that with slipping dates, and a Communist government in Managua with more political prisoners prorated than any nation on the face of the Earth, then you can expect trouble.

□ 1255

If Gorbachev and his politburo are telling the truth that they only have 10,000 political prisoners in a nation of 277½ million people, if North Communist Vietnam that won a Communist horrible victory crushing liberty in Cambodia, Laos, and Vietnam without ever winning a battle, having no air or sea power control at all, if they are telling the truth that they have 7,000 persons then why shouldn't we expect the same of the Sandinistas? Nicaragua has 11,000 prisoners and they have not released one who was arrested before the signing of Esquipulas II on August 7.

So we have a mess here. I am hoping that Arias will become a hero on January 7 by denouncing the Communist government in Nicaragua and that he will then say that the peace prize was awarded too soon. "I am sorry that I failed but at least I should get some credit for trying." We must for the national security of this hemisphere do what Mr. CLAUDE PEPPER, a senior Member in this body, has been saying for years, drive the Communists out of Central America.

Stay tuned, more later on the Tunnerman/Wright plan swallowed by Arias idea. His Nobel Peace Prize is akin to Le Duc Tho and Kissinger getting the peace prize in 1973. Le Duc Tho who speaks fluent French would like my saying that he lacked the savoir faire to turn it down. Then there is the Briand/Kellog Pact in 1929 which outlawed war in 1929. Remember World War II, Korea and Vietnam and Afghanistan and Cambodia and all the wars, 40 of them going on around the world?

Thank you, Mr. Speaker, for that tolerance and time at the end.

THE SITUATION WITH RESPECT TO ELECTIONS IN HAITI

The SPEAKER pro tempore (Mr. HAYES of Louisiana). Under a previous order of the House, the gentleman from New York [Mr. OWENS] is recognized for 5 minutes.

Mr. OWENS of New York. Mr. Speaker, the systematic reign of terror in Haiti continues. It appears now that there is no hope that peaceful elections will be held. Haiti's Presidential and congressional elections which were set for November 29 are now 25 days away. There has been no official announcement yet canceling these elections. However, the local and regional elections which were scheduled for November 15 have been rescheduled now for December 20 due to the fact that there is rampant fear among the candidates; they do not want to come out and campaign due to the fact that the election headquarters was firebombed 2 days ago. And last night at 1 a.m. the printing office of the election council was firebombed. At 1 a.m. this morning Port-au-Prince, the printing office was set afire. The speculation is that the voter material, the voter registration lists, everything relating to elections that had been printed might be burned up in this fire. The fire department in Port-au-Prince did not respond to calls for help until 6 a.m. Hours after the fire started, the fire still was not put out according to the New York Times. An electoral board office in a neighboring suburb was also ransacked last night.

Haiti's three-man ruling junta, and these are the men responsible really for the systematic organized terror, they have issued statements that they will investigate these matters and they have appointed some of their military colleagues to investigate these matters. It is like the fox appointing members of their group to investigate a raid on the hen house.

In a New York Times story today witnesses of the fire that occurred two nights ago said that half a dozen men appeared with submachineguns, they blocked all intersections leading to the election council headquarters, and they fired bursts of machinegun fire into the air and then other men appeared who went into the office, chisled the iron door open and started the fire in the office.

This does not seem to be the work of random hotheads. This is a systematically organized effort. It had to be condoned by the government in order to take place.

The election council member, Emmanuel Ambroise, whose home appliance business was destroyed by fire the same night that the election council headquarters was set afire, spoke on Haitian radio yesterday addressing all Haitians and the international community. And he charged that the assassins and arsonists are now running Haiti. He made a desperate appeal to the whole world for protection.

Another member, the treasurer of the election council Alain Rocourt was quoted in today's New York Times story as saying "We are in the midst of total insecurity." I think that is a gross understatement.

They are in the midst of total terror.

I wish some of the Judeo-Christian indignation that we express about freedom in Nicaragua, about free elections in Nicaragua, I wish we could get just a small portion of that indignation and apply it to Haiti which is only 90 miles from the shores of the United States.

We can do a great deal about the terror taking place in Haiti. We can do a great deal to help the 90 percent of the population, 90 percent of the 6 million people who came out and voted for a Constitution. They set up a timetable for elections. We sit by and do nothing while armed bandits, military thugs destroy the whole election process.

We say we offer freedom in this hemisphere. We say we are interested in free elections. But we do nothing to help Haiti. We can do a lot, there is a great deal we can do. The President can call upon the U.S. Government to make provisions to reestablish the printing press; if not the printing press, to do the printing for them. We can provide the technical assistance to keep that election going.

We can make a statement, if the President would make a statement and let the military junta know that we disapprove at the highest levels of what they are doing. The military junta is a creation of the U.S. State Department. It was not created by any constitutional process, thank God. Our State Department helped to push Duvalier out but they set up an alternative which had no basis in the constitution. The election council is the only body in the Haitian country right now which has the will of the people behind it. The people voted to set up the election council. The people voted to establish the election timetable.

We should call upon the junta to step down. We should call upon the military junta to spend all of their time guaranteeing law and order in Haiti and allow the election council to run the Government at this point until the elections are held on time in November.

We can do a great deal. We can call upon the Organization of American States to send in observers en masse. We can call upon the United Nations to send in observers.

There are a lot of peaceful intervention steps that can be taken, if we do not continue to follow this hypocritical policy of closing our eyes to violatons of human rights, to a reign of

terror in Haiti while we insist that we are interested in freedom and human rights in the rest of the world.

Mr. Speaker, I would like to submit two articles that appeared in The New York Times because they chronicle in a very good way the story of violence in Haiti. They tell the story very well. I think these stories will be very helpful.

(The articles referred to are as follows:)

[From the New York Times, Nov. 4, 1987]

NEW VIOLENCE BREAKS OUT IN HAITI AS VOTE PANEL BARS DUVALIER MEN

(By Joseph B. Treaster)

MIAMI, November 3.—Violence flared again today in Haiti hours after a dozen associates of François and Jean-Claude Duvalier, the former dictators, were rejected as presidential candiates.

The national election headquarters in the heart of the capital, Port-au-Prince, was broken into and set afire and gunmen sprayed machine-gun fire at a smaller election office, the office of a centrist presidential candidate and the home of a Senate candidate.

Another fire heavily damaged a hardware store owned by one of the nine members of the National Electoral Council, which is organizing the elections.

Gunshots in the night and mysterious killings have become a part of life in Haiti since the Duvalier dictatorship collapsed in February 1986.

The army-dominated provisional Governmental of Lieut. Gen. Henri Namphy has refused to provide protection or administrative support protection or administrative support to the electoral council, feeding speculation in Haiti that it wants the elections to fail.

Alain Rocourt, the head of the Methodist Church in Haiti and treasurer of the electoral council, said that while flames swept through all three stories of the election headquarters, destroying records and equipment, he thought it would still be possible to hold the presidential elections as scheduled on Nov. 29.

"WE ARE CARRYING ON"

"The election will take place as planned unless we are physically unable," Mr. Rocourt said in a telephone interview from Port-au-Prince.

In spite of daily death threats, Mr. Rocourt said: "We are continuing. We are carrying on."

Three weeks ago a presidential candidate was shot to death in front of the national police headquarters, across the street from the presidential palace where General Namphy has his offices, and in August the leader of a moderate political party was hacked to death in a rural churchyard. No arrests have been made.

Soldiers firing at point-blank range killed more than 30 demonstrators in protests during the summer after General Namphy's Government briefly seized control of the electoral process. But since then the streets have been left to unidentified gunmen in civilian clothes who many Hatians assume are either former members or associates of the Tontons Macoute, the army of thugs that the Duvaliers used to terrorize Haiti.

Mr. Rocourt said the electoral council wrote to the provisional Government on Oct. 16 and again on Oct. 26 asking for protection of its offices around the countries and its members and that the Government did not even reply.

"This shows the contempt the authorities have for the electoral council," Mr. Rocourt told a reporter for The Associated Press.

As dawn broke today, witnesses said that a curious crowd was milling around the smoke-chared entrance to the still-smouldering election headquarters, but that there was no sign of any security forces.

Richard N. Holwill, the Deputy Assistant Secretary of State in charge of Caribbean affairs, said in an interview from Washington that the United States was encouraging the provisional Government to support the electoral council and provide "the needed security."

"We have every reason to believe at this time that they are trying to do so," Mr. Holwill said.

Mr. Holwill said the electoral council had not notified the Government that it was going to announce the rejection of the candidacies Monday night, "so they were not prepared."

Mr. Holwill said it was not clear to him that the council had formally asked for protection. Despite the widespread insecurity in Haiti, Mr. Holwill said, he was not going to try to "second-guess" whether security forces should have been posted at the election headquarters.

The former aides to François and Jean-Claude Duvalier had issued veiled threats of a violent reaction if their candidacies were rejected and one, Clovis Desinor, a former Finance Minister, raised the specter of civil war.

One of the most enthusiastically supported provisions of Haiti's newly adopted Constitution banned key members of the family dictatorship from running for public office for 10 years. In announcing their candidacies in mid-October, the Duvalier aides charged that the Constitution was discriminatory and challenged the electoral control to try to enforce the ban.

12 "COULD NOT BE ACCEPTED"

In a statement read over Port-au-Prince radio stations Monday night, the electoral council declared that 23 of the 35 men who had registered as presidential candidates were eligible. It did not name the rejected candidates, Mr. Rocourt said. But, he added, it was clear "they were out."

"We made a very careful and calm survey of the names and with documents in our hands we saw that those 12 could not be accepted," Mr. Rocourt said. He said the decision was unanimous.

Among those rejected, in addition to Mr. Desinor, a 73-year-old lawyer who campaigned for the election of François Duvalier in 1957 and served for more than 11 years as his chief financial adviser, were Lieut. General Claude Raymond, retired, a former Chief of Staff under both François and Jean Claude Duvalier, and several other former army officers and Cabinet ministers.

In a second statement last night, the electoral council announced that elections in the nation's 565 rural sections and in 137 municipalities were being postponed from Nov. 15 until Dec. 20, partly because of a lack of candidates. There have been some administrative difficulties, Mr. Rocourt said. But, most importantly, he said, people were afraid to sign up as candidates.

[From the New York Times, Thursday, Nov. 5, 1987]

ELECTION PANEL OFFICIALS IN HAITI FLEE NEW VIOLENCE IN THE CAPITAL

(By Joseph B. Treaster)

PORT-AU-PRINCE, HAITI, November 4—Several members of the Haitian electoral commission were in hiding today after a second night of arson attacks against election officials.

A 75-year-old election official whose home was a target bitterly accused the army-dominated provisional Government of complicity in the violence.

Addressing Haitians and the "international community," on capital radio stations, the official, Emmanuel Amboise, charged that "assassins and arsonists," were running Haiti. He made a desperate appeal for protection.

Two days after arsonists heavily damaged local election headquarters and gunmen sprayed machine-gun fire at a district voting office and the office and home of two candidates, the Government still had not assigned security forces to protect election officials and offices.

Several election officials expressed serious doubts today that the presidential elections could be held as scheduled on Nov. 29.

"TOTAL INSECURITY"

"We are in the midst of total insecurity," said Alain Rocourt, the head of the Methodist Church in Haiti and treasurer of the nine-member Electoral Council.

The national election headquarters was set afire Monday, hours after the Electoral Council had rejected the presidential candidacies of a dozen associates of the former dictators of Haiti, Francois Duvalier and his son, Jean-Claude, who fled to France 21 months ago. Haiti's new constitution bars key officials of the family dictatorship from elections for 10 years.

In another attack on Monday, arsonists also destroyed a hardware store owned by Mr. Amboise. On Tuesday night, they unsuccessfully tried to set fire to Mr. Amboise's home and the family car.

After ignoring two earlier written requests for protection from the Electoral Council, the Government said in a statement last night that it had instructed the "appropriate authorities" to "determine the necessary security measures" to be taken "to guarantee the progression of the electoral process."

By midday, Mr. Rocourt said the Government had done "nothing at all" to provide security for any council members or the council's offices. Mr. Rocourt said a high-ranking Government official suggested that the council hire a private guard to protect the charred equipment and files in the headquarters.

ATTACKS ON OFFICES

According to witnesses, Mr. Rocourt said, a half-dozen men with submachine-guns blocked the intersections at both ends of the street on which the headquarters is located by firing bursts into the air shortly before midnight Monday. Then, he said, men with chisels and metal cutters chopped through the steel doors of the offices and started the fire.

Mr. Rocourt said a neighbor of Mr. Amboise telephoned him last night to say she could see men trying to set fire to the Amboise home.

"She said she had called the police and they said they wouldn't come." Mr. Rocourt recalled.

Mr. Amboise said he held the three members of the provisional Government, whose names he recited, "responsible for the security of my family's lives."

Mr. OWENS of New York. I yield to the gentleman from California.

Mr. DORNAN of California. I thank the gentleman for yielding.

The reason I asked the gentleman to yield is I was in Haiti last month, one of the most recently returned Congressmen—and not many Congressmen and women are going down there. I think the gentleman made an excellent statement. The gentleman may have been a little harsh on the State Department because I know they are concerned about what is happening down there. They do not like the fait accomplis of this junta. I met with Gen. Henri Namphy with three stars on his shoulder—that would be a three-star general anywhere else in the world but he does not have enough troops there to justify any rank beyond colonel—I told him, I said the United States wants this election November 7. He said—rather the inauguration. He said there will be an inauguration of a politically nonmilitary president on February 7.

And I said, "Well General, you cannot get there until you have the election on November 29." I asked could a group of Congressmen come down and monitor this?

I think in all due respect to the gentleman's suggestion about the OAS sponsoring it, I think Congressmen and Congresswomen should go down there and monitor it. And I recommend that the gentleman from New York lead a group and I would be glad to give up a weekend away from my family and go down there with the gentleman.

Mr. OWENS of New York. The gentleman is recommending cosmetic measures. Right now the election process is underway. If the candidates cannot campaign, if the election commission cannot carry on with orderly records, there is nothing to observe, there will be nothing to observe when we get to November 29. We need to do something now—and not Congressmen. Congressmen have full-time jobs. They cannot do the job.

THE SITUATION IN CENTRAL AMERICA AND THE ECONOMIC ISSUES CONFRONTING THE UNITED STATES

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Texas [Mr. GONZALEZ] is recognized for 60 minutes.

Mr. GONZALEZ. Mr. Speaker, last week, to be exact on Thursday, I was asked to use a special order technique for the purpose of enabling the House to proceed and allow the Committee on Rules to deliberate in order to, in turn, allow the House to continue in session that day. So in obedience to that request I did. And I spoke about 10 minutes' worth and by that time the rule was reported.

In those 10 minutes I announced to the House that I wanted to develop two themes. One, the question and continuing issue very fundamental to the destiny of our country and to the neighbors who share the new world with us, that is Central America, specifically, and Latin America in general though not exclusively in reality restricted to those areas.

And secondly I wanted to continue the discussion that I had sustained over a period of time and in reality quite a bit of time, and that is on the fiscal, the monetary, the financial, the economic situations and issues confronting our country, burgeoning up from the midst of our society and also from a world continuing in a process of contraction, with the tremendous ability to instantaneously communicate throughout the world as well as to travel great distances in small numbers of hours, facts which were not true after World War I, were not true immediately after World War II with the exception of the revolutionary technological explosion in those matters having to do with international financial transactions and which apparently have not given an opportunity for lawmakers not only in our country but throughout the world to catch up with.

It has been, as I said last Thursday, disappointing to me since beginning the discussions on what was obvious to me at the time would be the coming crisis and issues but which at that time seemed remote and improbable.

I am speaking now of 25 years ago where I came to this body 26 years ago and I was assigned to the Banking Committee, at that time known as the Banking and Currency Committee, now know as the Committee on Banking, Finance and Urban Affairs—and I have remained on that committee through the years mostly because it is an area in which I felt quite a bit of interest, dedicated effort going back to the time I initiated my career as a public elective office holder on the city council of the city of San Antonio and then in the State senate of the State of Texas where I had been appointed to serve as chairman of the Banking Committee of the State senate.

□ 1310

There has always been political pressure obedient to other issues in my district, defense issues, that place a considerable amount of political pressure on me to serve on such committees as Armed Services. But when I came here, the seniority system was in its strong vigor, and the Texas delegation in particular was an inexorable follower of the seniority system, and it would have been impossible to have gained admission to that committee, even though the Speaker at that time, the Honorable John McCormack, had asked me if I would give permission for him to intervene. I declined that invitation on the basis, given my experience in the State senate and even on the council of the local legislative body, that anything that is constrained or forced is not going to work, and that the natural flow of things was always to be preferred.

I am glad of those choices, even though in the intervening years I have been offered appointment to the Ways and Means Committee, the Appropriations Committee, and the Rules Committee, but I have maintained my membership on the Banking Committee because I feel that it gives a necessary locus of activity. I learned in the State senate that it is not what committee you are assigned to any more than what seat you are assigned to but what you do and to what extent you develop expertise and ability, not only long-term but short-term ability on the issues.

So one of the first issues I addressed was in 1963. At that time we had a far more leisurely time as far as the processes were concerned in the Congress. Seldom did we have rollcall votes. Seldom did we meet for active legislative exertion more than 2 days a week, and the Banking Committee for the first time in 1963 met more than three times during that first session. In 1962, my first year, the committee met one time, to give my colleagues an idea of the different pace and environment that has existed since then.

The reason that I knew I had made the right choice was that the then Secretary of the Treasury, the great Mr. Dillon, Douglas Dillon, who was considered an expert—but I soon found that experts sometimes need to be more carefully scrutinized than laymen—came before us. Mr. Dillon appeared before us in the spring of 1963 to request that we approve a measure that would repeal the silver transactions tax. It also coincided with the first year that Chairman Wright Patman served as chairman, and it was Wright Patman that inaugurated the 5-minute rule. Chairman Patman was the first chairman of a standing committee to allow every member of that committee to have a chance under the 5-minute rule to ask a question or make a statement.

I took advantage of that to ask two questions of Mr. Dillon: First, was it not true that the silver transactions tax had been a wartime tax? To which he replied affirmatively.

And I said second: Was it not true that the reason it was passed by the Congress was to prevent speculation in time of war, particularly in this market known as the silver market?

To which he said he was not sure, but he thought so.

I then had an opportunity to ask a followup question, and that was this: Since at this time we are using silver in our currency, what will be the impact of creating a volatile, speculative market, which is bound to be born or reborn, if we abrogate the silver transactions tax? To which he replied that it was necessary because of the heavy industrial use of silver in the postwar period.

But he did not answer the question, and that was: Would it not ultimately impact on the Treasury's ability to consider silver content in our coinage? And he said, "Not for the foreseeable future, at the worst."

Well, I will sum up by saying that exactly 2 years later, in the spring of 1965, the same Secretary came with a measure that removed the silver content from our coinage system, so that we had a rebirth of the speculative futures markets, if you please.

Then some 14 years later, or 17 years later, the renowned billionaires, the Hunt brothers of Texas—that is H.L. Hunt—decided that they were going to pit their narrow Texas wealth-gathering abilities against the experts. And these were mostly based on the fact that they and their predecessors had been in the right place in Texas to own land that produced oil, and they cashed in on that. They had no other ability that I know of in business or entrepreneurship. Nevertheless they decided that they were smart enough to pit their brains against those old speculative markets in London, France, and Zurich, forgetting that the world had changed, and that these are people who have had 400-plus years experience in the most speculative but yet controlled markets of all, the silver and the gold markets.

Lo and behold, at the same time and coincident with that effort, we had the beginning of what now has turned out to be the takeovers, the mergers, the giant dinosaurs trying to eat the other dinosaurs. But what the American people have never been clearly told is that all those processes were tying up the available credit resources or banking credit resources of the Nation, if you please. In the case of the H.L. Hunt brothers—Bunker and Nelson, or Nelson Bunker Hunt; I forget which way is goes—they were able to garner from $20 to $30 billion worth of banking resources and credit that should have been available as the law prescribes in issuing charters to banks, that is, for public need and convenience. Everybody forgets about that.

This week and last week the distinguished and very able chairman of the full Committee on Banking, the gentleman from Rhode Island [Mr. ST GERMAIN] called, on the request of many of the Members, on us to have hearings on the present monetary problems. We have gone into such things as even the recent stock market collapse. We summoned forth the executive secretary or manager or director of the Securities and Exchange Commission, and we had a private meeting to hear all those after-the-fact lamentations and wailings and moanings.

But some of us had predicted this because the handwriting on the wall was plain and significant, going all the way back to the 1960's even to the last year of President Kennedy's regime, when the trade balance began to suffer deficits, deficits compared to $150 to $160 billion annual deficits that we suffer today. This bloodletting was the beginning of the bloodletting of our life's blood. Of course, $10 billion in that day and time was relatively manageable, and indeed the President had the sagacity to have working in the Department of the Treasury such men as Robert Roosa of New York, who then devised the so-called Roosa Dollar or the two-tiered gold proposal, which kept things together until 1971, at which time President Nixon, with my fellow Texan, the Secretary of the Treasury, John Connally, devalued the dollar in August 1971 by 10 percent. Yet there was not on newspaper, there was not one journal that ever called it a devaluation at all. It was just like in prior years nobody was taking note of the fact that we were having a repetition of what happened after World War I when Germany, overcome by the might of the Allies, prostrated, was compelled to pay reparations when everybody with any common sense knew at the time that would be impossible to meet. So they were very ably seeking ways to get over that, and they finally did.

The United States was the only creditor nation in World War I. The United States was the only creditor nation in World War II. As of 3 years now, the United States is a debtor nation, the biggest debt-ridden nation in the whole world, with a greater debt than all of the so-called Third World or developing nations who are perishing under the burden of their debt and their inability to pay it.

So some of us dared to question the situation in June 1966, when we had this so-called credit crunch occasioned by the fact that overnight, on June 19, 1966, the principal banks headquartered in New York overnight in one fell swoop raised the prime interest rate by 1 whole percent. That had never happened before, even during the Civil War. This was before we had what we know as our national banking system, which incidentally was born in 1865. That was under the National Currency Act of 1865, right about the time President Lincoln was assassinated, and he had this problem uppermost in his mind the day he died.

So to sum up where we are today, this is similarly clearly reflected, although, of course, it is not the same, as after World War I. Last week we had four preeminent economists, the outstanding economists in our country, and one of the younger ones, who happens to be the economist for the biggest bond and stock house in New York, said, "Well, you know, we built an econometric model, but, of course, we couldn't put into our model"—meaning they could not put it in the computer—"anything going back beyond two decades."

I could not believe it. Of course, this man's youth clearly would indicate that he is not a Depression-era kid, as some of us are, that whatever he knows comes through reading history, and that he himself is admitting that they had not gone back into history far enough to factor what I reported to this House in a special order in August 1979, that all of the factors were once again coming back. These are variable, what they call in mathematics variable factors. So the variables were now back in that equation that produced the bust in 1929. And I pointed out why. Among the factors, as of that point in 1979, was the rule of thumb of the real international bankers, the Bank for International Settlements in Basel, Switzerland. These are the boys that have survived wars, financed wars, and had all the warring and financial interests all together in one fold. While our men were dying and German boys were dying and British boys were dying, these bankers were there in Basel, Switzerland, making sure that they not only came out alive but came out richer than ever before, and in fact they determined such things as the International Monetary Fund, the IMF, that was born of the Bretton Woods Conference after the war in 1944 and 1945 here in the United States.

□ 1325

It should not surprise the Members that Bretton Woods collapsed when President Nixon took us off the gold exchange and devalued the dollar by 10 percent and devalued it again in 1973. It was to no avail.

I had become chairman of the Subcommittee on International Finance, Trade and Monetary Policy; and it was to no avail that I raised my voice and tried to protest that we should at least have hearings and consider the implications and the underlying causes, and that the United States would have to again exert its remaining vestige of persuasive power to lead the nations into a more fixed stable arrangement rather than going into what they call the floating currencies. Floating means exactly that. It means there is no stability, and all through man-

kind's history at all times, there are two truths: First, that you cannot charge usurious interest and legalize what otherwise has been illegal through the centuries without that society failing, and all the history of interest rates shows the rise and the fall of empires, including the Spanish Empire of the 15th century.

All you have to do is just track the interest rates, how much those Spanish kings with all the gold they had and everything had to pay the money lenders by way of interest to fund their wars.

The same thing is true today, and I would like to place into the RECORD an article in the New York Times, Sunday, October 25, in the foreign section entitled "History Lessons We Failed to Learn."

The last paragraph I am going to refer to says exactly what I have been saying, that there are few schools of business in the United States that teach financial history. How can we remember the lessons of history if we have not been taught them?

I submit a copy of the October 25 New York Times article as follows:

[From the New York Times, Oct. 25, 1987]

HISTORY LESSONS WE FAILED TO LEARN

By Henry Kaufman

The historic drop in the stock market was the result of the bearing down of a series of fundamental forces, the coming to the fore of a variety of structural vulnerabilities and the failure of market participants either to learn from or remember the lessons of history.

During the euphoria of the market rise, the warnings of low dividend and earnings yields on stocks were ignored. It was assumed that yields would rise along with expected large increases in corporate earnings.

Several developments cast their shadow over these expectations, especially in the interval since late summer. One was increasing evidence that consumer prices were on a rising trajectory of about 5 percent for 1987. Inflationary expectations were further heightened by the apparent stalemate between Congress and the Administration in reducing the Federal budget deficit. Even if the budget cuts from Gramm-Rudman prevail, the deficit is likely to rise to $160 billion or $165 billion from about $150 billion last year.

It also became evident that higher interest rates were likely as a result of our Federal and trade deficits. Our trade deficit could be reduced either by stronger exports or weaker imports. But this would intensify demand pressures that are already surfacing in many of our manufacturing industries. Strong-exports would add to the demand for our domestically produced goods. Weaker imports would shift demand from foreign-produced to domestic-produced goods. These inflationary pressures could only be offset if there were a slowdown in domestic demand.

Protectionist measures to reduce imports at a time when the economy is operating near full employment would also pose inflation risks. In addition, under current circumstances, a further decline in the value of the dollar would lessen foreign investors' willingness to hold dollar obligations and this would further add to inflationary expectations.

The stock market at first ignored these disturbing developments while the bond market did not. Long-term Treasury bond yields rose through 10 percent and before the stock markets crashed, bond yields had risen over 35 percent from the lows reached earlier this year. The combination of dollar instability and 10 percent-plus yields on government bonds compared with the previously noted low earnings yield on common stocks unmasked a number of weak features in the equity market and contributed to its demise. The earlier strengths in the stock market became its weaknesses. These include the following:

Higher interest rates quickly raised the probability that there would be an end to the sharp contraction in outstanding shares of common stock, which had been largely the result of mergers, consolidations and leveraged buyouts. These restructurings had taken more than $100 billion of equities out of the market, in each of the last three years, thus shrinking the supply of common stock. A comparable withdrawal was in train for this year. It seemed not to matter to the stock market that this taking out of equities was largely accomplished through the substitution of debt for equity. The risks that these corporate restructurings would entail was not a concern to a market that was being driven by a high near-term performance orientation. The immediate rewards from the decapitalization of corporations was dominant until the rise in interest rates challenged the restructuring process.

Concern about the stability of the dollar also brought into sharp question whether the voraciousness of foreign appetites for American equities would continue. Last year and thus far in 1987, they were second only to mutual funds in net purchases of common stock. In the one and a half years to mid-1987, they bought net an estimated $35 billion. The mutual funds had become the dominant domestic buyers of equities during this period by taking down $40 billion of shares. Both foreigners and mutual funds as buyers had certain volatile characteristics. Foreigners responded quickly to interest rate differentials and inflation developments among world financial markets. Many investors in mutual funds have become highly sensitized to domestic market changes. Some investors regard mutual fund shares not as long-term investment vehicles, but as liquid investments having the potential of a higher rate of return, thus ignoring the downside risks.

Corporate stock retirements and foreign and mutual fund stock buying contrast with the more stable investor groups that dominated the equity market a decade ago. At that time, private and public pension funds, with their steady inflow of funds and their conservative long-term investment behavior, were dominant.

The rapid growth of stock options and futures also contributed to the unstable structure of the market. The daily average volume of trading in stock index futures and options rose from about $11 billion in 1984 to $35 billion during the last three months. So far this year, through early October, the volume of stock futures trading reached $2.9 trillion, compared with $1.9 trillion in actual stock transactions. Many of these transactions in options and futures were designed to limit risk, as in the case of portfolio insurance transactions. But even here, as well as in program trading, the volatility of the market was exacerbated. A similar explosion occurred in debt options and futures. The capacity to take risks with little capital was enhanced, bringing participants into the markets who sought near-term price objectives.

High price volatility will continue to be a feature of both our equity and debt markets. The securitization of assets will breed more intensive efforts at achieving near-term performance objectives. The globalization of markets will subject them even more to the impact of international capital flows. The efforts to further deregulate the financial system will encourage the abuse of fiduciary responsibility by market participants that can only be cured through extreme price volatility.

The events leading up to the latest stock market debacle have their counterparts in history. In the 1920's, the public utility holding companies acquired the equities of operating companies through huge borrowings. Ivan Boesky is not singular in history. He stands alongside Ivan Kreuger, Charles Ponzi and Sam Insull—among others—of earlier times. Problems with foreign debt are also not new. History is full of debt moratoriums and failures.

The new decision makers in the financial markets are exceedingly well trained in analytical skills; they are ambitious and they are willing to take risks, but unfortunately their entrepreneurial drive has not been tempered by the lessons of history. We should not be surprised that this is so. There are few schools of business in the United States that teach financial history. How can we remember the lessons of history if we have not been taught them?

(Henry Kaufman is Managing Director and Member of the Executive Committee at Salomon Brothers Inc.)

Today I would also like to include in the RECORD part of the testimony that was offered by one of the economists that appeared before the committee, and also the testimony of the Chairman of the Board of the Federal Deposit Insurance Corporation, because in the midst of this crisis, every one of these witnesses said oh, yes, but now we can depend on these regulators, and we can depend because we have insurance; and yet when I asked the Assistant Secretary of the Treasury 3 days ago, Mr. Gould, "Mr. Gould, can you tell me what is the amount in the till that the Federal Deposit Insurance Corporation has by way of insurance, in contrast to the total volume or the total amount of insured deposits?"

He said, "Oh, well, what is in the till is somewhere around $19 billion, but I cannot remember what the total volume is now."

I said, "Well, is it safe to say that it is over a trillion?"

He said yes, he thought so.

When I pointed out in 1979 that the ratio then was about $13 billion to cover $900 billion, and announced that the rule of thumb that these bankers in Basel, Switzerland, always use, no matter what bank is concerned, where it the ratio is 22 to 1; that is, total assets, what they call capital assets, capitalization to debt, or overhang, reaches 22 to 1, a point of no return.

I will have this much to say. The Chairman of the Federal Reserve Board then, Arthur Burns, may his soul rest in peace, he died recently, and he read the CONGRESSIONAL RECORD. I was speaking on the floor. He called me and said he wanted to have breakfast, because he had seen my remarks in the RECORD and wanted to discuss them.

I have been the only one in either this body or the other body across the Rotunda to even mention the European currency unit, the European monetary system, EMS, ECU as they call it, and I was the only one to even discuss it. Yet, that is the most awesome development, as far as the United States of America's fiscal monetary economic standard of living; the biggest, biggest most awesome shadow that we have, with the turmoil that has been reflected and with the Federal Reserve.

This is the great body that is so independent, it does not account to anybody. Most of the Members think that the Federal Reserve Board is a Federal Government entity; and when I tell them no, it is not, even though the Congress created it, it has been acting as if it were created in Heaven, as if it were divinely destined to rule over the monetary and fiscal policies of our country, so I wish to place in the RECORD at this point an article from the Christian Science Monitor, page 9, Friday, October 30, entitled "U.S.'s allies urge fresh look at world monetary system," and I am going to quote just two paragraphs.

As the "stock crisis" develops into "dollar crisis," Europeans are rethinking their monetary policies and renewing calls for a new international monetary system.

Such a system, say top-ranking French officials, would decrease the importance of the dollar by introducing wide-scale use of the European Currency Unit (ECU)—a mix of several national European currencies—and the Japanese yen as reserve assets for central banks.

Mr. Speaker, I submit a copy of the Christian Science Monitor article as follows:

U.S.' ALLIES URGE FRESH LOOK AT WORLD MONETARY SYSTEM

JAPAN WILLING TO PROP UP DOLLAR, BUT SAYS U.S. MUST TACKLE ITS OWN DEFICITS

(By Takashi Oka)

TOKYO.—First the stock market, and now the yen-dollar exchange market—or rather, the foreign exchange market as a whole.

The steep fall in shares prices and the sudden slide of the dollar reflect increasing uneasiness here about the American economy, especially about the so-called twin deficits—the trade deficit and the budget deficit.

Thursday the dollar declined to a record low of 137.55 yen here, while stock prices fell by 2.4 percent following larger losses earlier in the week.

Central banks can temporarily prop up the dollar if the Big Five (G-5)—the United States, Britain, France, West Germany, and Japan—are in agreement to do so. But they cannot resist for long a generalized feeling that the dollar can only go in one direction—down.

"Behind the stockprice slump," said Governor Satoshi Sumita of the Bank of Japan Thursday, "lies skepticism over the future of the dollar. To me, the skepticism lacks rationale . . . but it spreads as a rumor and affects the market."

Finance Minister Kiichi Miyazawa insisted that the "Louvre Accord" reached by the Big Seven finance ministers (G-5 plus Italy and Canada) in Paris in February this year still stood firm and that central banks were cooperating to keep the dollar from sliding disastrously by buying up dollars. The bank of Japan is reported to have spent $1 billion in Tokyo yesterday as its share of the joint action, and European central banks intervened in their respective markets, though not in such a massive degree.

Europe's business day began as Tokyo's closed, but dealers here are getting no sleep: their eyes are glued to computer screens, their ears to international telephones as they follow Europe's day to its close and the dawning of New York's business day.

Japanese officials and economists insist that their country's situation is basically sound, with "brisk domestic demand," as Mr. Sumita says, and it is the Americans who need to pull up their socks. But the Japanese, the South Koreans, and the other Asian NICs (newly industrialized countries) know that their own economies depend heavily on exports to the insatiable American market and that a downturn in the market is bound to have a ripple effect throughout this part of the world. Stock market declines in this region reflect this concern.

"The world's economic system will collapse if we don't do something now," says Josen Takahashi, who is widely regarded as one of Japan's most level-headed economic analysts.

"What is needed is clear: to restructure the US economy. But this cannot be achieved overnight. . . . what is needed is to reorganize international financial cooperation. We can't get out of the current situation by having the US make all sorts of demands on Japan and West Germany without doing what the US itself needs to do. The key is how much pain the US can take. Americans must undergo the pain of cutting expenditures and raising taxes if they are to correct their current deficit."

There seems to be a general resignation here that the dollar will indeed drift lower, perhaps to the 135 yen range—and to the 1.70 range vis-a-vis the West German mark. Japanese interest rates are already the lowest in history—the official discount rate standing at 2.5 percent—and there is great reluctance to lowering it any further in order to help the dollar. This means that, in the Japanese view, helping the dollar means continued intervention in the foreign exchange markets by the Japanese and other central banks—even though the Japanese know that all they can hope for is a gentle decline rather than a precipitous one.

EUROPE SEEKS TO GET OFF CURRENCY ROLLER COASTER BY LESSENING ROLE OF U.S. DOLLAR

(By William Echikson)

PARIS.—As the "stock crisis" develops into "dollar crisis," Europeans are rethinking their monetary policies and renewing calls for a new international monetary system.

Such a system, say top-ranking French officials, would decrease the importance of the dollar by introducing wide-scale use of the European Currency Unit (ECU)—a mix of several national European currencies—and the Japanese yen as reserve assets for central banks. Volatile currency fluctuations would be calmed by recognizing the relative economic weakness of the United States and the relative strength of Europe and Japan.

"The US is the only country which can pay its own debts with its own currency," said an adviser of French President Francois Mitterrand. "That situation cannot continue."

As he spoke, the dollar was tumbling against European currencies. If fell this week to new lows, closing Thursday at 1.727 marks, 5.82 francs, and 1.7265 pounds. Europe now fears Washington is willing to let it plunge further.

"Let's not have any illusions," said Jacques Delors, commissioner of the European Economic Community. "Americans are prepared to let it fall to 1.6 marks."

To shore up the US currency, European central banks are buying huge amounts of dollars. West German Finance Minister Gerhard Stoltenberg, the key European actor in the crisis, told an interviewer his country would do everything possible "to stabilize currency rates," even lowering interest rates.

If the Germans carry out this pledge, it would represent a dramatic shift. Until now, the Germans have insisted that they could not ease their credit stance out of fear of overheating their economy and setting off an inflationary spiral. But the dollar's fall has scared them, with their European partners, for the following reasons:

It hurts exports. Americans now will have to spend more money to buy German BMW's and Mercedes, French perfume and cheese, and British woolens and antiques. For every 20 percent the dollar falls, French growth decreases by an estimated one-half percent.

A weaker dollar puts pressure on the Europeans to expand their money supply, risking renewed inflation. European central banks must buy dollars on foreign exchange markets to support its price, paying with their domestic currencies.

The feeble dollar plays havoc with European exchange rates. As the dollar falls, people buy the strongest available alternative. In Europe, that means the mark. But under the rules of the European Monetary System, the mark cannot rise too much against weaker European currencies such as the French franc and Italian lira without a change in exchange rates.

This may now happen. The franc has fallen against the mark and European finance ministers are rumored to be planning a meeting this weekend. For French Prime Minister Jacques Chirac and other leaders of governments with weak currencies, a devaluation would be a severe political shock.

French voters don't like to hear that their money is worth less against the currencies of close neighbors such as West Germany, the Netherlands, and Austria, and Switzerland—and to find their favorite imported new car costing more.

Drastic action may be needed to bolster the dollar, officials and analysts agree. Mere intervention in foreign exchange markets by central banks—so far, the only move taken—is insufficient to return order to world currency markets.

The French adviser proposes a three-part recovery program. First, he says U.S. budget deficits must be reduced. Then the Europeans, especially the Germans, must pick up the slack created by weakened American

growth and promote an expansive fiscal policy.

In concrete terms, he suggested speeding up the construction of intra-European high-speed train connections, the tunnel under the English Channel, and a new generation European telephone system.

The final part of the program would be the convening of a monetary conference to set semi-fixed exchanges. President Mitterrand first suggested such a meeting in 1981, but French officials think the time now may be ripe for another try.

"When we proposed the idea, the U.S. Treasury minister at the time [Donald Regan] laughed at us," recalls the French adviser. "In the last few years, they have come to realize that some control is needed over exchange rates," he said.

As proof, the official pointed out that present U.S. Treasury Secretary James Baker III entered into informal agreements to control exchange rates, first in 1986 and most recently this February in Paris at the Louvre. The dollar's present instability shows that stronger, more formal agreements are needed.

Until now, most reserves held by central banks to make payments for goods have been in dollars.

This unique status for the American currency lets the U.S. create dollars to pay its international bills and not give adequate attention to its balance-of-payment deficits. Under the French proposal, the ECU and the yen would become alternative "reserve currencies."

"This won't happen overnight," the adviser to Mitterrand said. "But sooner or later, we must put order into our affairs."

I have been speaking on this since 1979 when on May 1, more or less, when President Carter journeyed to Bonn to the economic summit meeting of that year; and at the end of their meeting, they issued a one-page communique, which the last sentence was,

We hold and affirm to the principle of the development of the European Currency Unit, the European monetary system.

Nobody even mentioned it other than in the communique here. I asked questions on several occasions of the Federal Reserve Board Chairman, and the last occasion was this summer when he was coming before us to sing his swan song before he left, the immediate predecessor of the present Chairman.

I asked him about this, and he looked at me as if he did not know what I was talking about.

I said, "Well, but just 2 months ago the Japanese for the first time made heavy use of their European Currency Unit?"

He said, "Oh, well," like so what. I want the Members to read this article in the Christian Science Monitor. Nothing like this has appeared in the financial pages of the outstanding metropolitan journals of our country.

It took the Christian Science Monitor with its correspondent in Tokyo—let us go see what is happening in Tokyo, and for that I would like to introduce into the RECORD the first page of a New York Times Magazine article by Martin Mayer, a great writer on economic and financial matters, entitled "Japan Roils the Markets."

Mr. Speaker, the excerpt referred to follows:

JAPAN ROILS THE MARKETS

(By Martin Mayer)

Americtronics had been formed in 1989 on the chassis of some of the largest and most innovative electronics companies in the United States. Its sole mission was to develop products from the new mix of chemistry and physics that had made superconductivity a practical industrial prospect.

Normally, meetings of the Americtronics board—a pantheon of businessmen, scientists and former Cabinet members—were highly structured and formal. Today's session, in the company's elegant boardroom overlooking the Potomac, was going to be different. At dinner the night before, the executive committee had reached a decision that required board approval, a decision that might transform the company and the nation.

The chairman raced through the routine agenda of the board at an unprecedented speed. Then he summoned from the ante room the director of the company's Northwest laboratory complex, who described the remarkable electrical and physical properties of a new ceramic created in his group. "Ameramic," as he called it, was capable of achieving miracles—from efficient electrically powered automobiles to controlled fusion energy.

The next step, the chairman said, was to build and equip factories capable of fabricating Ameramic wires and magnets and induction coils. But the risk, he warned, would be enormous—an investment of billions of dollars. As one man, the board turned to its member from the fraternity of investment bankers. Could the money be raised?

The banker looked at the pad on which he had been taking careful notes, took off his glasses and nodded apologetically toward the chairman. "Excuse me," he said, "but I will have to consult with the home office in Tokyo."

The home base of Daiwa Securities is a nondescript, steel-sheathed eight-story building halfway between the little bridge at Nihombashi, site of the village that became the city of Tokyo, and the hustle of the main railroad station. A pair of small elevators serves the building: Most employees walk up and down a broad stairway. The executive offices are on the fifth floor, guarded by two young women wearing the Daiwa uniform, a pleated fawn-colored skirt and maroon jacket, with the company symbol, an eagle, on the lapel. Both bow from the hips, as only the Japanese can, then guide the visitor to a reception room.

Japanese businessmen do not receive in their offices; instead, the company provides dignified, not to say stuffy, conference rooms. Lace doilies ornament the backs of the overstuffed chairs ranged around a table on which green tea and then coffee will be served. Only a few dozen of Daiwa's hundreds of executives have offices at all—most of them work in open bullpens, some simply at the head of a row of steel tables crowded with CRT screens and keyboards. From these undistinguished spaces, and from even more Spartan quarters scattered around the square mile of Tokyo's financial district, the leaders of the world's second largest brokerage and investment banking house—with estimated 1987 profits nearly three times those of Merrill Lynch & Company—make recommendations that affect the lives and livelihoods of millions of people around the world, not least in the United States.

Over the last few years a tidal wave of Japanese money has inundated the securities and real-property markets in New York, London, Hong Kong, Toronto and other financial capitals. When the United States Treasury auctions off the bonds it must sell to pay the Federal Government's bills, Japanese investors dominate. By most accounts, they bought more than 40 percent of the $9 billion sold last month. In the first half of this year, the Japanese did a tenth of the trading on the New York Stock Exchange, and their net purchases of $10 billion so far in 1987 are the customary explanation of a bull market otherwise very difficult to explain. In London, Daiwa and its even larger rival, Nomura Securities, have become the largest underwriters of corporate bonds issued on the Euromarket.

Among other things, he says on the floor of the Tokyo stock exchange, more than a billion shares are traded daily, five times the volume of the New York Stock Exchange. Thirty-three American companies are listed, so what I was trying to advise my colleagues, as far back as 20 years ago, what I have been trying to advise my colleagues with respect to our defense, we are taxing the American people for $315 billion worth of defense. I have been the only Member that has gotten up on the floor and asked the chairman of the Committee on Appropriations, how much of this is for the so-called defense of Europe?

He said, "Well, we can't tell you, because it is not compartmentalized."

I said, "Yes, according to what I deduce here, anywhere from 60 to 65 percent of this $315 billion could be said to be for that purpose."

I don't have any problem with that, if you are thinking about today's world.

The trouble is that our leaders in and out of the White House, in and out of the Congress and the business world even are all thinking about a 1947 Europe, and that is gone forever.

We have a divided Germany, and that is the issue, and it continues to be the issue.

It was no coincidence that Secretary Baker had gone to Germany, came back on the Tuesday after the October 18 crash in order to announce that he was trying to presuade the Germans to be nice boys and stimulate their economy and help the dollar, but help it how?

Between the 6 or the 10 which comprise the European monetary system, they have far more gold reserves than we have; and we have the tragic misunderstanding, misperception that if we demonetize, we said today gold is antiquated, outmoded, it would be fine if that were the universal consensus; but it is not.

France never has considered anything but gold; and of course, West Germany now has. It is a leading gold

reserve holder, so that is the reason our Secretary of the Treasury was going to Germany and not the other way around.

If this had been something that had happened 25 years ago, even 25 years ago, it would have been the other way around. It would have been Konrad Adenauer coming to the United States, not Secretary of the Treasury Baker going over there, but what does this mean to us?

It means that we have, as I have repeatedly said, and I am not going to go into it, because I have spoken ad nauseam on this, but we have lost control.

We, in the Congress, most irresponsible of our own destiny, have allowed what the founders of this country, the men who first organized the colonies into a nation and the Continental Congresses would not let happen.

□ 1340

As Thomas Jefferson said, "To let the bankers rule is to say that we are permitting—it is as bad as having a standing army of occupation rendering our citizens propertyless, homeless, and bankrupt."

What is the issue? The issue is the allocation of credit. Who is going to allocate credit?

If Nelson Bunker Hunt could tie up $30 billion in purely speculative failures, if such entities as DuPont and Gulf and others in these massive takeover mergers that do not create one job, do not produce one product, but tie up billions and billions of dollars in credit resources that ought to be out here available to the small businessman at reasonable, just, and legal interest rates.

I think the average citizen I speak to thinks that there is a law that prohibits usury. I want to remind my colleagues, there has not been any such thing on a national level since the National Currency Act of 1965. This is why President Lincoln was worried, so we should not be surprised that in 1979 and 1980 the prime interest rate, so called, went up to the horribly unconscionable extortionate skullduggery level of 21 percent. No wonder that we had the massive bankruptcies of small businesses.

How can a small businessman, and I am talking about the real backbone of America, the small businessmen, I am not talking about what up here in the Small Business Committee we call small business nationally. I am talking about what we call small business back home, this little tailor shop, this little successful businessman who is able to have more than one little grocery store and he needs to go to the bank to borrow $3,000 in order to continue to have some viable inventory.

I say to my colleagues, never in the history of mankind, and it is not happening now and it will not happen in the future, can any businessman such as that go and borrow $3,000 at 10, 11, 12, 13, 14, 15, 16, 17 percent, as he has been forced to in the last few years, and stay in business and earn a profit. He is working for the usurer.

Now, for seven different chairmen of the Federal Reserve Board, I have asked the same question. What about interest rates?

Oh, well, they say that nothing can be done about that, that is like an act of God; yet here lately they are all coming and saying, oh, yes, the Federal Reserve Board can determine the interest rate, except lately the Federal Reserve Board, as I reported in the second to last special order I had, owns less even though it is supposed to be the fiscal agent of the U.S. Treasury, that is what the law says. It is the other way around now. It owns less of our national debt, that is, our Government paper, bonds, and so forth, than the foreign investor, fickle, opportunistic, and who is to blame him? After all, the purpose of all this is to make money. These are interests that all through mankind's history are greedy, unrestrained, except by law. The more they have, the more they want.

The second half that I wanted to address is a question of the fact that today is November 5. It is supposed to be the day of truth as far as the so-called Central American or the peace plan of President Arias of Costa Rica.

Now, the question is not whether we are against communism. I do not know of anybody, in the first place.

I have never met a live and kicking Communist, at least not native sprung. If I have met some Russian visitors, I assume they may or they may not necessarily be members of the Communist Party. You know, not everybody in Russia is a member of the Communist Party; but if you want to be anything, you better be a member of the Communist Party, because it is the official party.

Now, we cannot stand here and say that that is an issue at all, because I think there is nobody I know of—in the first place, I do not know anybody who understands it. I know I do not. I do not understand all this jargon of dialectics. It leaves me cold, and in politics, which is the most realistic effort of all of mankind, you have to remain realistic and you have to remain within reason. I do not know of anybody who is advocating anything or even endorsing it, but what I do see is this fatal error, this fatal flaw, this Achilles heel in our great Nation's leadership thinking, born of ignorance, not cruelty, not imperialism. Of course, it is imperialism if you want to define it in the strict sense of the word. It is not when we consider the fact that our country has unavoidably a basic national interest involved in what happens, particularly on our front porch or back porch, depending on the point of view. There is no question about that. We do not argue that.

I think where we could stand some enlightenment is in trying to study the cultural history, the political history of these lands and peoples, because it is a great history. Instead of saying that we are going to determine and we are going to divert the course of a revolution, which is indigenous, sprung from the people.

I would like to call to mind of our colleagues that we have no experience with civil war, thank God, since the Civil War, thank God, but that ought to make us think twice about some of these nations that we have considered lesser because they have had a different course of development, different historical development; but in order to try to equate what I am saying, I want to go to the 39th Congress, which was the Reconstruction Congress, the beginning of it in 1865, and quote from a great Senator, a Member of the House and the Senate, who was a member of the Committee of Fifteen, which was known as the Committee on Reconstruction, to show you what a revolution civil war is all about.

I quote from Roscoe Conklin, a representative and senator from the State of New York:

> A moral earthquake has turned fractions into units and units into ciphers. If a black man counts at all now, he counts five-fifths of a man, not three-fifths. Revolutions have no such fractions in their arithmetic. War and humanity join hands to blot them out.

We have dealt with leaders who have oppressed the multitudes south of the border. We have drawn them close to our bosum throughout the years. We have invaded their lands. We have learned nothing since we joined the French and the English in 1918 in invading Russia to try to put down their revolution. We lost over 300 American soldiers, and we have learned nothing since then, and that is that just as in the case of our two revolutions, the original American Revolution, and let us not forget that there was no unanimity or consensus. There were more Tories and King sympathizers then than there were revolutionaries for a time and that even we in our revolution had the Benedict Arnolds.

In the Civil War, we are still 100 years after the Civil War, we in the Congress in 1964 struggled 10 days to try to forge a Civil Rights Act, 100 years after the Civil War.

These are the cataclysmic, moral cataclysms, moral earthquakes that we must learn to deal with in order to preserve the integrity and the proper defense of our own national interests.

And incidentally, as I have told some of our businessmen up here, also pluck from that metal danger this flower of economic leadership that the United States not only has the ability, but has

the right to lead and exert to its benefit and to the benefit of our neighbors.

We can never eliminate communism with guns and bombs, any more than the Roman emperors could kill off Christianity by throwing the Christians to the lions, not that I am making a comparison between the two.

But I am saying is the best way to overcome defeat and prevent communism is social justice. We have not been socially just. We have been aligned with those forces in these countries, in El Salvador with the despots that murdered an archbishop, killed four American nuns. In Nicaragua we have been financing, and in fact today we approved a continuing resolution that had some money for the forces that have killed American citizens who were legitimately in Nicaragua, because after all, our President has a duly empowered Ambassador in Managua testifying to the world that we recognize that regime has the legitimate ruler of that country, while on the other hand he is doing everything in his power to undermine it.

This is the reason why we have lost the decent respect of mankind, as the Declaration of Independence put it.

I want to report further on both these issues, but more specifically, the Good Lord willing and the special orders still prevailing, next week with respect to the financial and the monetary part of it, because I think at this point what we need is not to curse the darkness. What is past is past, no matter how much we try to inveigh against it, but to light the candle in this darkened atmosphere.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to:

Mr. AKAKA (at the request of Mr. FOLEY), for today, on account of official business.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

(The following Members (at the request of Mr. GEKAS) to revise and extend their remarks and include extraneous material:)

Mr. PORTER, for 60 minutes, on November 17.

Mr. GEKAS, for 5 minutes, today.

Mr. MORRISON of Washington, for 5 minutes, on November 10.

(The following Members (at the request of Mr. GONZALEZ) to revise and extend their remarks and include extraneous material:)

Ms. SLAUGHTER of New York, for 5 minutes, today.

Mr. ANNUNZIO, for 5 minutes, today.

Mr. LUNGREN (at his own request) for 5 minutes, today.

Mr. DORNAN (at his own request) for 5 minutes, today.

(The following Members (at the request of Mr. GONZALEZ) to revise and extend their remarks and include extraneous material:)

Mr. GAYDOS for 60 minutes, November 9.

Mr. MRAZEK for 60 minutes, December 2.

EXTENSION OF REMARKS

By unanimous consent, permission to revise and extend remarks was granted to:

(The following Members (at the request of Mr. GEKAS) and to include extraneous matter:)

Mr. PORTER.

Mr. DORNAN of California.

Ms. SNOWE.

Mr. LAGOMARSINO.

Mr. JEFFORDS in two instances.

Mr. GILMAN in two instances.

(The following Members (at the request of Mr. GONZALEZ) and to include extraneous matter:)

Mr. ROSTENKOWSKI.

Mr. NELSON of Florida.

Mr. MAVROULES.

Mr. WYDEN.

Mr. HARRIS.

Mr. LELAND.

Mr. UDALL.

Mr. RODINO.

Mr. ASPIN.

Mr. STARK.

SENATE ENROLLED JOINT RESOLUTIONS SIGNED

The SPEAKER announced his signature to an enrolled joint resolution of the Senate of the following titles:

S.J. Res. 66. Joint resolution to designate the week of November 22, 1987, through November 28, 1987, as "National Family Week"; and

S.J. Res. 154. Joint resolution to designate the period commencing on November 15, 1987, and ending on November 22, 1987, as "National Arts Week."

ADJOURNMENT

Mr. GONZALEZ. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 1 o'clock and 55 minutes p.m.), under its previous order, the House adjourned until Monday, November 9, 1987, at 12 o'clock noon.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

2353. A letter from the Auditor, District of Columbia, transmitting a report entitled, "Review of Northeast Community Development Corporation", pursuant to D.C. Code section 47-117(d); to the Committee on the District of Columbia.

2354. A letter from the Secretaries of Defense and Education, transmitting the final report of the two Departments on their joint study of the construction and repair needs of military dependent educational facilities on military installations in the United States, together with a proposed policy to meet those needs, pursuant to Public Law 99-661, section 2726(b) (100 Stat. 4044); jointly, to the Committee on the Education and Labor and Armed Services.

2355. A letter from the Secretary of Energy, transmitting the fifth report on a project negotiated under the Department of Energy's [DOE] Clean Coal Technology Demonstration Program entitled "Prototype Commercial Coal/Oil Co-processing Plant", pursuant to Public Law 99-190; jointly, to the Committee on Appropriations, Science, Space and Technology, and Energy and Commerce.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. PEPPER: Committee on Rules. House Resolution 305. Resolution providing for the consideration of H.R. 1326, a bill to amend the Public Health Service Act to provide for additional funds to Community and Migrant Health Centers for the purpose of reducing the incidence of infant mortality (Rept. 100-422). Referred to the House Calendar.

Mr. JONES of North Carolina: Committee on Merchant Marine and Fisheries. H.R. 2598. A bill entitled the "Commercial Fishing Industry Vessel Anti-Reflagging Act of 1987"; with an amendment (Rept. 100-423). Referred to the Committee of the Whole House on the State of the Union.

Mr. UDALL: Committee on Interior and Insular Affairs. S. 247. An act to designate the Kern River as a national wild and scenic river (Rept. 100-424). Referred to the Committee of the Whole House on the State of the Union.

PUBLIC BILLS AND RESOLUTIONS

Under clause 5 of rule X and clause 4 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. BROOMFIELD:

H.R. 3611. A bill to provide for executive branch notification to the legislative branch of sensitive foreign intelligence activities in a manner consistent with the constitutional authorities and duties of both branches, and for other purposes; to the Committee on the Permanent Select Committee on Intelligence.

By Mr. COYNE:

H.R. 3612. A bill to establish a program of loans to States and units of local government for infrastructure improvement projects; to the Committee on Public Works and Transportation.

By Mr. LELAND:

H.R. 3613. A bill to designate the U.S. Post Office Building located at 8525 South Broadway in Los Angeles, CA, as the "Au-

gustus F. Hawkins Post Office Building"; to the Committee on Post Office and Civil Service.

By Mr. MORRISON of Washington:

H.R. 3614. A bill to amend the Wild and Scenic Rivers Act to designate a section of the Columbia River in Washington State as a study area for inclusion in the National Wild and Scenic Rivers System and for other purposes; to the Committee on Interior and Insular Affairs.

By Mr. REGULA:

H.R. 3615. A bill to amend the Clean Air Act to exempt tactical military vehicles and engine driven military equipment from certain regulations under the Clean Air Act; to the Committee on Energy and Commerce.

By Mr. SUNDQUIST:

H.R. 3616. A bill to require high-buoyancy life vests aboard commercial aircraft; to the Committee on Public Works and Transportation.

H.J. Res. 400. Joint resolution proposing an amendment to the Constitution relating to the continuance in office of judges of inferior courts; to the Committee on the Judiciary.

By Mr. LAGOMARSINO:

H. Con. Res. 213. Concurrent resolution providing that Nicaragua should fulfill its commitments under the Central American peace agreement; to the Committee on Foreign Affairs.

MEMORIALS

Under clause 4 of rule XXII.

239. The SPEAKER presented a memorial of the Senate of the State of Michigan, relative to the Low Level Radioactive Waste Policy Act of 1980; jointly to the Committees on Energy and Commerce and Interior and Insular Affairs, November 5, 1987.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII.

Mr. Hayes of Louisiana introduced a bill (H.R. 3617) for the relief of the Coushatta Tribe of Louisiana; which was referred to the Committee on the Judiciary.

ADDITIONAL SPONSORS

Under clause 4 of rule XXII, sponsors were added to public bills and resolutions as follows:

H.R. 608: Mr. PEASE.

H.R. 1038: Mr. BARTON of Texas.

H.R. 1294: Mr. ROBERT F. SMITH.

H.R. 1531: Mr. HANSEN, Mr. BROOKS, Mr. DWYER of New Jersey, Mr. DAVIS of Illinois, and Mr. MAVROULES.

H.R. 1933: Mrs. BENTLEY, Mr. RIDGE, and Mr. KOLTER.

H.R. 2138: Mr. CONTE.

H.R. 2248: Mrs. VUCANOVICH and Mr. DONALD E. LUKENS.

H.R. 2532: Mr. RANGEL.

H.R. 2587: Mr. MCMILLEN of Maryland.

H.R. 2724: Mr. DONNELLY.

H.R. 3292: Mr. DEFAZIO, Mr. ESPY, Mrs. COLLINS, Mr. MILLER of California, Mr. FISH, Mr. MORRISON of Connecticut, Mr. BATES, Mr. MFUME, and Mr. MARTINEZ.

H.R. 3334: Mr. CHAPMAN, Mr. BUECHNER, Mr. HOCHBRUECKNER, and Mr. BRENNAN.

H.R. 3343: Mrs. BENTLEY.

H.R. 3478: Mr. MILLER of Washington, Mr. WEISS, and Mr. FISH.

H.R. 3517: Mr. NEAL, Mr. BUECHNER, and Mr. HORTON.

H.R. 3518: Mr. LAGOMARSINO and Mr. HANSEN.

H.J. Res. 169: Mr. HUGHES.

H.J. Res. 272: Mr. CHANDLER, Mrs. KENNELLY, Mr. SHAW, Mr. TORRICELLI, and Mr. BONIOR of Michigan.

H.J. Res. 314: Mr. ASPIN, Mr. BONIOR of Michigan, Mr. BROWN of California, Mr. DE LUGO, Mr. EDWARDS of California, Mr. FAUNTROY, Mr. FAWELL, Mr. GARCIA, Mr. HOLLOWAY, Mr. KOLTER, Mr. KONNYU, Mr. LOWRY of Washington, Mr. SAXTON, Mr. SWINDALL, and Mr. WYDEN.

H.J. Res. 318: Mr. QUILLEN, Mr. SKELTON, Mr. REGULA, Mr. BONIOR of Michigan, Mr. OBERSTAR, Mr. SIKORSKI, Mr. BRUCE, Mrs. KENNELLY, Mr. DEFAZIO, Mr. UPTON, Mr. MAVROULES, Mr. DIOGUARDI, Mr. CLINGER, Mr. GILMAN, Mr. DYSON, Mr. DORNAN of California, Mr. LAGOMARSINO, Mr. DENNY SMITH, Mr. TOWNS, Mr. LEWIS of Georgia, Mrs. VUCANOVICH, Mr. FLORIO, Mr. HUNTER, Mr. FORD of Michigan, Mr. PORTER, and Mr. JONTZ.

H.J. Res. 332: Mr. ANTHONY, Mr. BIAGGI, Mr. CHAPPELL, Mr. DELAY, Mr. DONNELLY, Mr. EMERSON, Mr. GILMAN, Mr. GOODLING, Mr. GRANT, Mr. HASTERT, Mrs. JOHNSON of Connecticut, Mr. JONES of Tennessee, Mr. JONTZ, Mr. KANJORSKI, Mr. KOLTER, Mr. LEWIS of California, Mr. LIPINSKI, Mrs. MARTIN of Illinois, Mr. MILLER of Washington, Mr. NIELSON of Utah, Mr. OWENS of New York, Mr. PANETTA, Mr. SHAW, Mr. SMITH of New Jersey, Mr. STRATTON, Mr. SUNDQUIST, Mr. VOLKMER, and Mr. YATES.

H.J. Res. 337: Mr. WALGREN, Mr. GILMAN, Mr. WAXMAN, Mr. DONNELLY, and Mr. OLIN.

H.J. Res. 369: Mr. RITTER, Mr. LOWRY of Washington, Mr. STRATTON, Mr. OXLEY, Mr. LUNGREN, Mr. FLIPPO, Mr. WOLF, Mr. COURTER, and Mrs. VUCANOVICH.

H.J. Res. 372: Mr. MACK, Mr. RODINO, Mr. HUNTER, Mr. BEVILL, Mr. HORTON, Mr. COYNE, Mr. LEVIN of Michigan, Mr. LEVINE of California, Mr. STUDDS, Mr. WAXMAN, Mr. BILBRAY, Mr. SUNIA, Mr. BRYANT, Mr. AKAKA, Mr. BILIRAKIS, Mr. BOSCO, Mr. MORRISON of Washington, Mr. VENTO, Mr. VALENTINE, Ms. PELOSI, Mr. MAVROULES, Mr. MORRISON of Connecticut, Mr. VOLKMER, Mr. BADHAM, Mr. NIELSON of Utah, Mr. HAWKINS, Mr. DORNAN of California, Mr. DYSON, Mrs. COLLINS, Mr. STARK, Mr. WEBER, Mr. PANETTA, Mr. GRAY of Illinois, Mr. OBERSTAR, Mr. CLAY, Mr. ACKERMAN, Mr. LUNGREN, and Mr. DELLUMS.

H.J. Res. 383: Mr. ROE, Mr. YATRON, Mr. MAVROULES, Mrs. MEYERS of Kansas, Mr. PEPPER, Mr. TALLON, Mr. HAYES of Illinois, Mr. BLILEY, Mr. THOMAS of Georgia, Mr. STRATTON, Mr. CHAPPELL, Mr. OWENS of New York, Mr. MOODY, Mr. CARPER, Mr. GEKAS, Mr. RINALDO, Mr. MRAZEK, Mr. FRANK, Mr. NOWAK, Mr. RUSSO, Mr. BERMAN, and Mr. HOYER.

H.J. Res. 385: Mr. DORNAN of California, Mr. ACKERMAN, and Mrs. MEYERS of Kansas.

H. Con. Res. 188: Mr. FROST, Mr. BILIRAKIS, Mr. EVANS, Mr. LOWRY of Washington, Mr. JONTZ, Mr. ARCHER, and Mr. BARTLETT.

DELETIONS OF SPONSORS FROM PUBLIC BILLS AND RESOLUTIONS

Under clause 4 of rule XXII, sponsors were deleted from public bills and resolutions as follows:

H.R. 2260: Mr. FRANK.

AMENDMENTS

Under clause 6 of rule XXIII, proposed amendments were submitted as follows:

H.R. 3100

By Mr. HALL of Ohio:

—Page 26, after line 4, insert the following:

(c) *Vitamin A Deficiency Program.*—Section 103 of that Act, as amended by subsection (b), is further amended by adding at the end the following:

"(j)(1) The Congress recognizes that vitamin A deficiency is a major cause of childhood morbidity and mortality. An estimated 500,000 children are blinded every year from the vitamin A deficiency disease known as Xerophthalmia. The Congress further recognizes that vitamin A intervention programs are inexpensive, practical to administer, and cost-effective in terms of human productivity. Supplying doses of vitamin A, promoting the consumption of foods which are either good natural sources of vitamin A or fortified with vitamin A, nutrition education, and agricultural extension projects which emphasize the utility of consuming adequate amounts of dietary sources of vitamin A are essential interventions to be considered in the design of programs to eliminate vitamin A deficiency.

"(2) Of the funds authorized to be appropriated to carry out this section for each of the fiscal years 1988 and 1989, not less than $8,000,000 shall be available only for the Vitamin A Deficiency Program."

—Page 31, strike out lines 13 through 15.

By Mr. SMITH of Florida:

—Page 16, after line 7, insert the following:

SEC. 116. CONDITIONS ON SALES OF F-15's TO SAUDI ARABIA.

Any sale or other transfer to Saudi Arabia by the United States of F-15 aircraft shall be subject to the following conditions:

(1) Any F-15 aircraft sold or otherwise transferred to Saudi Arabia shall be limited to models A, B, C, and D.

(2) The United States shall not sell or otherwise transfer to Saudi Arabia the F-15-E or other advanced aircraft with a ground attack capability and shall not upgrade existing Saudi aircraft to that capability.

(3) Saudi Arabia shall not possess more than 60 F-15 aircraft at any one time, except that additional replacement F-15 aircraft may be held in the United States, at the expense of Saudi Arabia, for shipment to Saudi Arabia only after the President notifies the Congress that the existing inventory of F-15 aircraft held by Saudi Arabia is less than 60 and, then, only on a one-for-one replacement basis as each F-15 aircraft is totally removed from the inventory of Saudi Arabia.

CONFERENCE REPORT ON S. 825

Mr. ST GERMAIN, pursuant to the order of the House on November 5, 1987, submitted the following conference report and statement on the bill (S. 825) to amend and extend certain laws relating to housing, and for other purposes:

CONFERENCE REPORT (H. REPT. 100-426)

The committee of conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 825) to amend and extend certain laws relating to housing, and for other purposes,

having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendment of the House to the text of the bill and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the House amendment insert the following:

SECTION 1. SHORT TITLE AND TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the "Housing and Community Development Act of 1987".

(b) TABLE OF CONTENTS.—

Sec. 1. Short title and table of contents.
Sec. 2. Findings and purpose.
Sec. 3. Budget compliance.

TITLE I—HOUSING ASSISTANCE

Subtitle A—Programs Under United States Housing Act of 1937

PART 1—GENERAL PROVISIONS

Sec. 101. Lower income housing authorization.
Sec. 102. Tenant rental contributions.
Sec. 103. Income eligibility for assisted housing.

PART 2—PUBLIC HOUSING

Sec. 111. Discretionary preference for near elderly families in public housing projects designed for the elderly.
Sec. 112. Grants for public housing development.
Sec. 113. Limitation on public housing development and assurance of public housing quality standards.
Sec. 114. Limitation on recapture of funding reservations.
Sec. 115. Indian public housing.
Sec. 116. Location of acquired housing.
Sec. 117. Public housing child care grants.
Sec. 118. Payments for operation of lower income housing projects.
Sec. 119. Comprehensive improvement assistance program.
Sec. 120. Comprehensive improvement assistance special purpose needs.
Sec. 121. Public housing demolition and disposition.
Sec. 122. Public housing resident management.
Sec. 123. Public housing homeownership and management opportunities.
Sec. 124. Treatment of certain public housing development funds.
Sec. 125. Energy efficient public housing demonstration.
Sec. 126. Public housing comprehensive transition demonstration.

PART 3—SECTION 8 ASSISTANCE AND OTHER PROGRAMS

Sec. 141. Section 8 contracts for existing dwelling units.
Sec. 142. Section 8 fair market rentals and contract rents.
Sec. 143. Housing voucher program.
Sec. 144. Administrative fees for section 8 certificate and housing voucher programs.
Sec. 145. Portability of section 8 certificates and vouchers.
Sec. 146. Prohibition of denial of section 8 certificates and vouchers to residents of public housing.
Sec. 147. Nondiscrimination against section 8 certificate holders and voucher holders.
Sec. 148. Project-based section 8 assistance.
Sec. 149. Section 8 assistance for residents of rental rehabilitation projects.
Sec. 150. Rental rehabilitation grants.
Sec. 151. Rental development grants.

Subtitle B—Other Housing Assistance Programs

Sec. 161. Housing for the elderly and handicapped.
Sec. 162. Housing for the handicapped.
Sec. 163. Section 235 homeownership program.
Sec. 164. Congregate services.
Sec. 165. Modification of restriction on use of assisted housing by aliens.
Sec. 166. Preventing fraud and abuse in Department of Housing and Urban Development programs.
Sec. 167. Annual report on characteristics of families in assisted housing.
Sec. 168. Section 236 rental housing program.
Sec. 169. Tenant eligibility determinations in rent supplement projects.
Sec. 170. Counseling to tenants and homeowners.
Sec. 171. Housing assistance technical amendments.

Subtitle C—Multifamily Housing Management and Preservation

Sec. 181. Management and preservation of HUD-owned multifamily housing projects.
Sec. 182. Acquisition of insured multifamily housing projects.
Sec. 183. Tenant participation in multifamily housing projects.
Sec. 184. Multifamily housing disposition partnership.
Sec. 185. Multifamily housing capital improvements assistance.
Sec. 186. Flexible subsidy program.
Sec. 187. Use of funds recaptured from refinancing State finance projects.

TITLE II—PRESERVATION OF LOW INCOME HOUSING

Subtitle A—General Provisions

Sec. 201. Short title.
Sec. 202. Findings and purpose.
Sec. 203. Termination of certain provisions.

Subtitle B—Prepayment of Mortgages Insured Under National Housing Act

Sec. 221. General prepayment limitation.
Sec. 222. Notice of intent.
Sec. 223. Plan of action.
Sec. 224. Incentives to extend low income use.
Sec. 225. Criteria for approval of plan of action.
Sec. 226. Alternative State strategy.
Sec. 227. Timetable for approval of plan of action.
Sec. 228. Modification of existing regulatory agreements.
Sec. 229. Consultations with other interested parties.
Sec. 230. Right of conversion to alternative prepayment system.
Sec. 231. Insurance for second mortgage financing.
Sec. 232. Report to Congress.
Sec. 233. Definitions.
Sec. 234. Regulations.
Sec. 235. Effective date.

Subtitle C—Rural Rental Housing Displacement Prevention

Sec. 241. Prepayment and refinancing procedures.
Sec. 242. Equity recapture loans.
Sec. 243. Use of Rural Housing Insurance Fund.

Subtitle D—Other Measures to Preserve Low Income Housing

Sec. 261. Use of funds recaptured from contract cancellation.
Sec. 262. Early prepayment.
Sec. 263. Section 8 assistance.
Sec. 264. Direct loans to prevent defaults by multifamily projects.
Sec. 265. Section 515 operating reserve and equity contribution requirements.

TITLE III—RURAL HOUSING

Sec. 301. Program authorizations.
Sec. 302. Eligibility requirements.
Sec. 303. Escrowing taxes and insurance.
Sec. 304. Rural housing guaranteed loan demonstration.
Sec. 305. Definition of domestic farm labor.
Sec. 306. Conformance with low-income housing tax credit eligibility requirements.
Sec. 307. Limitation of fees on rural rental housing loans.
Sec. 308. Rural area classification.
Sec. 309. Procedures for reduction of interest credits.
Sec. 310. Rural housing preservation grant program.
Sec. 311. Rural rental rehabilitation demonstration.
Sec. 312. Study of mortgage credit in rural areas.
Sec. 313. Debt settlement authority of Secretary.
Sec. 314. Manufactured housing.
Sec. 315. Loan packaging by nonprofit organizations.
Sec. 316. Rural housing technical amendments.

TITLE IV—MORTGAGE INSURANCE AND SECONDARY MORTGAGE MARKET PROGRAMS

Subtitle A—FHA Mortgage Insurance Programs

Sec. 401. Insurance authority for FHA.
Sec. 402. Amount to be insured under National Housing Act.
Sec. 403. Limitation on Federal Housing Administration insurance premiums.
Sec. 404. Increase in maximum mortgage amount under single family insurance program.
Sec. 405. Change in definition of veteran.
Sec. 406. Limitation on use of single family mortgage insurance by investors.
Sec. 407. Actions to reduce losses under single family mortgage insurance program.
Sec. 408. Insurance of graduated payment mortgages.
Sec. 409. Refinancing mortgage insurance for hospitals, nursing homes, intermediate care facilities, and board and care homes.
Sec. 410. Mortgage insurance for nursing homes, intermediate care facilities, and board and care homes.
Sec. 411. Requirement of State approval for mortgage insurance for hospitals.
Sec. 412. Mortgage insurance for public hospitals.
Sec. 413. Mortgage insurance on Hawaiian home lands and Indian reservations.
Sec. 414. Co-insurance program.
Sec. 415. Increase in authority to insure adjustable rate single family mortgages.

Sec. 416. Penalties for equity skimming.
Sec. 417. Home equity conversion mortgage insurance demonstration.
Sec. 418. Assurance of adequate processing of applications for loan and mortgage insurance.
Sec. 419. Prohibition of lender requirements discouraging loans with lower principal amounts.
Sec. 420. Repeal of requirement to publish prototype housing costs for 1- to 4-family dwelling units.
Sec. 421. Double damages remedy for unauthorized use of multifamily housing project assets and income.
Sec. 422. Miscellaneous mortgage insurance provisions.
Sec. 423. Calculation of maximum mortgage amount under single family insurance program.
Sec. 424. Approval of individual residential water purification or treatment units.
Sec. 425. Regulation of rents in insured projects.
Sec. 426. Mortgage limits for multifamily projects.
Sec. 427. Operating loss loan insurance.
Sec. 428. Interest charges on temporary mortgage assistance payments and assignment or other assistance.
Sec. 429. Mortgage insurance technical amendments.
Sec. 430. Release of pool funds.

Subtitle B—Secondary Mortgage Market Programs

Sec. 441. Limitations on certain secondary mortgage market fees.
Sec. 442. FNMA cumulative voting.
Sec. 443. Permanent authority to purchase second mortgages on single-family properties.
Sec. 444. Period for approval of actions of FNMA.
Sec. 445. Prohibition of limitation on FHLMC mortgage operations.
Sec. 446. Limitation on GNMA guarantees of mortgage-backed securities.

TITLE V—COMMUNITY DEVELOPMENT AND MISCELLANEOUS PROGRAMS

Subtitle A—Community and Neighborhood Development and Preservation

Sec. 501. Community development authorizations.
Sec. 502. Targeting of benefits to persons of low and moderate income.
Sec. 503. City and county classifications.
Sec. 504. Eligible activities.
Sec. 505. Statement of activities and review.
Sec. 506. Alleviation of lakefront flooding and erosion.
Sec. 507. Housing assistance plans.
Sec. 508. Citizen participation plan.
Sec. 509. Conserving neighborhoods and housing by prohibiting displacement.
Sec. 510. Limited new construction of housing under community development block grant program.
Sec. 511. Availability of community development block grants for uniform emergency telephone number systems.
Sec. 512. State certifications for receiving community development block grants for nonentitlement areas.
Sec. 513. Administrative expenses of States distributing funds to nonentitlement areas.
Sec. 514. Community development block grant loan guarantees.
Sec. 515. Urban development action grant selection criteria.
Sec. 516. Prohibition on use of urban development action grants for business relocations.
Sec. 517. Urban homesteading.
Sec. 518. Rehabilitation loans.
Sec. 519. Loan cancellation.
Sec. 520. Neighborhood reinvestment corporation.
Sec. 521. Neighborhood development demonstration program.
Sec. 522. Park Central New Community Project.
Sec. 523. Use of urban renewal land disposition proceeds and certain other community development funds.
Sec. 524. Community development projects labor standards.
Sec. 525. Urban planning.
Sec. 526. Community development technical amendments.

Subtitle B—Flood and Crime Insurance Programs

Sec. 541. Extension of flood insurance program.
Sec. 542. Extension of crime insurance program.
Sec. 543. Studies under national flood insurance program.
Sec. 544. Schedule for payment of flood insurance for structures on land subject to imminent collapse or subsidence.
Sec. 545. Flood and crime insurance technical amendments.

Subtitle C—Miscellaneous Programs

Sec. 561. Fair housing initiatives program.
Sec. 562. Collection of certain data.
Sec. 563. Regulatory authority.
Sec. 564. Research and development.
Sec. 565. Home mortgage disclosure.
Sec. 566. Lead-based paint poisoning prevention.
Sec. 567. Median area income.
Sec. 568. Solar Energy and Energy Conservation Bank.
Sec. 569. Manufactured housing construction and safety standards.
Sec. 570. Nullification of right of redemption of single-family mortgagors.
Sec. 571. Miscellaneous programs technical amendments.
Sec. 572. Use of American materials and products.
Sec. 573. Study of voluntary standards for modular homes.

TITLE VI—NEHEMIAH HOUSING OPPORTUNITY GRANTS

Sec. 601. Statement of purpose.
Sec. 602. Definitions.
Sec. 603. Assistance to nonprofit organizations.
Sec. 604. Use of assistance.
Sec. 605. Program requirements.
Sec. 606. Terms and conditions of assistance.
Sec. 607. Program selection criteria.
Sec. 608. Distribution of assistance to nonprofit organizations.
Sec. 609. Nehemiah Housing Opportunity Fund.
Sec. 610. Annual report.
Sec. 611. Regulations.
Sec. 612. Authorization of appropriations.

TITLE VII—ENTERPRISE ZONE DEVELOPMENT

Sec. 701. Designation of enterprise zones.
Sec. 702. Evaluation and reporting requirements.
Sec. 703. Interaction with other Federal programs.
Sec. 704. Waiver or modification of housing and community development rules in enterprise zones.
Sec. 705. Coordination of housing and urban development programs in enterprise zones.
Sec. 706. Coordination with CDBG and UDAG programs.

SEC. 2. FINDINGS AND PURPOSE.

(a) FINDINGS.—The Congress finds that—

(1) for the past 50 years, the Federal Government has taken the leading role in enabling the people of the Nation to be the best housed in the world, and recent reductions in Federal assistance have contributed to a deepening housing crisis for low- and moderate-income families;

(2) the efforts of the Federal Government have included a system of specialized lending institutions, favorable tax policies, construction assistance, mortgage insurance, loan guarantees, secondary markets, and interest and rental subsidies, that have enabled people to rent or buy affordable, decent, safe, and sanitary housing; and

(3) the tragedy of homelessness in urban and suburban communities across the Nation, involving a record number of people, dramatically demonstrates the lack of affordable residential shelter, and people living on the economic margins of our society (lower income families, the elderly, the working poor, and the deinstitutionalized) have few available alternatives for shelter.

(b) PURPOSE.—The purpose of this Act, therefore, is—

(1) to reaffirm the principle that decent and affordable shelter is a basic necessity, and the general welfare of the Nation and the health and living standards of its people require the addition of new housing units to remedy a serious shortage of housing units for all Americans, particularly for persons of low and moderate income;

(2) to make the distribution of direct and indirect housing assistance more equitable by providing Federal assistance for the less affluent people of the Nation;

(3) to provide needed housing assistance for homeless people and for persons of low and moderate income who lack affordable, decent, safe, and sanitary housing; and

(4) to reform existing programs to ensure that such assistance is delivered in the most efficient manner possible.

SEC. 3. BUDGET COMPLIANCE.

(a) IN GENERAL.—This Act and the amendments made by this Act may not be construed to provide for new budget authority, budget outlays, or new entitlement authority, for fiscal year 1988 in excess of the appropriate aggregate levels established by the concurrent resolution on the budget for such fiscal year for the programs authorized by this Act and the amendments made by this Act.

(b) DEFINITIONS.—For purposes of this section, the terms "budget authority", "budget outlays", "concurrent resolution on the budget", and "entitlement authority" have the meanings given such terms in section 3 of the Congressional Budget Act of 1974 (2 U.S.C. 622).

TITLE I—HOUSING ASSISTANCE

Subtitle A—Programs Under United States Housing Act of 1937

PART 1—GENERAL PROVISIONS

SEC. 101. LOWER INCOME HOUSING AUTHORIZATION.

(a) AGGREGATE BUDGET AUTHORITY.—Section 5(c)(6) of the United States Housing Act of 1937 is amended by adding at the end the following new sentence: "The aggregate

amount of budget authority that may be obligated for contracts for annual contributions for assistance under section 8, for contracts referred to in paragraphs (7)(A)(iv) and (7)(B)(iv), and for grants for public housing and comprehensive improvement assistance, is increased (to the extent approved in appropriation Acts) by $7,091,588,685 on October 1, 1987, and by $7,437,899,194 on October 1, 1988.".

(b) UTILIZATION OF BUDGET AUTHORITY.—Section 5(c)(7) of the United States Housing Act of 1937 is amended to read as follows:

"(7)(A) Using the additional budget authority provided under paragraph (6) and the balances of budget authority that become available during fiscal year 1988, the Secretary shall, to the extent approved in appropriations Acts, reserve authority to enter into obligations aggregating—

"(i) for public housing grants under subsection (a)(2), $481,311,000, of which amount $144,696,000 shall be available for Indian housing;

"(ii) for assistance under subsections (b)(1) and (o) of section 8, $2,340,000,000;

"(iii) for assistance under section 8(e)(2), $400,000,000;

"(iv) for assistance under section 8 in connection with projects developed under section 202 of the Housing Act of 1959, $1,681,440,000;

"(v) for comprehensive improvement assistance grants under section 14, $1,700,000,000;

"(vi) for assistance under section 8 for property disposition, $301,692,045; and

"(vii) for assistance under section 8 for loan management, $187,145,640.

"(B) Using the additional budget authority provided under paragraph (6) and the balances of budget authority that become available during fiscal year 1989, the Secretary shall, to the extent approved in appropriations Acts, reserve authority to enter into obligations aggregating—

"(i) for public housing grants under subsection (a)(2), $504,254,000, of which amount $151,594,000 shall be available for Indian housing;

"(ii) for assistance under subsections (b)(1) and (o) of section 8, $2,444,114,000;

"(iii) for assistance under section 8(e)(2), $419,040,000;

"(iv) for assistance under section 8 in connection with projects developed under section 202 of the Housing Act of 1959, $1,761,360,000;

"(v) for comprehensive improvement assistance grants under section 14, $1,775,660,500;

"(vi) for assistance under section 8 for property disposition, $329,220,000; and

"(vii) for assistance under section 8 for loan management, $204,250,000.

"(C)(i) Any amount available for Indian housing under subsection (a) that is recaptured may be used only for such housing.

"(ii) Any amount available for the conversion of a project to assistance under section 8(b)(1), if not required for such purpose, shall be used for assistance under section 8(b)(1).

"(iii) Any amount available for assistance under section 8 for property disposition, if not required for such purpose, shall be used for assistance under section 8(b)(1).".

SEC. 102. TENANT RENTAL CONTRIBUTIONS.

(a) ECONOMIC RENT.—Section 3(a) of the United States Housing Act of 1937 is amended—

(1) by inserting "(1)" after "(a)";

(2) in the last sentence, by striking "A" and inserting the following: "Except as provided in paragraph (2), a";

(3) by redesignating paragraphs (1) through (3) as subparagraphs (A) through (C), respectively; and

(4) by adding at the end the following new paragraph:

"(2)(A) Any public housing agency may provide that each family residing in a public housing project owned and operated by such agency (or in lower income housing assisted under section 8 that contains more than 2,000 dwelling units) shall pay as monthly rent for not more than a 5-year period an amount determined by such agency to be appropriate that does not exceed a maximum amount that—

"(i) is established by such agency and approved by the Secretary;

"(ii) is not more than the amount payable as rent by such family under paragraph (1); and

"(iii) is not less than the average monthly amount of debt service and operating expenses attributable to dwelling units of similar size in public housing projects owned and operated by such agency.

"(B) The 5-year limitation established in subparagraph (A) shall not apply to any family residing in a public housing project administered by an Indian public housing agency.".

(b) RENT PHASE-IN.—Section 3 of the United States Housing Act of 1937 is amended by adding at the end the following new subsection:

"(d)(1) In any case in which the obtaining of employment by a resident of a dwelling unit assisted under this Act will result in an increase in the rent payable by the family of such resident under subsection (a), the public housing agency involved (or the Secretary, if no public housing agency is involved) shall provide for a gradual increase in such rent to the full amount during a period of not more than 6 months.

"(2) The requirements of paragraph (1) shall not apply to any public housing agency that submits evidence satisfactory to the Secretary that compliance with the requirements will impose an unreasonable administrative burden on the public housing agency.".

(c) REDUCTION OF RENTAL PAYMENTS FOR ELDERLY AND HANDICAPPED FAMILIES.—Section 3(a) of the United States Housing Act of 1937 (as amended by subsection (a) of this section) is further amended—

(1) in paragraph (1)(A), by inserting before the semicolon the following: ", except as provided in paragraph (4)"; and

(2) by adding at the end the following new paragraph:

"(4)(A) The Secretary may, for any public housing project, reduce the amount established in paragraph (1)(A) to not less than 25 percent of the family's monthly adjusted income for each elderly family (as defined in subsection (b)(3)) who resides in a 0-bedroom dwelling unit in the project, if the Secretary determines that the reductions are likely to result in lower costs to the Federal Government by decreasing or preventing dwelling unit vacancies in the project.

"(B) The rents charged in any public housing project may not be reduced under this paragraph after September 30, 1989, except pursuant to a determination of the Secretary made under this paragraph on or before such date.".

(d) UTILITY ALLOWANCE.—

(1) The Comptroller General of the United States shall submit to the Congress not later than October 30, 1988, a report regarding the utility allowances provided to the residents of public housing and housing assisted under section 8 of the United States Housing Act of 1937.

(2) The report shall include the following:

(A) A description of the manner in which public housing agencies are currently calculating utility allowances, including a national survey of the calculation methods used.

(B) An estimate of the number of residents of public housing and housing assisted under section 8 of the United States Housing Act of 1937 paying more than 30 percent of monthly adjusted income for rent and utilities, including a separate estimate for each meter category.

(C) Recommendations for revisions that may be made in current law to ensure that—

(i) utility allowances will not differ solely because of the metering system of the dwelling unit;

(ii) residents of public housing and housing assisted under section 8 of the United States Housing Act of 1937 will not pay more than 30 percent of monthly adjusted income for rent and utilities; and

(iii) such residents will have a strong incentive to conserve energy and reduce utility costs, and residents who waste substantial amounts of energy will be penalized.

(D) A description of administratively feasible methods of ensuring that utility allowances will reflect differences in the size, location, and energy-conserving condition of different types of dwelling units and appliances.

(E) An estimate of the costs that will be associated with any recommendation made under subparagraph (C).

(3) In preparing the report under this subsection, the Comptroller General shall consult with the Secretary of Housing and Urban Development, other appropriate Federal officials, other knowledgeable individuals, and national and other organizations representing public housing agencies, local governments, tenants, and energy conservation interests.

SEC. 103. INCOME ELIGIBILITY FOR ASSISTED HOUSING.

(a) IMPLEMENTATION OF PERCENTAGE LIMITATIONS.—Section 16 of the United States Housing Act of 1937 is amended by adding at the end the following:

"(c) In developing admission procedures implementing subsection (b), the Secretary may not totally prohibit admission of lower income families other than very low-income families, and shall establish, as appropriate, differing percentage limitations on admission of lower income families in separate assisted housing programs that, when aggregated, will achieve the overall percentage limitation contained in subsection (b). The Secretary shall issue regulations to carry out this subsection not later than 60 days after the date of the enactment of the Housing and Community Development Act of 1987.".

(b) EXEMPTIONS FROM PERCENTAGE LIMITATIONS.—Section 16 of the United States Housing Act of 1937 (as amended by subsection (a) of this section) is further amended by adding at the end the following new subsection:

"(d)(1) The limitations established in subsection (b) shall not apply to dwelling units made available under section 8 housing assistance contracts for the purpose of preventing displacement, or ameliorating the effects of displacement, including displacement caused by rents exceeding 30 percent of monthly adjusted family income, of lower income families from projects being rehabilitated with assistance from rehabilitation

grants under section 17 and the Secretary shall not otherwise unduly restrict the use of payments under section 8 housing assistance contracts for this purpose.

"(2) The limitations established in subsections (a) and (b) shall not apply to dwelling units assisted by Indian public housing agencies.".

PART 2—PUBLIC HOUSING

SEC. 111. DISCRETIONARY PREFERENCE FOR NEAR ELDERLY FAMILIES IN PUBLIC HOUSING PROJECTS DESIGNED FOR THE ELDERLY.

Section 3(b)(3) of the United States Housing Act of 1937 is amended by adding at the end the following new sentence: "In determining priority for admission to public housing projects designed for elderly families, the public housing agency shall give preference to such families. When the public housing agency determines (in accordance with regulations of the Secretary) that there are insufficient numbers of elderly families to fill all the units in such a project, the agency may give preference to families in which the head of household (or spouse) is at least 50 years of age but below the age of 62 before those in which the head of household and spouse, if any, are below the age of 50.".

SEC. 112. GRANTS FOR PUBLIC HOUSING DEVELOPMENT.

(a) AUTHORITY TO PROVIDE GRANTS.—Section 5(a) of the United States Housing Act of 1937 is amended to read as follows:

"(a)(1) The Secretary may make annual contributions to public housing agencies to assist in achieving and maintaining the lower income character of their projects. The Secretary shall embody the provisions for such annual contributions in a contract guaranteeing their payment. The contribution payable annually under this section shall in no case exceed a sum equal to the annual amount of principal and interest payable on obligations issued by the public housing agency to finance the development or acquisition cost of the lower income project involved. Annual contributions payable under this section shall be pledged, if the Secretary so requires, as security for obligations issued by a public housing agency to assist the development or acquisition of the project to which annual contributions relate and shall be paid over a period not to exceed 40 years.

"(2) The Secretary may make contributions (in the form of grants) to public housing agencies to cover the development cost of public housing projects. The contract under which such contributions shall be made shall specify the amount of capital contributions required for each project to which the contract pertains, and that the terms and conditions of such contract shall remain in effect for a 40-year period.

"(3) The amount of contributions that would be established for a newly constructed project by a public housing agency designed to accommodate a number of families of a given size and kind may be established under this section for a project by such public housing agency that would provide housing for the comparable number, sizes, and kinds of families through the acquisition and rehabilitation, or use under lease, of structures that are suitable for lower income housing use and obtained in the local market.".

(b) CONFORMING AMENDMENTS.—

(1) Section 5 of the United States Housing Act of 1937 is amended—

(A) by striking "ANNUAL" in the section heading; and

(B) by striking "annual" in subsection (e)(2).

(2) Section 6 of the United States Housing Act of 1937 is amended by striking "annual" the first place it appears in the first sentence of subsection (g), and each place it appears in subsection (d) and the first sentence of each of subsections (a) and (c).

(3) Section 7 of the United States Housing Act of 1937 is amended by striking "annual" in the proviso in the first sentence.

(4) Section 9(a)(2) of the United States Housing Act of 1937 is amended—

(A) by striking "being assisted by an annual contributions contract authorized by section 5(c)" and inserting the following: "one developed pursuant to a contributions contract authorized by section 5"; and

(B) by striking "any such annual" and inserting "any such".

(5) Section 12 of the United States Housing Act of 1937 is amended by striking "annual".

(6) Section 14 of the United States Housing Act of 1937 is amended—

(A) by striking "receive assistance under section 5(c)" in subsection (c)(2) and inserting "assisted under section 5"; and

(B) by striking "annual" in each of paragraphs (2) and (4)(C) of subsection (d).

(7) Section 15 of the United States Housing Act of 1937 is amended by striking "with loans or debt service annual contributions" in clause (2).

(8) Section 16(b) of the United States Housing Act of 1937 is amended by striking "annual".

(9) Section 18(c) of the United States Housing Act of 1937 is amended by striking "annual contributions authorized under section 5(c)" and inserting "contributions authorized under section 5".

SEC. 113. LIMITATION ON PUBLIC HOUSING DEVELOPMENT AND ASSURANCE OF PUBLIC HOUSING QUALITY STANDARDS.

Section 5 of the United States Housing Act of 1937 is amended by adding at the end the following new subsection:

"(j)(1) After September 30, 1987, in providing assistance under this Act to a public housing agency for public housing (other than for Indian families), the Secretary shall reserve funds for the development of public housing only if—

"(A) the Secretary determines that additional amounts are required to complete the development of dwelling units for which amounts are obligated on or before such date;

"(B) the public housing agency certifies to the Secretary that 85 percent of the public housing dwelling units of the public housing agency—

"(i) are maintained in substantial compliance with the housing quality standards established by the Secretary under section 8(o)(6);

"(ii) will be so maintained upon completion of modernization for which funding has been awarded; or

"(iii) will be so maintained upon completion of modernization for which applications are pending that have been submitted in good faith under section 14 (or a comparable State or local government program) and that there is a reasonable expectation, as determined by the Secretary in writing, that the applications would be approved;

"(C) the public housing agency certifies that such development—

"(i) will replace dwelling units that are disposed of or demolished by the public housing agency, including dwelling units disposed of or lost through sale to tenants or through units redesign; or

"(ii) is required to comply with court orders or directions of the Secretary;

"(D) the public housing agency certifies that it has demands for family housing not satisfied by the rental assistance programs established in subsection (b) or (o) of section 8 for which it plans to construct or acquire projects of not more than 100 units; or

"(E) the Secretary makes such reservation under paragraph (2).

"(2) Notwithstanding any other provision of law, not more than 20 percent of the funds appropriated for development of public housing also may be committed by the Secretary for the substantial redesign, reconstruction, or redevelopment of existing public housing projects or units, which work shall be carried out pursuant to the rules and regulations applicable to the development of public housing.".

SEC. 114. LIMITATION ON RECAPTURE OF FUNDING RESERVATIONS.

Section 5 of the United States Housing Act of 1937 (as amended by section 113 of this Act) is further amended by adding at the end the following new subsection:

"(k) After the reservation of public housing development funds to a public housing agency, the Secretary may not recapture any of the amounts included in such reservation due to the failure of a public housing agency to begin construction or rehabilitation, or to complete acquisition, during the 30-month period following the date of such reservation. During such 30-month period, the public housing agency shall be permitted to change the site of the public housing project or reformulate the project, if not less than the original number of dwelling units are to be constructed, rehabilitated, or acquired. There shall be excluded from the computation of such 30-month period any delay in the beginning of construction or rehabilitation of such project caused by (1) the failure of the Secretary to process such project within a reasonable period of time; (2) any environmental review requirement; (3) any legal action affecting such project; or (4) any other factor beyond the control of the public housing agency.".

SEC. 115. INDIAN PUBLIC HOUSING.

Section 5 of the United States Housing Act of 1937 (as amended by section 114 of this Act) is further amended by adding at the end the following new subsection:

"(l) The Secretary may not use as a criterion for distributing assistance under this section the progress made by an Indian public housing agency in collecting rents owed by tenants unless—

"(1) such criterion is used as 1 of several criteria that are weighted proportionally and is established by regulations issued after public notice and opportunity to comment in accordance with section 553 of title 5, United States Code; or

"(2) the Secretary determines that the Indian public housing agency has demonstrated a pattern of substantial noncompliance with requirements governing the collection of rents.".

SEC. 116. LOCATION OF ACQUIRED HOUSING.

Section 6(h) of the United States Housing Act of 1937 is amended—

(1) by inserting before "is" the following: "in the neighborhood where the public housing agency determines the housing is needed"; and

(2) by inserting "in such neighborhood" after "rehabilitation".

SEC. 117. PUBLIC HOUSING CHILD CARE GRANTS.

Section 222 of the Housing and Urban-Rural Recovery Act of 1983 is amended to read as follows:

"PUBLIC HOUSING CHILD CARE DEMONSTRATION PROGRAM

"SEC. 222. (a) PROGRAM AUTHORITY.—

"(1) The Secretary of Housing and Urban Development shall, to the extent approved in appropriation Acts, carry out a demonstration program of making grants to nonprofit organizations to assist such organizations in providing child care services in lower income housing projects for lower income families who reside in public housing.

"(2) The Secretary shall design the program described in paragraph (1) to determine the extent to which the availability of child care services in lower income housing projects facilitates the employability of the parents or guardians of children residing in public housing.

"(b) ELIGIBILITY FOR ASSISTANCE.—The Secretary may make a grant to a nonprofit organization for child care services in a lower income housing project only if—

"(1) prior to receipt of assistance under this section, a child care services program is not in operation in the project;

"(2) the public housing agency agrees to provide suitable facilities for the provision of child care services;

"(3) the child care services program in the project will serve preschool children during the day, school children after school, or both, in order to permit the parents or guardians of such children to obtain, retain, or train for employment;

"(4) the child care services program in the project is designed, to the extent practicable, to involve the participation of the parents of children benefiting from such program;

"(5) the child care services program in the project is designed, to the extent practicable, to employ in part-time positions elderly individuals who reside in the lower income housing project involved; and

"(6) the child care services program in the project complies with all applicable State and local laws, regulations, and ordinances.

"(c) ALLOCATION OF ASSISTANCE.—In providing grants under this section, the Secretary shall—

"(1) give priority to nonprofit organizations providing child care services in lower income housing projects in which reside the largest number of preschool and school children of lower income families;

"(2) seek to ensure a reasonable distribution of such grants between urban and rural areas and among nonprofit organizations providing child care services in lower income housing projects of varying sizes; and

"(3) seek to provide such grants to the largest number of nonprofit organizations practicable, considering the amount of funds available under this section and the financial requirements of the particular child care services programs to be established in the lower income housing projects for which applications are submitted under this section.

"(d) ADMINISTRATIVE PROVISIONS.—

"(1) Applications for grants under this section shall be made by nonprofit organizations (in consultation with public housing agencies) in such form, and according to such procedures, as the Secretary may prescribe.

"(2) Any nonprofit organization receiving a grant under this section may use such grant only for operating expenses and minor renovations of facilities necessary to the provision of child care services under this section.

"(3) The Secretary shall conduct periodic evaluations of each child care services program assisted under this section for purposes of—

"(A) determining the effectiveness of such program in providing child care services and permitting the parents or guardians of children residing in public housing to obtain, retain, or train for employment; and

"(B) ensuring compliance with the provisions of this section.

"(4) No provision of this section may be construed to authorize the Secretary to establish any health, safety, educational, or other standards with respect to child care services or facilities assisted with grants received under this section. Such services and facilities shall comply with all applicable State and local laws, regulations, and ordinances, and all requirements established by the Secretary of Health and Human Services for child care services and facilities.

"(e) REPORT TO CONGRESS.—Not later than the expiration of the 3-year period following the date of the enactment of the Housing and Community Development Act of 1987, the Secretary shall prepare and submit to the Congress a detailed report setting forth the findings and conclusions of the Secretary as a result of carrying out the demonstration program established in this section. Such report shall include any recommendations of the Secretary with respect to the establishment of a permanent program of assisting child care services in lower income housing projects.

"(f) DEFINITIONS.—For purposes of this section:

"(1) The term 'lower income families' has the meaning given such term in section 3(b)(2) of the United States Housing Act of 1937.

"(2) The terms 'lower income housing project' and 'public housing' have the meanings given such terms in section 3(b)(1) of the United States Housing Act of 1937.

"(3) The term 'public housing agency' has the meaning given such term in section 3(b)(6) of the United States Housing Act of 1937.

"(4) The term 'Secretary' means the Secretary of Housing and Urban Development.

"(g) AUTHORIZATION OF APPROPRIATIONS.—Of the total amount approved in appropriation Acts under section 103 of the Housing and Community Development Act of 1974, there shall be set aside to carry out this section $5,000,000 for fiscal year 1988 and $5,210,000 for fiscal year 1989.".

SEC. 118. PAYMENTS FOR OPERATION OF LOWER INCOME HOUSING PROJECTS.

(a) PERFORMANCE FUNDING SYSTEM.—Section 9(a) of the United States Housing Act of 1937 is amended—

(1) by striking the last sentence of paragraph (1); and

(2) by adding at the end the following new paragraph:

"(3)(A) For purposes of making payments under this section, the Secretary shall utilize a performance funding system that is substantially based on the system defined in regulations and in effect on the date of the enactment of the Housing and Community Development Act of 1987 (as modified by this paragraph), and that establishes standards for costs of operation and reasonable projections of income, taking into account the character and location of the project and the characteristics of the families served, in accordance with a formula representing the operations of a prototype well-managed project. Such performance funding system shall be established in consultation with public housing agencies and their associations, be contained in a regulation promulgated by the Secretary prior to the start of any fiscal year to which it applies, and remain in effect for the duration of such fiscal year without change. Notwithstanding the preceding sentences, the Secretary shall revise the performance funding system by June 15, 1988, to accurately reflect the increase in insurance costs incurred by public housing agencies.

"(B) Under the performance funding system established under this paragraph—

"(i) in the first year that the reductions occur, any public housing agency shall share equally with the Secretary any cost reductions due to the differences between projected and actual utility rates attributable to actions taken by the agency which lead to such reductions;

"(ii) in the case of any public housing agency that receives financing (from a person other than the Secretary) or enters into a performance contract to undertake energy conservation improvements in a public housing project, under which payment does not exceed the cost of the energy saved as a result of the improvements during a negotiated contract period of not more than 12 years that is approved by the Secretary—

"(I) the public housing agency shall retain 100 percent of any cost avoidance due to differences between projected and actual utility consumption (adjusted for heating degree days) attributable to the improvements, until the term of the financing agreement is completed, at which time the annual utility expense level 3-year rolling base procedures shall be applied using—

"(a) in the first year following the end of the contract period, the energy use during the 2 years prior to installation of the energy conservation improvements and the last contract year;

"(b) in the second year following the end of the contract period, the energy use during the 1 year prior to installation of the energy conservation improvements and the 2 years following the end of the contract period; and

"(c) in the third year following the end of the contract period, the energy use in the 3 years following the end of the contract period; or

"(II) the Secretary shall provide an additional operating subsidy above the current allowable utility expense level equivalent to the cost of the energy saved as a result of the improvements and sufficient to cover payments for the improvements through the term of the contract or agreement;

"(iii) there shall be a formal review process for the purpose of providing such revisions to the allowable expense level of a public housing agency as necessary—

"(I) to correct inequities and abnormalities that exist in the base year expense level of such public housing agency;

"(II) to accurately reflect changes in operating circumstances since the initial determination of such base year expense level (including, but not limited to, any increase in amounts paid for employee salaries or wages due to the repeal of the Comprehensive Employment and Training Act); and

"(III) to ensure that the allowable expense limit accurately reflects the higher cost of operating the project in an economically distressed unit of local government and the lower cost of operating the project in an economically prosperous unit of local government; and

"(iv) if a public housing agency redesigns or substantially rehabilitates a public housing project so that 2 or more dwelling units are combined to create a single larger dwell-

ing unit, the payments received under this section shall not be reduced solely because of the resulting reduction in the number of dwelling units if not less than the same number of individuals will reside in the new larger dwelling unit as resided in the dwelling units that were combined to form such larger dwelling unit.".

(b) AUTHORIZATION OF APPROPRIATIONS.—Section 9(c) of the United States Housing Act of 1937 is amended to read as follows:

"(c) There are authorized to be appropriated for purposes of providing annual contributions under this section $1,500,000,000 for fiscal year 1988 and $1,563,000,000 for fiscal year 1989.".

(c) TIME OF PAYMENT.—Section 9 of the United States Housing Act of 1937 is amended by adding at the end the following new subsection:

"(e) In the case of any public housing agency that submits its budget for any fiscal year of such agency to the Secretary in a timely manner in accordance with the regulations issued by the Secretary under this section, assistance to be provided to such agency under this section for such fiscal year shall commence not later than the 1st month of such fiscal year, and shall be paid in accordance with such payment schedule as may be agreed upon by the Secretary and such agency.".

(d) USE OF OPERATING SUBSIDIES TO REMEDY PHA NONCOMPLIANCE WITH AUDIT RESPONSIBILITIES.—Section 9(a)(1) of the United States Housing Act of 1937 is amended by adding at the end the following new sentences: "If the Secretary determines that a public housing agency has failed to take the actions required to submit an acceptable audit on a timely basis in accordance with chapter 75 of title 31, United States Code, the Secretary may arrange for, and pay the costs of, the audit. In such circumstances, the Secretary may withhold, from assistance otherwise payable to the agency under this section, amounts sufficient to pay for the reasonable costs of conducting an acceptable audit, including, when appropriate, the reasonable costs of accounting services necessary to place the agency's books and records in auditable condition.".

SEC. 119. COMPREHENSIVE IMPROVEMENT ASSISTANCE PROGRAM.

(a) PURPOSE OF AMENDMENTS.—It is the purpose of the amendments made by this section—

(1) to provide assistance on a reliable and more predictable basis to public housing agencies in furtherance of their plans to enable them to operate, upgrade, modernize, and rehabilitate public housing projects financed under the United States Housing Act of 1937 to ensure their continued availability for the benefit of lower income families as decent, safe, and sanitary rental housing at affordable rents;

(2) to provide considerable discretion to public housing agencies to decide the specific improvements, the manner of their execution, and the timing of the expenditure of funds in the modernization of projects under section 14 of the United States Housing Act of 1937;

(3) to significantly simplify the program of Federal assistance for capital improvements in public housing projects;

(4) to provide increased opportunities and incentives for more efficient management of public housing projects; and

(5) to afford public housing agencies greater control in planning and expending funds under the United States Housing Act of 1937 for the modernization, rehabilitation, maintenance, and improvement of public housing projects to benefit lower income families.

(b) AUTHORITY TO PROVIDE FINANCIAL ASSISTANCE.—Section 14(b) of the United States Housing Act of 1937 is amended—

(A) by inserting "(1)" after the subsection designation; and

(B) by adding at the end the following new paragraph:

"(2) The Secretary may make contributions (in the form of grants) to public housing agencies under this section. The contract under which the contributions shall be made shall specify that the terms and conditions of the contract shall remain in effect for a 20-year period for any project receiving the benefit of a grant under the contract.".

(c) APPLICATIONS BY PHA'S MANAGING LESS THAN 500 UNITS.—Section 14(d) of the United States Housing Act of 1937 is amended in the matter preceding paragraph (1) by inserting after "subsection (b)" the following: "to a public housing agency that owns or operates less than 500 public housing dwelling units".

(d) COMPREHENSIVE PLANS.—Section 14 of the United States Housing Act of 1937 is amended—

(1) by redesignating subsection (e) as subsection (f); and

(2) by inserting after subsection (d) the following new subsection:

"(e)(1) No financial assistance may be made available under this section to a public housing agency that owns or operates 500 or more public housing dwelling units unless the Secretary approves (or has approved before the effective date of this subsection) a 5-year comprehensive plan submitted by the public housing agency, except that the Secretary may provide such assistance if it is necessary to correct conditions that constitute an immediate threat to the health or safety of tenants. The comprehensive plan shall contain—

"(A) a comprehensive assessment of—

"(i) the current physical condition of each public housing project owned or operated by the public housing agency;

"(ii) the physical improvements necessary for each such project to permit the project—

"(I) to be rehabilitated to a level at least equal to the modernization standards specified in the Modernization Handbook of the Department of Housing and Urban Development in effect on the date of the enactment of the Housing and Community Development Act of 1987, as well as the modernization standards established by the Secretary and in effect at the time of the preparation of the comprehensive plan; and

"(II) to comply with life-cycle cost-effective energy conservation performance standards established by the Secretary to reduce operating costs over the estimated life of the building; and

"(iii) the replacement needs of equipment systems and structural elements that will be required to be met (assuming routine and timely maintenance is performed) during the 5-year period covered by the comprehensive plan;

"(B) a comprehensive assessment of the improvements needed to upgrade the management and operation of the public housing agency and of each such project so that decent, safe, and sanitary living conditions will be provided such projects, which assessment shall include at least an identification of needs related to—

"(i) the management, financial, and accounting control systems of the public housing agency that are related to such projects;

"(ii) the adequacy and qualifications of personnel appropriate to be employed by the public housing agency (in the management and operation of such projects) for each significant category of employment; and

"(iii) the improvement of the efficacy of—

"(I) tenant programs and services in such projects;

"(II) the security of each such project and its tenants;

"(III) policies and procedures of the public housing agency for the selection and eviction of tenants in such projects; and

"(IV) other policies and procedures of the public housing agency relating to such projects, as specified by the Secretary;

"(C) an analysis, made on a project-by-project basis in accordance with standards and criteria prescribed by the Secretary, demonstrating that completion of the improvements and replacements identified under subparagraphs (A) and (B) will reasonably ensure the long-term physical and social viability of each such project at a reasonable cost;

"(D) an action plan for making the improvements and replacements identified under subparagraphs (A) and (B) that are determined under the analysis described in subparagraph (C) to reasonably ensure long-term viability of each such project at a reasonable cost, which action plan shall include at least a schedule, in order of priority established by the public housing agency, of the actions that are to be completed over a period of 5 years from the date of approval of the comprehensive plan by the Secretary (or any longer period reasonably needed to make the improvements and replacements, considering the scope of the improvements and replacements and the amount of funding provided) and that are necessary—

"(i) to make the improvements and replacements identified under subparagraph (A) for each project expected to receive capital improvements or replacements (with priority to improvements and replacements required to correct any life threatening condition); and

"(ii) to upgrade the management and operation of the public housing agency and its public housing projects as described in subparagraph (B);

"(E) a statement, to be signed by the chief local government official (or Indian tribal official, if appropriate), certifying that—

"(i) the comprehensive plan was developed by the public housing agency in consultation with appropriate local government officials (or Indian tribal officials) and with tenants of the housing projects (or tenants of the Indian housing projects) eligible for assistance under this section, which shall include at least one public hearing that shall be held prior to the initial adoption of any plan by the public housing agency for use of such assistance, and afford tenants and interested parties an opportunity to summarize their priorities and concerns, to ensure their due consideration in the planning process of the public housing agency; and

"(ii) the comprehensive plan is consistent with the assessment of the community of its lower income housing needs and that the unit of general local government (or Indian tribe) will cooperate in the provision of tenant programs and services (as defined in section 3(c)(2));

"(F) a statement, to be signed by the chief public housing official, certifying that the public housing agency will carry out the comprehensive plan in conformity with title VI of the Civil Rights Act of 1964, title VIII

of the Act of April 11, 1968 (commonly known as the Civil Rights Act of 1968), and section 504 of the Rehabilitation Act of 1973;

"(G) a preliminary estimate of the total cost of the items identified in subparagraphs (A) and (B), including a preliminary estimate of the funds that will be required during each year covered by the comprehensive plan to accomplish the work pursuant to the action plan; and

"(H) such other information as the Secretary may require.

"(2)(A) The Secretary shall approve a comprehensive plan unless—

"(i) the comprehensive plan is incomplete in significant matters;

"(ii) on the basis of available significant facts and data pertaining to the physical and operational condition of the public housing projects of the public housing agency or the management and operations of the public housing agency, the Secretary determines that the identification by the public housing agency of needs is plainly inconsistent with such facts and data;

"(iii) on the basis of the comprehensive plan, the Secretary determines that the action plan described in paragraph (1)(D) is plainly inappropriate to meeting the needs identified in the comprehensive plan, or that the public housing agency has failed to demonstrate that completion of improvements and replacements identified under subparagraphs (A) and (B) of paragraph (1) will reasonably ensure long-term viability of one or more public housing projects to which they relate at a reasonable cost; or

"(iv) there is evidence available to the Secretary that tends to challenge in a substantial manner any certification contained in the comprehensive plan.

"(B) The comprehensive plan shall be considered to be approved, unless the Secretary notifies the public housing agency in writing within 75 calendar days of submission that the Secretary has disapproved the comprehensive plan as submitted, indicating the reasons for disapproval and modifications required to make the comprehensive plan approvable.

"(3)(A) Each public housing agency that owns or operates 500 or more public housing dwelling units shall, after being advised by the Secretary of the estimated assistance it will receive under this section in any fiscal year, submit to the Secretary, at a date determined by the Secretary, an annual statement of the activities and expenditures projected to be undertaken, in whole or in part, by such assistance during the 12-month period immediately following the execution of the contract for such assistance. The Secretary, in establishing the funding for a public housing agency for any fiscal year, shall review the relative needs for restoring public housing shown by the approved comprehensive plans in the regional or area office of the Department of Housing and Urban Development for such agency. As long as the activities and expenditures are consistent with the approved plan, the public housing agency shall have total discretion in expending assistance for any activity or work set forth in the plan. The annual statement shall include a certification by the public housing agency that the proposed activities and expenditures are consistent with the approved comprehensive plan of the public housing agency. The annual statement also shall include a certification that the public housing agency has provided the tenants of the public housing affected by the planned activities the opportunity to review the annual statement and comment on it, and that such comments have been taken into account in formulating the annual statement as submitted to the Secretary.

"(B) A public housing agency may propose an amendment to its comprehensive plan under paragraph (1) in any annual statement. Any such proposed amendment shall be reviewed in accordance with paragraph (2), and shall include a certification that (i) the proposed amendment has been made publicly available for comment prior to its submission; (ii) affected tenants have been given sufficient time to review and comment on it; and (iii) such comments have been taken into consideration in the preparation and submission of the amendment. A public housing agency shall have a right to amend its comprehensive plan and related statements to extend the time for performance whenever the Secretary has not provided the amount of assistance set forth in the plan or has not provided the assistance in a timely manner.

"(C) The Secretary shall approve the annual statement and any amendment to it or the comprehensive plan unless the Secretary determines that the statement or amendment is plainly inconsistent with the activities specified in the comprehensive plan. The statement or amendment shall be considered to be approved, unless the Secretary notifies the public housing agency in writing before the expiration of the 75-day period following its submission that the Secretary has disapproved it as submitted, indicating the reasons for disapproval and the modifications required to make it approvable.

"(4)(A) Each public housing agency that owns or operates 500 or more public housing dwelling units shall submit to the Secretary, on a date determined by the Secretary, a performance and evaluation report concerning the use of funds made available under this section. The report of the public housing agency shall include an assessment by the public housing agency of the relationship of such use of funds made available under this section, as well as the use of other funds, to the needs identified in the comprehensive plan of the public housing agency and to the purposes of this section. The public housing agency shall certify that the report has been made available for review and comment by affected tenants prior to its submission to the Secretary.

"(B) The Secretary shall, at least on an annual basis, make such reviews as may be necessary or appropriate to determine whether each public housing agency receiving assistance under this section—

"(i) has carried out its activities under this section in a timely manner and in accordance with its comprehensive plan;

"(ii) has a continuing capacity to carry out its comprehensive plan in a timely manner;

"(iii) has satisfied, or has made reasonable progress towards satisfying, such performance standards as shall be prescribed by the Secretary, and has made reasonable progress in carrying out modernization projects approved under this section.

"(C) Each public housing agency that owns or operates 500 or more public housing dwelling units and receives assistance under this section shall have an audit made in accordance with chapter 75 of title 31, United States Code. The Secretary, the Inspector General of the Department of Housing and Urban Development, and the Comptroller General of the United States shall have access to all books, documents, papers, or other records that are pertinent to the activities carried out under this section in order to make audit examinations, excerpts, and transcripts.

"(D) The comprehensive plan, any amendments to the comprehensive plan, and the annual statement shall, once approved by the Secretary, be binding upon the Secretary and the public housing agency. The Secretary may order corrective action only if the public housing agency does not comply with subparagraph (A) or (B) or if an audit under subparagraph (C) reveals findings that the Secretary reasonably believes require such corrective action. The Secretary may withhold funds under this section only if the public housing agency fails to take such corrective action after notice and a reasonable opportunity to do so. In administering this section, the Secretary shall, to the greatest extent possible, respect the professional judgment of the administrators of the public housing agency.".

(e) ELIGIBLE COSTS.—Section 14(f) of the United States Housing Act of 1937 (as so redesignated by this section) is amended—

(1) by inserting "(1)" after the subsection designation;

(2) in the matter preceding paragraph (1), by inserting after "public housing agency" the following: "that owns or operates less than 500 public housing dwelling units";

(3) by redesignating paragraphs (1) through (4) as subparagraphs (A) through (D); and

(4) by adding at the end the following new paragraph:

"(2) A public housing agency that owns or operates 500 or more public housing dwelling units may use financial assistance received under subsection (b) only—

"(A) to undertake activities described in its approved comprehensive plan under subsection (e)(1) or its annual statement under subsection (e)(3);

"(B) to correct conditions that constitute an immediate threat to the health or safety of tenants and to meet special purpose needs described in section 14(i)(1)(D), whether or not the need for such correction is indicated in its comprehensive plan or annual statement; and

"(C) to prepare a comprehensive plan under subsection (e)(1), including reasonable costs that may be necessary to assist tenants in participating in the planning process in a meaningful way, an annual statement under subsection (e)(3), an annual performance and evaluation report under subsection (e)(4)(A), and an audit under subsection (e)(4)(C).

(f) ALLOCATION OF ASSISTANCE.—Section 14 of the United States Housing Act is amended by adding at the end the following new subsection:

"(k)(1) Until the Congress establishes by law a revised method for allocating assistance under this section, assistance shall be allocated under this section in substantial accordance with the allocation method in effect on the date of the enactment of the Housing and Community Development Act of 1987.

"(2) Not later than 1 year after the date of the enactment of the Housing and Community Development Act of 1987, the Secretary shall—

"(A) complete the study of the need for public housing modernization initiated pursuant to the Department of Housing and Urban Development-Independent Agencies Appropriation Act, 1984 (Pub. L. 98-45) and any other studies that are necessary to evaluate the current condition and capital requirements of public housing as well as

the future need for rehabilitation and replacement of public housing facilities;

"(B) submit to the Congress proposed methods for determining the relative allocation of funds between activities to correct existing deficiencies and the annual accrual of resources to meet future needs;

"(C) submit to the Congress proposed alternatives for allocating funds among public housing agencies to correct existing deficiencies, including formulas for distributing funds to public housing agencies, to regional and field offices of the Department of Housing and Urban Development, or to States, as well as such other allocation methods as the Secretary may wish to recommend;

"(D) provide the Congress with—

"(i) an analysis of data and other information used to develop recommendations for measuring existing deficiencies, future needs, and anticipated emergencies;

"(ii) an analysis of the bases underlying each of the proposed allocation methods; and

"(iii) a comparison of proposed allocations to previous allocations under this section;

"(E) propose to the Congress criteria for distinguishing capital replacement activities that are routine from those that are not routine;

"(F) propose to the Congress alternative methods—

"(i) to allocate funds to public housing agencies to meet predictable routine modernization and regular capital replacement expenses; and

"(ii) provide for unpredictable, infrequent, or extraordinary future capital replacement needs through a fund administered on a national, regional, State, or local level or through such other methods as the Secretary may recommend;

"(G) consult at least on a quarterly basis with organizations and individuals representing public housing agencies, local government, and tenants regarding progress on the studies referred to in subparagraph (A) and the development of alternatives for improving this section; and

"(H) estimate, for not less than the 200 largest public housing agencies, the amount that will be received annually under each such alternative allocation system and compare such amounts to funds received in prior years under this section.".

(g) ANNUAL REPORT.—Section 14 of the United States Housing Act (as amended by subsection (f) of this section) is further amended by adding at the end the following new subsection:

"(l) The Secretary shall include in the annual report under section 8 of the Department of Housing and Urban Development Act—

"(1) a description of the allocation, distribution, and use of assistance under this section on a regional basis and on the basis of public housing agency size; and

"(2) a national compilation of the total funds requested in comprehensive plans for all public housing agencies owning or operating 500 or more public housing dwelling units.".

(h) REGULATIONS.—Section 14 of the United States Housing Act (as amended by subsection (g) of this section) is further amended by adding at the end the following new subsection:

"(m) Subject to subsection (k)(1), the Secretary may issue any regulations that are necessary to carry out this section.".

(i) CONFORMING AMENDMENTS.—

(1) Section 14(d) of the United States Housing Act of 1937 is amended in the matter preceding paragraph (1) by striking "subsection (e)(4)" and inserting "subsection (f)(4)".

(2) Section 14(i)(1) of the United States Housing Act of 1937 is amended in the matter preceding subparagraph (A) by inserting "(f)," after "(e),".

(3) Section 14(f) of the United States Housing Act of 1937 (as so redesignated by this section) is amended by striking "annual".

(4) Section 14(g) of the United States Housing Act of 1937 is amended by inserting "or (e)" after "subsection (d)(4)".

(5) Section 14(h)(2) of the United States Housing Act of 1937 is amended by inserting "or (e)" after "subsection (d)(4)".

(6) Section 14(i) of the United States Housing Act of 1937 is amended by striking "subsections (c), (d), (e), (g), and (h)" and inserting "subsections (c) through (h)".

SEC. 120. COMPREHENSIVE IMPROVEMENT ASSISTANCE SPECIAL PURPOSE NEEDS.

Section 14(i)(1)(D) of the United States Housing Act of 1937 is amended—

(1) by inserting "(i)" after "(D)";

(2) by redesignating clauses (i) and (ii) and clauses (I) and (II), respectively;

(3) by striking the period at the end and inserting "; and"; and

(4) by adding at the end the following new clause:

"(ii) physical improvement needs eligible under this subparagraph shall include replacing or repairing major equipment systems or structural elements, upgrading security, increasing accessibility for elderly families and handicapped families (as such terms are defined in section 3(b)(3)), reducing the number of vacant substandard units, and increasing the energy efficiency of the units, except that the Secretary may make financial assistance available under this clause only if the Secretary determines that the physical improvements are necessary and sufficient to extend substantially the useful life of the project.".

SEC. 121. PUBLIC HOUSING DEMOLITION AND DISPOSITION.

(a) DETERMINATION OF INFEASIBILITY OF MODIFICATIONS.—Section 18(a)(1) of the United States Housing Act of 1937 is amended by striking "or" after "purposes," and inserting "and".

(b) DEVELOPMENT AND APPROVAL OF REPLACEMENT HOUSING PLAN.—Section 18(b) of the United States Housing Act of 1937 is amended—

(1) by striking "and" at the end of paragraph (1);

(2) by striking the period at the end of paragraph (2) and inserting "; and"; and

(3) by adding at the end of the following new paragraph:

"(3) the public housing agency has developed a plan for the provision of an additional decent, safe, sanitary, and affordable dwelling unit for each public housing dwelling unit to be demolished or disposed under such application, which plan—

"(A) provides for the provision of such additional dwelling units through—

"(i) the acquisition or development of additional public housing dwelling units;

"(ii) the use of 15-year project-based assistance under section 8;

"(iii) the use of not less than 15-year project-based assistance under other Federal programs;

"(iv) the acquisition or development of dwelling units assisted under a State or local government program that provides for project-based assistance comparable in terms of eligibility, contribution to rent, and length of assistance contract (not less than 15 years) to assistance under section 8(b)(1);

"(v) the use of 15-year tenant-based assistance under section 8 (excluding vouchers under section 8(o)); or

"(vi) any combination of such methods;

"(B) if it provides for the use of tenant-based assistance under section 8, may be approved—

"(i) only after a finding by the Secretary that replacement with project-based assistance is not feasible, and the supply of private rental housing actually available to those who would receive such assistance under the plan is sufficient for the total number of certificates and vouchers available in the community after implementation of the plan and that such supply is likely to remain available for the full 15-year term of the assistance; and

"(ii) only if such finding is based on objective information, which shall include rates of participation by landlords in the section 8 program, size, conditions and rent levels of available rental housing as compared to section 8 standards, the supply of vacant existing housing meeting the section 8 quality standards with rents at or below the fair market rent or the likelihood of adjusting the fair market rent, the number of eligible families waiting for public housing or housing assistance under section 8, and the extent of discrimination against the types of individuals or families to be served by the assistance;

"(C) is approved by the unit of general local government in which the project is located;

"(D) includes a schedule for completing the plan within a period consistent with the size of the proposed demolition or disposition, except that the schedule shall in no event exceed 6 years;

"(E) includes a method of ensuring that the same number of individuals and families will be provided housing;

"(F) provides for the payment of the relocation expenses of each tenant to be displaced and ensures that the rent paid by the tenant following relocation will not exceed the amount permitted under this Act; and

"(G) prevents the taking of any action to demolish or dispose of any unit until the tenant of the unit is relocated to decent, safe, sanitary, and affordable housing that is, to the extent practicable, of the tenant's choice.".

(c) FUNDING OF REPLACEMENT HOUSING PLAN.—Section 18(c) of the United States Housing Act of 1937 is amended—

(1) by inserting "(1)" after the subsection designation; and

(2) by adding at the end the following new paragraphs:

"(2) The Secretary shall, upon approving a plan under subsection (b)(3), agree to commit (subject to the availability of future appropriations) the funds necessary to carry out the plan over the approved schedule of the plan.

"(3) The Secretary shall, in allocating assistance for the acquisition or development of public housing or for moderate rehabilitation under section 8(e)(2), give consideration to housing that replaces demolished public housing units in accordance with a plan under subsection (b)(3).".

(d) APPLICABILITY.—Section 18 of the United States Housing Act of 1937 is amended by striking subsection (d) and inserting the following new subsection:

"(d) A public housing agency shall not take any action to demolish or dispose of a public housing project or a portion of a public housing project without obtaining the approval of the Secretary and satisfying the conditions specified in subsections (a) and (b).".

SEC. 122. PUBLIC HOUSING RESIDENT MANAGEMENT.

The United States Housing Act of 1937 is amended by adding at the end the following new section:

"PUBLIC HOUSING RESIDENT MANAGEMENT

"SEC. 20. (a) PURPOSE.—The purpose of this section is to encourage increased resident management of public housing projects, as a means of improving existing living conditions in public housing projects, by providing increased flexibility for public housing projects that are managed by residents by—

"(1) permitting the retention, and use for certain purposes, of any revenues exceeding operating and project costs; and

"(2) providing funding, from amounts otherwise available, for technical assistance to promote formation and development of resident management entities.

For purposes of this section, the term 'public housing project' includes one or more contiguous buildings or an area of contiguous row houses the elected resident councils of which approve the establishment of a resident management corporation and otherwise meet the requirements of this section.

"(b) PROGRAM REQUIREMENTS.—

"(1) RESIDENT COUNCIL.—As a condition of entering into a resident management program, the elected resident council of a public housing project shall approve the establishment of a resident management corporation. When such approval is made by the elected resident council of a building or row house area, the resident management program shall not interfere with the rights of other families residing in the project or harm the efficient operation of the project. The resident management corporation and the resident council may be the same organization, if the organization complies with the requirements applicable to both the corporation and council. The corporation shall be a nonprofit corporation organized under the laws of the State in which the project is located, and the tenants of the project shall be the sole voting members of the corporation. If there is no elected resident council, a majority of the households of the public housing project shall approve the establishment of a resident council to determine the feasibility of establishing a resident management corporation to manage the project.

"(2) PUBLIC HOUSING MANAGEMENT SPECIALIST.—The resident council of a public housing project, in cooperation with the public housing agency, shall select a qualified public housing management specialist to assist in determining the feasibility of, and to help establish, a resident management corporation and to provide training and other duties agreed to in the daily operations of the project.

"(3) BONDING AND INSURANCE.—Before assuming any management responsibility for a public housing project, the resident management corporation shall provide fidelity bonding and insurance, or equivalent protection, in accordance with regulations and requirements of the Secretary and the public housing agency. Such bonding and insurance, or its equivalent, shall be adequate to protect the Secretary and the public housing agency against loss, theft, embezzlement, or fraudulent acts on the part of the resident management corporation or its employees.

"(4) MANAGEMENT RESPONSIBILITIES.—A resident management corporation that qualifies under this section, and that supplies insurance and bonding or equivalent protection sufficient to the Secretary and the public housing agency, shall enter into a contract with the public housing agency establishing the respective management rights and responsibilities of the corporation and the public housing agency. Such contract shall be consistent with the requirements of this Act applicable to public housing projects and may include specific terms governing management personnel and compensation, access to public housing project records, submission of and adherence to budgets, rent collection procedures, tenant income verification, tenant eligibility determinations, tenant eviction, the acquisition of supplies and materials, and such other matters as may be appropriate. The contract shall be treated as a contracting out of services and shall be subject to any provision of a collective bargaining agreement regarding contracting out to which the public housing agency is subject.

"(5) ANNUAL AUDIT.—The books and records of a resident management corporation operating a public housing project shall be audited annually by a certified public accountant. A written report of each audit shall be forwarded to the public housing agency and the Secretary.

"(c) COMPREHENSIVE IMPROVEMENT ASSISTANCE.—Public housing projects managed by resident management corporations may be provided with comprehensive improvement assistance under section 14 for purposes of renovating such projects in accordance with such section. If such renovation activities (including the planning and architectural design of the rehabilitation) are administered by a resident management corporation, the public housing agency involved may not retain, for any administrative or other reason, any portion of the assistance provided pursuant to this subsection unless otherwise provided by contract.

"(d) WAIVER OF FEDERAL REQUIREMENTS.—

"(1) WAIVER OF REGULATORY REQUIREMENTS.—Upon the request of any resident management corporation and public housing agency, and after notice and an opportunity to comment is afforded to the affected tenants, the Secretary may waive (for both the resident management corporation and the public housing agency) any requirement established by the Secretary (and not specified in any statute) that the Secretary determines to unnecessarily increase the costs or restrict the income of a public housing project.

"(2) WAIVER TO PERMIT EMPLOYMENT.—Upon the request of any resident management corporation, the Secretary may, subject to applicable collective bargaining agreements, permit residents of such project to volunteer a portion of their labor.

"(3) REPORT ON ADDITIONAL WAIVERS.—Not later than 6 months after the date of the enactment of the Housing and Community Development Act of 1987, the Secretary shall submit to the Congress a report setting forth any additional waivers of Federal law that the Secretary determines are necessary or appropriate to carry out the provisions of this section. In preparing the report, the Secretary shall consult with resident management corporations and public housing agencies.

"(4) EXCEPTIONS.—The Secretary may not waive under this subsection any requirement with respect to income eligibility for purposes of section 16, rental payments under section 3(a), tenant or applicant protections, employee organizing rights, or rights of employees under collective bargaining agreements.

"(e) OPERATING SUBSIDY AND PROJECT INCOME.—

"(1) CALCULATION OF OPERATING SUBSIDY.—Notwithstanding any provision of section 9 or any regulation under such section, and subject to the exception provided in paragraph (3), the portion of the operating subsidy received by a public housing agency under section 9 that is allocated to a public housing project managed by a resident management corporation shall not be less than the public housing agency per unit monthly amount provided in the previous year as determined on an individual project basis.

"(2) CONTRACT REQUIREMENTS.—Any contract for management of a public housing project entered into by a public housing agency and a resident management corporation shall specify the amount of income expected to be derived from the project itself (from sources such as rents and charges) and the amount of income funds to be provided to the project from the other sources of income of the public housing agency (such as operating subsidy under section 9, interest income, administrative fees, and rents).

"(3) CALCULATION OF TOTAL INCOME.—

"(A) Subject to subparagraph (B), the amount of funds provided by a public housing agency to a public housing project managed by a resident management corporation may not be reduced during the 3-year period beginning on the date of enactment of the Housing and Community Development Act of 1987 or on any later date on which a resident management corporation is first established for the project.

"(B) If the total income of a public housing agency (including the operating subsidy provided to the public housing agency under section 9) is reduced or increased, the income provided by the public housing agency to a public housing project managed by a resident management corporation shall be reduced or increased in proportion to the reduction or increase in the total income of the public housing agency, except that any reduction in operating subsidy that occurs as a result of fraud, waste, or mismanagement by the public housing agency shall not affect the funds provided to the resident management corporation.

"(4) RETENTION OF EXCESS REVENUES.—

"(A) Any income generated by a resident management corporation of a public housing project that exceeds the income estimated for purposes of this subsection shall be excluded in subsequent years in calculating (i) the operating subsidies provided to the public housing agency under section 9; and (ii) the funds provided by the public housing agency to the resident management corporation.

"(B) Any revenues retained by a resident management corporation under subparagraph (A) shall be used for purposes of improving the maintenance and operation of the public housing project, for establishing business enterprises that employ residents of public housing, or for acquiring additional dwelling units for lower income families.

"(f) RESIDENT MANAGEMENT TECHNICAL ASSISTANCE AND TRAINING.—

"(1) FINANCIAL ASSISTANCE.—To the extent budget authority is available for section 14, the Secretary shall provide financial assistance to resident management corporations or resident councils that obtain, by contract or otherwise, technical assistance for the development of resident management entities,

including the formation of such entities, the development of the management capability of newly formed or existing entities, the identification of the social support needs of residents of public housing projects, and the securing of such support.

"(2) LIMITATION ON ASSISTANCE.—The financial assistance provided under this subsection with respect to any public housing project may not exceed $100,000.

"(3) FUNDING.—Of the amounts available for financial assistance under section 14, the Secretary may use to carry out this subsection not more than $2,500,000 for fiscal year 1988 and not more than $2,500,000 for fiscal year 1989.

"(f) ASSESSMENT AND REPORT BY THE SECRETARY.—Not later than 3 years after the date of the enactment of the Housing and Community Development Act of 1987, the Secretary shall—

"(1) conduct an evaluation and assessment of resident management, and particularly of the effect of resident management on living conditions in public housing; and

"(2) submit to the Congress a report setting forth the findings of the Secretary as a result of the evaluation and assessment and including any recommendations the Secretary determines to be appropriate.".

SEC. 123. PUBLIC HOUSING HOMEOWNERSHIP AND MANAGEMENT OPPORTUNITIES.

The United States Housing Act of 1937 (as amended by section 122 of this Act) is further amended by adding at the end the following new section:

"PUBLIC HOUSING HOMEOWNERSHIP AND MANAGEMENT OPPORTUNITIES

"SEC. 21. (a) HOMEOWNERSHIP OPPORTUNITIES IN GENERAL.—Lower income families residing in a public housing project shall be provided with the opportunity to purchase the dwelling units in the project through a qualifying resident management corporation as follows:

"(1) FORMATION OF RESIDENT MANAGEMENT CORPORATION.—As a condition for public housing homeownership—

"(A) the adult residents of a public housing project shall have formed a resident management corporation in accordance with regulations and requirements of the Secretary prescribed under this section and section 20;

"(B) the resident management corporation shall have entered into a contract with the public housing agency establishing the respective management rights and responsibilities of the resident management corporation and the public housing agency; and

"(C) the resident management corporation shall have demonstrated its ability to manage public housing effectively and efficiently for a period of not less than 3 years.

"(2) HOMEOWNERSHIP ASSISTANCE.—

"(A) The Secretary may provide comprehensive improvement assistance under section 14 to a public housing project in which homeownership activities under this section are conducted.

"(B) The Secretary, and the public housing agency owning and operating a public housing project, shall provide such training, technical assistance, and educational assistance as the Secretary determines to be necessary to prepare the families residing in the project, and any resident management corporation established under paragraph (1), for homeownership.

"(C) This paragraph shall not have effect after September 30, 1990.

"(3) CONDITIONS OF PURCHASE BY A RESIDENT MANAGEMENT CORPORATION.—

"(A) A resident management corporation may purchase from a public housing agency one or more multifamily buildings in a public housing project following a determination by the Secretary that—

"(i) the resident management corporation has met the conditions of paragraph (1);

"(ii) the resident management corporation has applied for and is prepared to undertake the ownership, management, and maintenance of the building or buildings with continued assistance from the Secretary;

"(iii) the public housing agency has held one or more public hearings to obtain the views of citizens regarding the proposed purchase and, in consultation with the Secretary, has certified that the purchase will not interfere with the rights of other families residing in public housing, will not harm the efficient operation of other public housing, and is in the interest of the community;

"(iv) the public housing agency has certified that it has and will implement a plan to replace public housing units sold under this section within 30 months of the sale, which plan shall provide for replacement of 100 percent of the units sold under this section by—

"(I) production, acquisition, or rehabilitation of vacant public housing units by the public housing agency; and

"(II) acquisition by the resident management corporation of nonpublicly owned, decent, and affordable housing units, which the resident management corporation shall operate as rental housing subject to tenant income and rent limitations comparable to the limitations applicable to public housing; and

"(v) the building or buildings meet the minimum safety and livability standards applicable under section 14, and the physical condition, management, and operation of the building or buildings are sufficient to permit affordable homeownership by the families residing in the project.

"(B) The price of a building purchased under the preceding sentence shall be approved by the Secretary, in consultation with the public housing agency and resident management corporation, taking into account the fair market value of the property, the ability of resident families to afford and maintain the property, and such other factors as the Secretary determines to be consistent with increasing the supply of dwelling units affordable to very low income families.

"(C) This paragraph shall not have effect after September 30, 1990.

"(4) CONDITIONS OF RESALE.—

"(A)(i) A resident management corporation may sell a dwelling unit or ownership rights in a dwelling unit only to a lower income family residing in, or eligible to reside in, public housing and only if the Secretary determines that the purchase will not interfere with the rights of other families residing in the housing project or harm the efficient operation of the project, and the family will be able to purchase and maintain the property.

"(ii) The sale of dwelling units or ownership rights in dwelling units under clause (i) shall be made to families in the following order of priority:

"(I) a lower income family residing in the public housing project in which the dwelling unit is located;

"(II) a lower income family residing in any public housing project within the jurisdiction of the public housing agency having jurisidiction with respect to the project in which the dwelling unit is located;

"(III) a lower income family receiving Federal housing assistance and residing in the jurisdicition of such public housing agency; and

"(IV) a lower income family on the waiting list of such public housing agency for public housing or assistance under section 8, with priority given in the order in which the family appears on the waiting list.

"(iii) Each resident management corporation shall provide each family described in clause (ii) with a notice of the eligibility of the family to purchase a dwelling unit under this paragraph.

"(B) A purchase under subparagraph (A) may be made under any of the following arrangements:

"(i) Limited dividend cooperative ownership.

"(ii) Condominium ownership.

"(iii) Fee simple ownership.

"(iv) Shared appreciation with a public housing agency providing financing under paragraph (6).

"(v) Any other arrangement determined by the Secretary to be appropriate.

"(C) Property purchased under this section shall be resold only to the resident management corporation, a lower income family residing in or eligible to reside in public housing or housing assisted under section 8, or the public housing agency.

"(D) In no case may the owner receive consideration for his or her interest in the property that exceeds the total of—

"(i) the contribution to equity paid by the owner;

"(ii) the value, as determined by such means as the Secretary shall determine through regulation, of any improvements installed at the expense of the owner during the owner's tenure as owner; and

"(iii) the appreciated value determined by an inflation allowance at a rate which may be based on a cost of living index, an income index, or market index as determined by the Secretary through regulation and agreed to by the purchaser and the resident management corporation or the public housing agency, whichever is appropriate, at the time of initial sale, and applied against the contribution to equity; the resident management corporation or the public housing agency may, at the time of initial sale, enter into an agreement with the owner to set a maximum amount which this appreciation may not exceed.

"(E) Upon sale, the resident management corporation or the public housing agency, whichever is appropriate, shall ensure that subsequent owners are bound by the same limitations on resale and further restrictions on equity appreciation.

"(5) USE OF PROCEEDS.—Notwithstanding any other provision of this Act or other law to the contrary, proceeds from the sale of a building or buildings under paragraph (3) and amounts recaptured under paragraph (4) shall be paid to the public housing agency and shall be retained and used by the public housing agency only to increase the number of public housing units available for occupancy. The resident management corporation shall keep and make available to the public housing agency and the Secretary all records necessary to calculate accurately payments due the local housing agency under this section. The Secretary shall not reduce or delay payments under other provisions of law as a result of amounts made available to the local housing agency under this section.

"(6) FINANCING.—When financing for the purchase of the property is not otherwise available for purposes of assisting any purchase by a family or resident management

corporation under this section, the public housing agency involved may make a loan on the security of the property involved to the family or resident management corporation at a rate of interest that shall not be lower than 70 percent of the market interest rate for conventional mortgages on the date on which the loan is made.

"(7) ANNUAL CONTRIBUTIONS.—Notwithstanding the purchase of a building in a public housing project under this section, the Secretary shall continue to pay annual contributions with respect to the project. Such contributions may not exceed the maximum contributions authorized in section 5(a).

"(8) OPERATING SUBSIDIES.—Operating subsidies shall not be available with respect to a building after the date of its sale by the public housing agency.

"(b) PROTECTION OF NONPURCHASING FAMILIES.—

"(1) EVICTION PROHIBITION.—No family residing in a dwelling unit in a public housing project may be evicted by reason of the sale of the project to a resident management corporation under this section.

"(2) TENANTS RIGHTS.—Families renting a dwelling unit purchased by a resident management corporation shall have all rights provided to tenants of public housing under this Act.

"(3) RENTAL ASSISTANCE.—If any family resides in a dwelling unit in a building purchased by a resident management corporation, and the family decides not to purchase the dwelling unit, the Secretary shall offer to provide to the family (at the option of the family) a certificate under section 8(b)(1) or a housing voucher under section 8(o) for as long as the family continues to reside in the building. The Secretary may adjust the fair market rent for such certificate to take into account conditions under which the building was purchased.

"(4) RENTAL AND RELOCATION ASSISTANCE.—If any family resides in a dwelling unit in a public housing project in which other dwelling units are purchased under this section, and the family decides not to purchase the dwelling unit, the Secretary shall offer (to be selected by the family, at its option)—

"(A) to assist the family in relocating to a comparable appropriate sized dwelling unit in another public housing project, and to reimburse the family for their cost of relocation; and

"(B) to provide to the family the financial assistance necessary to permit the family to stay in the dwelling unit or to move to another comparable dwelling unit and to pay no more for rent than required under subparagraph (A), (B), or (C) of section 3(a)(1).

"(c) FINANCIAL ASSISTANCE FOR PUBLIC HOUSING AGENCIES.—The Secretary shall provide to public housing agencies such financial assistance as is necessary to permit such agencies to carry out the provisions of this section.

"(d) ADDITIONAL HOMEOWNERSHIP AND MANAGEMENT OPPORTUNITIES.—This section shall not apply to the turnkey III, the mutual help, or any other homeownership program established under section 5(h) or section 6(c)(4)(D) and in existence before the date of the enactment of the Housing and Community Development Act of 1987.

"(e) REGULATIONS.—The Secretary shall issue such regulations as may be necessary to carry out the provisions of this section. Such regulations may establish any additional terms and conditions for homeownership or resident management under this section that are determined by the Secretary to be appropriate.

"(f) ANNUAL REPORT.—The Secretary shall annually submit to the Congress a report setting forth—

"(1) the number, type, and cost of units sold;

"(2) the income, race, gender, children, and other characteristics of families purchasing or moving and not purchasing;

"(3) the amount and type of financial assistance provided;

"(4) the need for subsidy to ensure continued affordability and meet future maintenance and repair costs;

"(5) any need for the development of additional public housing dwelling units as a result of the sale of public housing dwelling units under this section;

"(6) recommendations of the Secretary for additional budget authority to carry out such development;

"(7) recommendations of the Secretary to ensure decent homes and decent neighborhoods for lower income families; and

"(8) the recommendations of the Secretary for statutory and regulatory improvements to the program.

"(g) LIMITATION.—Any authority of the Secretary under this section to provide financial assistance, or to enter into contracts to provide financial assistance, shall be effective only to such extent or in such amounts as are or have been provided in advance in appropriation Act.".

SEC. 124. TREATMENT OF CERTAIN PUBLIC HOUSING DEVELOPMENT FUNDS.

(a) FORGIVENESS OF CERTAIN INTEREST.—Notwithstanding any other provision of law or other requirement, any interest accruing on any excess funds advanced to the Housing Authority of the City of Pittsburgh, in the State of Pennsylvania, for development of the public housing project numbered PA-1-22 shall be forgiven, and any such interest paid to the Secretary of Housing and Urban Development before the date of the enactment of this Act shall be returned to such City.

(b) FORGIVENESS OF CERTAIN PAYMENTS.—Notwithstanding any other provision of law or other requirement, the Secretary of Housing and Urban Development may not require the Bay City Housing Commission in the State of Michigan to pay any amount relating to ineligible costs incurred with respect to the public housing development grant numbered Michigan 24-7, awarded in 1974, under the United States Housing Act of 1937.

SEC. 125. ENERGY EFFICIENT PUBLIC HOUSING DEMONSTRATION.

(a) ESTABLISHMENT.—The Secretary of Housing and Urban Development shall establish a demonstration program through the assistance of an appropriate technology transfer organization that specializes in producing detailed energy-efficient designs and in conducting local and statewide, public participation tests for energy efficient, needs-oriented housing. The appropriate technology organization shall carry out the demonstration working through and with public housing agencies to build and test a variety of energy-efficient housing designs in 100 separate housing units in 4 different States that meet local lower income housing needs (including single parent, disabled, and elderly concerns) through a composite ranging from single to 12-plex units in the cluster approach on vacant lots and open areas.

(b) REPORT.—As soon as practicable following September 30, 1988, the Secretary of Housing and Urban Development shall submit to the Congress a report setting forth the findings and recommendations of the Secretary as a result of the demonstration under this section.

(c) FUNDING.—Of the budget authority authorized to be provided for the development of public housing, there is authorized to be appropriated to carry out this section $4,700,000 for fiscal year 1988.

SEC. 126. PUBLIC HOUSING COMPREHENSIVE TRANSITION DEMONSTRATION.

(a) ESTABLISHMENT OF DEMONSTRATION PROGRAM.—The Secretary of Housing and Urban Development (in this section referred to as the "Secretary") shall carry out a program to demonstrate the effectiveness of providing a comprehensive program of services to participating public housing residents in order to ensure the successful transition of such residents to private housing. In carrying out the demonstration program, the Secretary shall consult with the heads of other appropriate Federal agencies to design and implement procedures to carry out the transition from public housing.

(b) SCOPE OF DEMONSTRATION PROGRAM.—The Secretary shall carry out the demonstration program with respect to public housing administered by the Housing Authority of the City of Charlotte, in the State of North Carolina. The Secretary may also carry out the demonstration program with respect to public housing administered by not more than 10 additional public housing agencies.

(c) REQUIREMENTS OF DEMONSTRATION PROGRAM.—The demonstration program shall consist of the following requirements:

(1) CONTRACT OF PARTICIPATION.—Each participating public housing agency may enter into a voluntary contract with any family that is to commence residence in a public housing project administered by the public housing agency. The contract shall be made part of the lease, shall set forth the provisions of the demonstration program, and shall specify the resources to made available to the participating family and the responsibilities of the participating family.

(2) REMEDIATION PHASE.—

(A) During not to exceed the first 2 years of residence of a participating family in public housing, the public housing agency shall ensure the provision of remediation services to the family in accordance with the terms and conditions of the contract of participation, which may include—

(i) remedial education;

(ii) completion of high school;

(iii) job training and preparation;

(iv) substance abuse treatment and counseling;

(v) training in homemaking skills and parenting; and

(vi) training in money management.

(B) During the remediation phase, the amount of rent charged the family may not be increased on the basis of any increase in earned income of the family.

(3) TRANSITION PHASE.—

(A) During not to exceed a 5-year period following completion of the remediation stage—

(i) the head of the family shall be required to have full-time employment; and

(ii) the public housing agency shall ensure the provision of counseling for the family with respect to homeownership, money management, and problem solving.

(B) During the transition phase, the amount of rent charged the family—

(i) may be increased on the basis of any increase in family income; and

(ii) may not be decreased on the basis of any decrease in earned income due to voluntary termination of employment.

(4) ENCOURAGEMENT OF SAVINGS.—The public housing agency shall take appropriate actions (including the establishment of an escrow savings account) to encourage each participating family to save funds during the remediation and transition phases.

(5) EFFECT OF INCREASES IN FAMILY INCOME.—

(A) Any increase in the earned income of a family during participation in the demonstration program under this section may not be considered as income or a resource for the purpose of denying the eligibility of, or reducing the amount of benefits payable to, the family under any other Federal law, unless the income of the family increases at any time to not less than 50 percent of the median income of the area (as determined by the Secretary with adjustments for smaller and larger families).

(B) If at any time during the participation of a family in the demonstration program the income of the family increases to not less than 80 percent of the median income of the area (as determined by the Secretary with adjustments for smaller and larger families), the participation of the family in the demonstration program shall terminate.

(6) COMPLETION OF TRANSITION.—Each family participating in the demonstration program shall be required to complete the transition out of public housing during a period of not more than 7 years. The public housing agency shall extend the period for any family that requests an extension for good cause.

(d) REPORTS TO CONGRESS.—

(1) INTERIM REPORT.—Not later than 2 years after the date of the enactment of this Act, the Secretary shall submit to the Congress an interim report evaluating the effectiveness of the demonstration program under this section.

(2) FINAL REPORT.—Not later than 60 days after the termination of the demonstration program under subsection (f), the Secretary shall submit to the Congress a final report evaluating the effectiveness of the demonstration program under this section.

(e) REGULATIONS.—The Secretary shall issue such regulations as may be necessary to carry out this section.

(f) TERMINATION OF DEMONSTRATION PROGRAM.—The demonstration program under this section shall terminate upon the expiration of the 7-year period beginning on the date of the enactment of this Act.

PART 3—SECTION 8 ASSISTANCE AND OTHER PROGRAMS

SEC. 141. SECTION 8 CONTRACTS FOR EXISTING DWELLING UNITS.

Section 8(b)(1) of the United States Housing Act of 1937 is amended by inserting after the first sentence the following new sentence: "The Secretary shall enter into a separate annual contributions contract with each public housing agency to obligate the authority approved each year, beginning with the authority approved in appropriations Acts for fiscal year 1988 (other than amendment authority to increase assistance payments being made using authority approved prior to the appropriations Acts for fiscal year 1988), and such annual contributions contract (other than for annual contributions under subsection (o)) shall bind the Secretary to make such authority, and any amendments increasing such authority, available to the public housing agency for a specified period.".

SEC. 142. SECTION 8 FAIR MARKET RENTALS AND CONTRACT RENTS.

(a) ANNUAL ADJUSTMENT.—Section 8(c)(1) of the United States Housing Act of 1937 is amended by inserting before the last sentence the following new sentence: "Each fair market rental in effect under this subsection shall be adjusted to be effective on October 1 of each year to reflect changes, based on the most recent available data trended so the rentals will be current for the year to which they apply, of rents for existing or newly constructed rental dwelling units, as the case may be, of various sizes and types in the market area suitable for occupancy by persons assisted under this section.".

(b) CALCULATION FOR CERTAIN COUNTY.—Section 8(c)(1) of the United States Housing Act of 1937 is amended by adding at the end the following new sentence: "The Secretary shall establish separate fair market rentals under this paragraph for Westchester County in the State of New York.".

(c) COMPARABILITY.—

(1) Section 8(c)(1) of the United States Housing Act of 1937 (as amended by subsection (b) of this section) is further amended by adding at the end the following new sentence: "If units assisted under this section are exempt from local rent control while they are so assisted or otherwise, the maximum monthly rent for such units shall be reasonable in comparison with other units in the market area that are exempt from local rent control.".

(2) Section 8(c)(2)(C) of the United States Housing Act of 1937 is amended—

(A) by striking "assisted and comparable unassisted units" and inserting the following: "assisted units and unassisted units of similar quality and age in the same market area"; and

(B) by adding at the end the following new sentence: "If the Secretary or appropriate State agency does not complete and submit to the project owner a comparability study not later than 60 days before the anniversary date of the assistance contract under this section, the automatic annual adjustment factor shall be applied.".

(d) PROHIBITION ON REDUCTION OF CERTAIN CONTRACT RENTS.—Section 8(c)(2)(C) of the United States Housing Act of 1937 (as amended by subsection (c) of this section) is further amended by adding at the end the following new sentence: "The Secretary may not reduce the contract rents in effect on or after April 15, 1987, for newly constructed, substantially rehabilitated, or moderately rehabilitated projects assisted under this section (including projects assisted under this section as in effect prior to November 30, 1983), unless the project has been refinanced in a manner that reduces the periodic payments of the owner.".

(e) REPEAL OF LIMIT ON CONTRACT RENT INCREASES.—Section 8(c)(2) of the United States Housing Act of 1937 is amended by striking subparagraph (D).

SEC. 143. HOUSING VOUCHER PROGRAM.

(a) OPERATION.—Section 8(o) of the United States Housing Act of 1937 is amended—

(1) in the first sentence of paragraph (1), by striking "In" and all that follows through "demonstration program" and inserting "The Secretary may provide assistance";

(2) by striking paragraph (4); and

(3) by redesignating paragraphs (5) through (8) as paragraphs (4) through (7), respectively.

(b) FLEXIBILITY TO ADJUST ASSISTANCE PAYMENTS.—Section 8(o)(6) of the United States Housing Act of 1937 (as so redesignated by subsection (a) of this section) is amended—

(1) in subparagraph (A), by striking "as frequently as twice during any five-year period" and inserting "annually"; and

(2) by striking subparagraph (D).

(c) USE OF VOUCHERS IN CONNECTION WITH COOPERATIVE AND MUTUAL HOUSING.—Section 8(o)(7) of the United States Housing Act of 1937 (as so redesignated by subsection (a) of this section) is amended by striking "not to exceed 5 per centum of the amount of".

(d) ADJUSTMENT POOLS.—Section 8(o) of the United States Housing Act of 1937 (as amended by subsection (a) of this section) is further amended by adding at the end the following new paragraph:

"(8) The Secretary shall set aside a portion of amounts appropriated under this subsection as an adjustment pool to pay for the adjustments required by paragraph (6)(A). Funds shall be distributed from the adjustment pool on a needs basis. To receive an adjustment, a public housing agency shall certify that adjustment funds are necessary to compensate for higher than normal increases in rent levels in its jurisdiction.".

SEC. 144. ADMINISTRATIVE FEES FOR SECTION 8 CERTIFICATE AND HOUSING VOUCHER PROGRAMS.

Section 8 of the United States Housing Act of 1937 is amended by adding at the end the following new subsection:

"(q)(1) The Secretary shall establish a fee for the costs incurred in administering the certificate and housing voucher programs under subsections (b) and (o). The amount of the fee for each month for which a dwelling unit is covered by an assistance contract shall be 8.2 percent of the fair market rental established under subsection (c)(1) for a 2-bedroom existing rental dwelling unit in the market area of the public housing agency. The Secretary may increase the fee if necessary to reflect the higher costs of administering small programs and programs operating over large geographic areas.

"(2)(A) The Secretary shall also establish reasonable fees (as determined by the Secretary) for—

"(i) the costs of preliminary expenses (not to exceed $275) that the public housing agency documents it has incurred in connection with new allocations of assistance under the certificate and housing voucher programs under subsections (b) and (o);

"(ii) the costs incurred in assisting families who experience difficulty (as determined by the Secretary) in obtaining appropriate housing under the programs; and

"(iii) extraordinary costs approved by the Secretary.

"(B) The method used to calculate fees under subparagraph (A) shall be the same for the certificate and housing voucher programs under subsections (b) and (o) and shall take into account local cost differences.".

SEC. 145. PORTABILITY OF SECTION 8 CERTIFICATES AND VOUCHERS.

Section 8 of the United States Housing Act of 1937 (as amended by section 144 of this Act) is further amended by adding at the end the following new subsection:

"(r)(1) Any family assisted under subsection (b) or (o) may receive such assistance to rent an eligible dwelling unit if the dwelling unit to which the family moves is within the same, or a contiguous, metropolitan statistical area as the metropolitan statistical area within which is located the area of jurisdiction of the public housing agency approving such assistance.

"(2) The public housing agency having authority with respect to the dwelling unit to

which a family moves under this subsection shall have the responsibility of carrying out the provisions of this subsection with respect to the family. If no public housing agency has authority with respect to the dwelling unit to which a family moves under this subsection, the public housing agency approving the assistance shall have such responsibility.

"(3) In providing assistance under subsection (b) or (o) for any fiscal year, the Secretary shall give consideration to any reduction in the number of resident families incurred by a public housing agency in the preceding fiscal year as a result of the provisions of this subsection.

"(4) The provisions of this subsection may not be construed to restrict any authority of the Secretary under any other provision of law to provide for the portability of assistance under this section.".

SEC. 146. PROHIBITION OF DENIAL OF SECTION 8 CERTIFICATES AND VOUCHERS TO RESIDENTS OF PUBLIC HOUSING.

Section 8 of the United States Housing Act of 1937 (as amended by section 145 of this Act) is further amended by adding at the end the following new subsection:

"(s) In selecting families for the provision of assistance under this section (including subsection (o)), a public housing agency may not exclude or penalize a family solely because the family resides in a public housing project.".

SEC. 147. NONDISCRIMINATION AGAINST SECTION 8 CERTIFICATE HOLDERS AND VOUCHER HOLDERS.

Section 8 of the United States Housing Act of 1937 (as amended by section 146 of this Act) is further amended by adding at the end the following new subsection:

"(t)(1) No owner who has entered into a contract for housing assistance payments under this section on behalf of any tenant in a multifamily housing project shall refuse—

"(A) to lease any available dwelling unit in any multifamily housing project of such owner that rents for an amount not greater than the fair market rent for a comparable unit, as determined by the Secretary under this section, to a holder of a certificate of eligibility under this section a proximate cause of which is the status of such prospective tenant as a holder of such certificate, and to enter into a housing assistance payments contract respecting such unit; or

"(B) to lease any available dwelling unit in any multifamily housing project of such owner to a holder of a voucher under subsection (o), and to enter into a voucher contract respecting such unit, a proximate cause of which is the status of such prospective tenant as holder of such voucher.

"(2) For purposes of this subsection, the term 'multifamily housing project' means a residential building containing more than 4 dwelling units.".

SEC. 148. PROJECT-BASED SECTION 8 ASSISTANCE.

Section 8(d)(2) of the United States Housing Act of 1937 is amended by inserting before the period at the end of the last sentence the following: ", except that the Secretary shall permit the public housing agency to approve such attachment with respect to not more than 15 percent of the assistance provided by the public housing agency if the requirements of clause (B) are met".

SEC. 149. SECTION 8 ASSISTANCE FOR RESIDENTS OF RENTAL REHABILITATION PROJECTS.

Section 8 of the United States Housing Act of 1937 (as amended by section 147 of this Act) is further amended by adding at the end the following new subsection:

"(u) In the case of lower income families living in rental projects rehabilitated under section 17 of this Act or section 533 of the Housing Act of 1949 before rehabilitation—

"(1) certificates or vouchers under this section shall be made for families who are required to move out of their units because of the physical rehabilitation activities or because of overcrowding; and

"(2) at the discretion of each public housing agency or other agency administering the allocation of assistance, certificates or vouchers under this section may be made for families who would have to pay more than 30 percent of their adjusted income for rent after rehabilitation whether they choose to remain in, or to move from, the project.".

SEC. 150. RENTAL REHABILITATION GRANTS.

(a) AUTHORIZATION OF APPROPRIATIONS.—Section 17(a)(3) of the United States Housing Act of 1937 is amended to read as follows:

"(3) AUTHORIZATION.—There are authorized to appropriated for rental rehabilitation under this section $200,000,000 for each of the fiscal years 1988 and 1989, of which $1,500,000 shall be available each fiscal year for technical assistance, including the collection, processing, and dissemination of program information useful for local and national program management.".

(b) ELIGIBLE PROPERTY.—Section 17(a)(1)(A) of the United States Housing Act of 1937 is amended by inserting after "property" the following: ", or of real property that will be privately owned upon the completion of rehabilitation,".

(c) MAXIMUM GRANT AMOUNT.—Section 17(c)(2)(E) of the United States Housing Act of 1937 is amended by striking "$5,000 per unit" and inserting the following: "$5,000 per unit for a unit with no bedrooms, $6,500 per unit for a unit with 1 bedroom, $7,500 per unit for a unit with 2 bedrooms, and $8,500 per unit for a unit with 3 or more bedrooms,".

(d) USE OF FUNDS.—Section 17(c) of the United States Housing Act of 1937 is amended by adding at the end the following new paragraph:

"(4) USE OF FUNDS TO COMPLY WITH SEISMIC STANDARDS.—If a unit of general local government has a local ordinance that requires rehabilitation to meet seismic standards, the unit of local government may use all rehabilitation assistance received under this section to rehabilitate units with no bedroom or 1 bedroom, if the occupants of the units will have incomes that do not exceed 50 percent of the median income of the area.".

(e) ADMINISTRATIVE EXPENSES.—Section 17(h) of the United States Housing Act of 1937 is amended by inserting before the period at the end the following: ", except that not more than 10 percent of any rehabilitation grant received under subsection (c) may be retained to cover administrative expenses incurred by any State administering resources made available under subsection (b) (which State shall share such amount with units of general local government administering the program with the State) and by any city or urban county receiving resources under subsection (b)".

(f) ELIGIBILITY.—Section 17(k)(4) of the United States Housing Act of 1937 is amended—

(1) by inserting "privately owned" before "real property";

(2) by inserting "(A)" after "includes"; and

(3) by inserting before the semicolon at the end the following: ", and (B) housing that is owned by a State or locally chartered, neighborhood based, nonprofit organization the primary purpose of which is the provision and improvement of housing".

SEC. 151. RENTAL DEVELOPMENT GRANTS.

(a) AUTHORIZATION OF APPROPRIATIONS.—Section 17(a)(3) of the United States Housing Act of 1937 (as amended by section 150 of this Act) is further amended by adding at the end the following new sentence: "There are authorized to be appropriated for development grants under this section $75,000,000 for fiscal year 1988 and $78,075,000 for fiscal year 1989.".

(b) AREA ELIGIBILITY.—Section 17(d)(2) of the United States Housing Act of 1937 is amended by adding at the end the following new sentence: "Notwithstanding any other provision of law, the eligibility requirements for development grants under this section shall be the requirements in effect under this subsection on October 17, 1986.".

(c) GRANT AMOUNT.—Section 17(d)(4)(B) of the United States Housing Act of 1937 is amended by striking "refinancing costs and".

(d) PROGRAM REQUIREMENTS.—Section 17(d)(4) of the United States Housing Act of 1937 is amended—

(1) by inserting before the semicolon at the end of subparagraph (G) the following: ", except that the Secretary may extend such period by not more than 6 months if the commencement of such activities is delayed due to judicial or administrative proceedings";

(2) by striking "and" at the end of subparagraph (G);

(3) by striking the period at the end of subparagraph (H) and inserting "; and"; and

(4) by adding at the end the following new subparagraph:

"(I) the owner of each assisted structure agrees to comply with the provisions of paragraph (8) until the 20-year period specified in paragraph (7) has ended.".

(e) DEVELOPMENT COST.—Section 17(d) of the United States Housing Act of 1937 is amended by adding at the end the following new paragraph:

"(10) DEVELOPMENT COST.—

"(A) The Secretary shall include in the development cost of a project assisted under this subsection any developer's fee if such fee—

"(i) is included in a mortgage secured by the project; and

"(ii) the lender is a State housing finance agency or the project is financed by bonds issued by a State housing finance agency or similar local entity.

"(B) The amount of any developer's fee shall not be counted in calculating the maximum grant amount pursuant to paragraph (4)(B).

"(C) This paragraph shall only be applicable to projects with respect to which a notice of project selection is received before the date of the enactment of the Housing and Community Development Act of 1987.".

Subtitle B—Other Housing Assistance Programs

SEC. 161. HOUSING FOR THE ELDERLY AND HANDICAPPED.

(a) BORROWING AUTHORITY.—The first sentence of section 202(a)(4)(B)(i) of the Housing Act of 1959 is amended—

(1) by striking "and" the first place it appears; and

(2) by inserting after "1984," the following: "and to such sums as may approved in appropriation Acts for fiscal years 1988 and 1989,".

(b) LOAN AUTHORITY.—Section 202(a)(4)(C) of the Housing Act of 1959 is amended by adding at the end the following new sentence: "For fiscal years 1988 and 1989, not more than $621,701,000 and $651,334,000, re-

spectively, may be approved in appropriation Acts for such loans.".

(c) INTEREST RATE ON LOANS.—

(1) CALCULATION OF RATE.—Section 202(a)(3) of the Housing Act of 1959 is amended—

(A) by inserting "(A)" after the paragraph designation;

(B) by striking all that follows "Secretary" the second place it appears through "loan is made" and inserting the following: "taking into consideration the average yield, during the 3-month period immediately preceding the fiscal year in which the loan is made, on the most recently issued 30-year marketable obligations of the United States"; and

(C) by adding at the end the following new subparagraph:

"(B) At the option of the borrower, a loan under this section may be made and may be processed for a conditional or firm commitment either (i) at an interest rate not to exceed a rate and allowance determined by the Secretary in accordance with subparagraph (A) using the 1-month period immediately prior to the month in which the request for a commitment is submitted; or (ii) at an interest rate not to exceed a rate and allowance determined by the Secretary in accordance with subparagraph (A) using the 3-month period immediately preceding the fiscal year in which the request for a commitment is submitted.".

(2) MAXIMUM RATE.—Section 223(a) of the Housing and Urban-Rural Recovery Act of 1983 is amended by striking paragraph (2).

(d) INTEREST RATE ON NOTES.—The second sentence of section 202(a)(4)(B)(i) of the Housing Act of 1959 is amended to read as follows: "Such notes or other obligations shall bear interest at a rate determined by the Secretary of the Treasury taking into consideration the average yield, during the 3-month period immediately preceding the fiscal year in which the loan is made, on the most recently issued 30-year marketable obligations of the United States.".

(e) APPEAL OF CANCELLATION OF LOAN AUTHORITY.—Section 202 of the Housing Act of 1959 is amended by adding at the end the following new subsection:

"(n) The Secretary shall notify the project sponsor not less than 30 days prior to canceling any loan authority provided under this section. During the 30-day period following the receipt of a notice under paragraph (1), a sponsor may appeal the proposed cancellation of loan authority. Such appeal, including review by the Secretary, shall be completed not later than 45 days after the appeal is filed.".

(f) PRIORITY.—Section 202(a) of the Housing Act of 1959 is amended by adding at the end the following new paragraph:

"(8) In reviewing applications for loans under this section, the Secretary shall give a priority to any project that will provide housing designed to replace a structure that is owned by a public housing agency, contains not less than 100 dwelling units, is used for housing only elderly families, and is to be demolished. The requirements of this paragraph shall not apply after September 30, 1988.".

SEC. 162. HOUSING FOR THE HANDICAPPED.

(a) FINDINGS AND PURPOSE.—

(1) The Congress finds that—

(A) housing for nonelderly handicapped families is assisted under section 202 of the Housing Act of 1959 and section 8 of the United States Housing Act of 1937;

(B) the housing programs under such sections are designed and implemented primarily to assist rental housing for elderly and nonelderly families and are often inappropriate for dealing with the specialized needs of the physically impaired, the developmentally disabled, and the chronically mentally ill;

(C) the development of housing for nonelderly handicapped families under such programs is often more expensive than necessary, thereby reducing the number of such families that can be assisted with available funds;

(D) the program under section 202 of the Housing Act of 1959 can continue to provide direct loans to finance group residences and independent apartments for nonelderly handicapped families, but can be made more efficient and less costly by the adoption of standards and procedures applicable only to housing for such families;

(E) the cost containment policies currently being implemented in the development of small group homes (i) do not adequately reflect the necessity for building designs to meet the needs of the designated residents; and (ii) do not recognize necessary State and local standards for the operation of such homes;

(F) the use of the program under section 8 of the United States Housing Act of 1937 to assist rentals for housing for nonelderly handicapped families is time consuming and unnecessarily costly and, in some areas of the Nation, prevents the development of such housing;

(G) the use of the program under section 8 of the United States Housing Act of 1937 to assist rentals for housing for nonelderly handicapped families should be replaced by a more appropriate subsidy mechanism;

(H) both elderly and handicapped housing projects assisted under section 202 of the Housing Act of 1959 will benefit from an increased emphasis on supportive services and a greater use of State and local funds; and

(I) an improved program for nonelderly handicapped families will assist in providing shelter and supportive services for mentally ill persons who might otherwise be homeless.

(2) The purpose of this section is to improve the direct loan program under section 202 of the Housing Act of 1959 to ensure that such program meets the special housing and related needs of nonelderly handicapped families.

(b) HOUSING FOR HANDICAPPED FAMILIES.—

(1) Section 202(h) of the Housing Act of 1959 is amended to read as follows:

"(h)(1) Of the amounts made available in appropriation Acts for loans under subsection (a)(4)(C) for any fiscal year commencing after September 30, 1987, not less than 15 percent shall be available for loans for the development costs of housing for handicapped families. If the amount required for any such fiscal year for approvable applications for loan under this subsection is less than the amount available under this paragraph, the balance shall be made available for loans under other provisions of this section.

"(2) The Secretary shall take such actions as may be necessary to ensure that—

"(A) funds made available under this subsection will be used to support a variety of methods of meeting the needs primarily of nonelderly handicapped families by providing a variety of housing options, ranging from small group homes to independent living complexes; and

"(B) housing for handicapped families assisted under this subsection will provide families occupying units in such housing with an assured range of services specified in subsection (f), will provide such families with opportunities for optimal independent living and participation in normal daily activities, and will facilitate access by such families to the community at large and to suitable employment opportunities within such community.

"(3)(A) In allocating funds under this subsection, and in processing applications for loans under this section and assistance payments under paragraph (4), the Secretary shall adopt such distinct standards and procedures as the Secretary determines appropriate due to differences between housing for handicapped families and other housing assisted under this section. In adopting such standards, the Secretary shall ensure adequate participation by representatives of the disability community through the provisions available under the Federal Advisory Committee Act.

"(B) The Secretary may, on a demonstration basis, determine the feasibility and desirability of reducing processing time and costs for housing for handicapped families by limiting project design to a small number of prototype designs. Any such demonstration shall be limited to the 3-year period following the date of the enactment of the Housing and Community Development Act of 1987, may only involve projects whose sponsors consent to participation in such demonstration, and shall be described in a report submitted by the Secretary to the Congress following completion of such demonstration.

"(4)(A) The Secretary shall, to the extent approved in appropriation Acts, enter into contracts with owners of housing for handicapped families receiving loans under, or meeting the requirements of, this section to make monthly payments to cover any part of the costs attributed to units occupied (or, as approved by the Secretary, held for occupancy) by lower income families that is not met from project income. The annual contract amount for any project shall not exceed the sum of the initial annual project rentals for all units and any initial utility allowances for such units, as approved by the Secretary. Any contract amounts not used by a project in any year shall remain available to the project until the expiration of the contract. The term of a contract entered into under this subparagraph shall be 240 months. The annual contract amount may be adjusted by the Secretary if the sum of the project income and the amount of assistance payments available under this subparagraph are inadequate to provide for reasonable project costs. In the case of an intermediate care facility in which there reside families assisted under title XIX of the Social Security Act, project income under this subparagraph shall include the same amount as if such families were being assisted under title XVI of the Social Security Act.

"(B) The Secretary shall approve initial project rentals for any project assisted under this subsection based on the determination of the Secretary of the total actual necessary and reasonable costs of developing and operating the project, excluding the costs of the assured range of services under subsection (f), taking into consideration the need to contain costs to the extent practicable and consistent with the purposes of the project and this section.

"(C) The Secretary shall require that, during the term of each contract entered into under subparagraph (A), all units in a project assisted under this subsection shall be made available for occupancy by lower

income families, as such term is defined in section 3(b)(2) of the United States Housing Act of 1937. The rent payment required of a lower income family shall be determined in accordance with section 3(a) of such Act, except that the gross income of a family occupying an intermediate care facility assisted under title XIX of the Social Security Act shall be the same amount as if the family were being assisted under title XVI of the Social Security Act.

"(D) The Secretary shall coordinate the processing of an application for a loan for housing for handicapped families under this section and the processing of an application for assistance payments under this paragraph for such housing.".

(2) Section 202(d) of the Housing Act of 1959 is amended by adding at the end the following new paragraphs:

"(9) The term 'housing for handicapped families' means housing and related facilities to be occupied by handicapped families who are primarily nonelderly handicapped families.

"(10) The term 'nonelderly handicapped families' means elderly or handicapped families, the head of which (and spouse, if any) is less than 62 years of age at the time of initial occupancy of a project assisted under this section.".

(3) Section 202(c)(3) of the Housing Act of 1959 is amended by inserting after "section" the following: "and designed for dwelling use by 12 or more elderly or handicapped families".

(c) SUPPORTIVE SERVICES FOR ELDERLY AND HANDICAPPED FAMILIES.—Section 202(f) of the Housing Act of 1959 is amended—

(1) by inserting "(1)" after the subsection designation; and

(2) by adding at the end the following new paragraph:

"(2) Each applicant for a loan under this section for housing and related facilities shall submit with the application a supportive services plan describing—

"(A) the category or categories of families such housing and facilities are intended to serve;

"(B) the range of necessary services to be provided to the families occupying such housing;

"(C) the manner in which such services will be provided to such families; and

"(D) the extent of State and local funds available to assist in the provision of such services.".

(d) TERMINATION OF SECTION 8 ASSISTANCE.—On and after the first date that amounts approved in an appropriation Act for any fiscal year become available for contracts under section 202(h)(4)(A) of the Housing Act of 1959, as amended by subsection (b) of this section, no project for handicapped (primarily nonelderly) families approved for such fiscal year pursuant to section 202 of such Act shall be provided assistance payments under section 8 of the United States Housing Act of 1937, except pursuant to a reservation for a contract to make such assistance payments that was made before the first date that amounts for contracts under such section 202(h)(4)(A) became available.

(e) IMPLEMENTATION.—Not later than the expiration of the 120-day period following the date of the enactment of this Act, the Secretary of Housing and Urban Development shall, to the extent amounts are approved in an appropriation Act for use under section 202(h)(4)(A) of the Housing Act of 1959 for fiscal year 1988, publish in the Federal Register a notice of fund availability to implement the provisions of, and amendments made by, this section. The Secretary shall issue such rules as may be necessary to carry out such provisions and amendments for fiscal year 1989 and thereafter.

(f) EFFECTIVE DATE AND APPLICABILITY.—

(1) Except as otherwise provided in this section, the provisions of, and amendments made by, this section shall not apply with respect to projects with loans or loan reservations made under section 202 of the Housing Act of 1959 before the implementation date under subsection (e).

(2) Notwithstanding paragraph (1), the Secretary shall apply the provisions of, and amendments made by, this section to any project if needed to facilitate the development of such project in a timely manner.

SEC. 163. SECTION 235 HOMEOWNERSHIP PROGRAM.

The second sentence of section 235(h)(1) of the National Housing Act is amended by inserting after the third sentence the following new sentence: "Any amount of budget authority under this section that is recaptured by the Secretary shall be made available for new contracts for assistance payments under this section.".

SEC. 164. CONGREGATE SERVICES.

(a) AUTHORIZATION OF APPROPRIATIONS.—Section 411(a) of the Congregate Housing Services Act of 1978 is amended to read as follows:

"(a) There are authorized to be appropriated to carry out this title $10,000,000 for each of the fiscal years 1988 and 1989.".

(b) DELETION OF REFERENCE TO PROGRAM AS NONPERMANENT.—Section 408 of the Congregate Housing Services Act of 1978 is amended by striking subsection (c).

(c) REPORT.—Section 408 of the Congregate Housing Services Act of 1978 (as amended by subsection (b) of this section) is further amended by adding at the end the following new subsection:

"(c)(1) The Secretary shall contract with a university or qualified research institution to produce a report—

"(A) documenting the number of elderly living in federally assisted housing at risk of institutionalization;

"(B) studying and comparing alternative delivery systems in the States, including the congregate housing services program, to provide services to older persons in assisted congregate housing;

"(C) assessing existing and potential financial resources at the Federal, State, and local levels for the support of congregate housing services; and

"(D) making legislative recommendations as to the feasibility of permitting State housing agencies and other appropriate State agencies to participate and operate the program on a matching grant basis.

"(2) The Secretary shall submit the report to the Congress not later than September 30, 1988.".

SEC. 165. MODIFICATION OF RESTRICTION ON USE OF ASSISTED HOUSING BY ALIENS.

(a) ALIENS ADMITTED FOR LAWFUL RESIDENCE.—Section 214(a) of the Housing and Community Development Act of 1980 is amended—

(1) by striking "or" at the end of paragraph (4);

(2) by striking the period at the end of paragraph (5) and inserting "; or"; and

(3) by adding at the end the following new paragraph:

"(6) an alien lawfully admitted for temporary or permanent residence under section 245A of the Immigration and Nationality Act.".

(b) PRESERVATION OF FAMILIES.—Section 214 of the Housing and Community Development Act of 1980 is amended by inserting after subsection (b) the following new subsection:

"(c)(1) The restriction established in subsection (a) shall not apply to—

"(A) any family in which the head of household or spouse is a citizen of the United States, a national of the United States, or an alien resident of the United States described in any of the paragraphs (1) through (6) of subsection (a); or

"(B) the continued provision of any financial assistance commenced before the effective date of the regulations issued to carry out this subsection.

"(2) Notwithstanding any other provision of law, the Secretary of Housing and Urban Development may not make financial assistance available for the benefit of—

"(A) any alien who—

"(i) has a residence in a foreign country that such alien has no intention of abandoning;

"(ii) is a bona fide student qualified to pursue a full course of study; and

"(iii) is admitted to the United States temporarily and solely for purposes of pursuing such a course of study at an established institution of learning or other recognized place of study in the United States, particularly designated by such alien and approved by the Attorney General after consultation with the Department of Education of the United States, which institution or place of study shall have agreed to report to the Attorney General the termination of attendance of each nonimmigrant student (and if any such institution of learning or place of study fails to make such reports promptly the approval shall be withdrawn); and

"(B) the alien spouse and minor children of any alien described in subparagraph (A), if accompanying such alien or following to join such alien.".

(c) VERIFICATION PROCEDURES.—Section 214(d) of the Housing and Community Development Act of 1980 (as added by section 121(a)(2) of the Immigration Reform and Control Act of 1986 (Public Law 99-603)) is amended—

(1) in paragraph (2), by inserting after "States" the following: "and is not 62 years of age or older";

(2) in paragraph (4), in the matter before subparagraph (A)—

(A) by inserting after "States" the following: "and is not 62 years of age or older"; and

(B) by inserting "or recertification" after "application";

(3) in paragraph (4)(A)(i), by inserting after the comma the following: "or to appeal to the Immigration and Naturalization Service the verification determination of the Immigration and Naturalization Service under paragraph (3),";

(4) in paragraph (4)(B), by striking the matter before clause (i) and inserting the following:

"(B) if any documents or additional information are submitted as evidence under subparagraph (A), or if appeal is made to the Immigration and Naturalization Service with respect to the verification determination of the Service under paragraph (3)—";

(5) in paragraph (4)(B)(i), by inserting "or additional information" after "documents";

(6) in paragraph (4)(B)(ii), by inserting "or appeal" after "verification";

(7) by inserting after paragraph (5) the following new paragraph:

"(6) For purposes of paragraph (5)(B), the applicable fair hearing process made available with respect to any individual shall in-

clude not less than the following procedural protections:

"(A) The Secretary shall provide the individual with written notice of the determination described in paragraph (5) and of the opportunity for a hearing with respect to the determination.

"(B) Upon timely request by the individual, the Secretary shall provide a hearing before an impartial hearing officer designated by the Secretary, at which hearing the individual may produce evidence of a satisfactory immigration status.

"(C) The Secretary shall notify the individual in writing of the decision of the hearing officer on the appeal of the determination in a timely manner.

"(D) Financial assistance may not be denied or terminated until the completion of the hearing process."; and

(8) by striking the last sentence and inserting the following: "For purposes of this subsection, the term 'Secretary' means the Secretary of Housing and Urban Development, a public housing agency, or another entity that determines the eligibility of an individual for financial assistance.".

(d) ENFORCEMENT PROCEDURES.—Section 214(e) of the Housing and Community Development Act of 1980 (as added by section 121(a)(2) of the Immigration Reform and Control Act of 1986 (Public Law 99-603)) is amended—

(1) in the matter before paragraph (1), by inserting "of Housing and Urban Development" after "Secretary";

(2) in paragraph (2), by inserting after "(d)(4)(A)(ii)" the following: "(or under any alternative system for verifying immigration status with the Immigration and Naturalization Service authorized in the Immigration Reform and Control Act of 1986 (Public Law 99-603))";

(3) in paragraph (3), by inserting after "(d)(4)(B)(ii)" the following: "(or under any alternative system for verifying immigration status with the Immigration and Naturalization Service authorized in the Immigration Reform and Control Act of 1986 (Public Law 99-603))"; and

(4) in paragraph (4), by inserting after "(d)(5)(B)" the following: "(or provided for under any alternative system for verifying immigration status with the Immigration and Naturalization Service authorized in the Immigration Reform and Control Act of 1986 (Public Law 99-603))".

(e) VERIFICATION SYSTEM.—Section 214 of the Housing and Community Development Act of 1980 (as amended by section 121(a)(2) of the Immigration Reform and Control Act of 1986 (Public Law 99-603)) is amended by adding at the end the following new subsection:

"(f)(1) Notwithstanding any other provision of law, no agency or official of a State or local government shall have any liability for the design or implementation of the Federal verification system described in subsection (d) if the implementation by the State or local agency or official is in accordance with Federal rules and regulations.

"(2) The verification system of the Department of Housing and Urban Development shall not supersede or affect any consent agreement entered into or court decree or court order entered prior to the date of the enactment of the Housing and Community Development Act of 1987.".

(f) REIMBURSEMENT FOR COSTS OF IMPLEMENTATION.—

(1) Section 214 of the Housing and Community Development Act of 1980 (as amended by subsection (e) of this section) is further amended by adding at the end the following new subsection:

"(g) The Secretary of Housing and Urban Development is authorized to pay to each public housing agency or other entity an amount equal to 100 percent of the costs incurred by the public housing agency or other entity in implementing and operating an immigration status verification system under subsection (d) (or under any alternative system for verifying immigration status with the Immigration and Naturalization Service authorized in the Immigration Reform and Control Act of 1986 (Public Law 99-603)).".

(2) The United States Housing Act of 1937 (as amended by section 121(b)(6) of the Immigration Reform and Control Act of 1986 (Public Law 99-603)) is amended by striking section 20.

(g) TRANSITIONAL CERTIFICATION AND DOCUMENTATION PROVISIONS.—In carrying out section 214 of the Housing and Community Development Act of 1980 during fiscal year 1988, the Secretary of Housing and Urban Development shall require, as a condition of providing financial assistance for the benefit of any individual, that such individual—

(1) declare in writing, under penalty of perjury, whether or not such individual is a citizen or national of the United States; and

(2) if not a citizen or national—

(A) declare in writing, under penalty of perjury, the immigration status of such individual, if such individual is not less than 62 years of age; or

(B) provide such documentation regarding the immigration status of such individual as the Secretary may require by regulation.

(h) EFFECTIVE DATES.—

(1) The provisions of, and amendments made by, subsections (a), (b), (e), (f), and (g) shall take effect on the date of the enactment of this Act.

(2) The amendments made by subsections (c) and (d) shall take effect on October 1, 1988.

SEC. 166. PREVENTING FRAUD AND ABUSE IN DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PROGRAMS.

(a) DISCLOSURE OF SOCIAL SECURITY ACCOUNT NUMBER.—As a condition of initial or continuing eligibility for participation in any program of the Department of Housing and Urban Development involving loans, grants, interest or rental assistance of any kind, or mortgage or loan insurance, and to ensure that the level of benefits provided under such programs is proper, the Secretary of Housing and Urban Development may require that an applicant or participant (including members of the household of an applicant or participant) disclose his or her social security account number or employer identification number to the Secretary.

(b) DEFINITIONS.—For purposes of this section, the terms "applicant" and "participant" shall have such meanings as the Secretary of Housing and Urban Development by regulation shall prescribe. Such terms shall not include persons whose involvement is only in their official capacity, such as State or local government officials or officers of lending institutions.

SEC. 167. ANNUAL REPORT ON CHARACTERISTICS OF FAMILIES IN ASSISTED HOUSING.

(a) IN GENERAL.—The Secretary of Housing and Urban Development shall include in the annual report under section 8 of the Housing and Urban Development Act descriptions of the characteristics of families assisted under each of the following programs of assistance: public housing, section 8 of the United States Housing Act of 1937 (other than subsection (o) of such section), section 8(o) of the United States Housing Act of 1937, and section 202 of the Housing Act of 1959.

(b) SPECIFIC REQUIREMENTS.—The descriptions required in subsection (a) shall include information with respect to—

(1) family size, including the number of children;

(2) amount and sources of family income;

(3) the age, race, and sex of family members; and

(4) whether the head of the family (or the spouse of such person) is a member of the armed forces.

SEC. 168. SECTION 236 RENTAL HOUSING PROGRAM.

(a) STATE-AIDED PROJECTS.—

(1) Section 236(f)(4) of the National Housing Act is amended by striking "90 per centum" and inserting "100 percent".

(2) Section 101(g) of the Housing and Urban Development Act of 1965 is amended by striking "90 per centum" and inserting "100 percent".

(b) INSURING AUTHORITY.—Section 236(n) of the National Housing Act is amended by adding at the end the following new sentence: "A mortgage may be insured under this section after the date in the preceding sentence in order to refinance a mortgage insured under this section or to finance pursuant to subsection (j)(3) the purchase, by a cooperative or nonprofit corporation or association, of a project assisted under this section.".

SEC. 169. TENANT ELIGIBILITY DETERMINATIONS IN RENT SUPPLEMENT PROJECTS.

Section 101 of the Housing and Urban Development Act of 1965 is amended—

(1) by striking the second sentence of subsection (e)(1); and

(2) by striking subsection (k) and inserting the following:

"(k) In selecting individuals or families to be assisted under this section in accordance with the eligibility criteria and procedures established under subsection (e)(1), the project owner shall give preference to individuals or families who are occupying substandard housing, are paying more than 50 percent of family income for rent, or are involuntarily displaced at the time they are seeking housing assistance under this section.".

SEC. 170. COUNSELING TO TENANTS AND HOMEOWNERS.

(a) COUNSELING SERVICES.—Section 106(a)(3) of the Housing and Urban Development Act of 1968 is amended in the first sentence by striking all that follows the semicolon and inserting the following: "except that for fiscal years 1988 and 1989 there are authorized to be appropriated $3,651,000 and $3,811,644, respectively, for such purposes.".

(b) EMERGENCY HOMEOWNERSHIP COUNSELING.—Section 106 of the Housing and Urban Development Act of 1968 is amended by inserting at the end the following new subsection:

"(c) GRANTS FOR HOMEOWNERSHIP COUNSELING ORGANIZATIONS.—

"(1) IN GENERAL.—The Secretary of Housing and Urban Development may make grants—

"(A) to nonprofit organizations experienced in the provision of homeownership counseling to enable the organizations to provide homeownership counseling to eligible homeowners; and

"(B) to assist in the establishment of nonprofit homeownership counseling organizations.

"(2) PROGRAM REQUIREMENTS.—

"(A) Applications for grants under this subsection shall be submitted in the form, and in accordance with the procedures, that the Secretary requires.

"(B) The homeownership counseling organizations receiving assistance under this subsection shall use the assistance only to provide homeownership counseling to eligible homeowners.

"(C) The homeownership counseling provided by homeownership counseling organizations receiving assistance under this subsection shall include counseling with respect to—

"(i) financial management;

"(ii) available community resources, including public assistance programs, mortgage assistance programs, home repair assistance programs, utility assistance programs, food programs, and social services; and

"(iii) employment training and placement.

"(3) AVAILABILITY OF HOMEOWNERSHIP COUNSELING.—The Secretary shall take any action that is necessary—

"(A) to ensure the availability throughout the United States of homeownership counseling from homeownership counseling organizations receiving assistance under this subsection, with priority to areas that—

"(i) are experiencing high rates of home foreclosure and any other indicators of homeowner distress determined by the Secretary to be appropriate; and

"(ii) are not already adequately served by homeownership counseling organizations; and

"(B) to inform the public of the availability of the homeownership counseling.

"(4) ELIGIBILITY FOR COUNSELING.—A homeowner shall be eligible for homeownership counseling under this subsection if—

"(A) the home loan is secured by property that is the principal residence (as defined by the Secretary) of the homeowner;

"(B) the home loan is not assisted under title V of the Housing Act of 1949; and

"(C) the homeowner is, or is expected to be, unable to make payments, correct a home loan delinquency within a reasonable time, or resume full home loan payments due to a reduction in the income of the homeowner because of—

"(i) an involuntary loss of, or reduction in, the employment of the homeowner, the self-employment of the homeowner, or income from the pursuit of the occupation of the homeowner; or

"(ii) any similar loss or reduction experienced by any person who contributes to the income of the homeowner.

"(5) NOTIFICATION OF AVAILABILITY OF HOMEOWNERSHIP COUNSELING REQUIREMENT.—The creditor of a delinquent home loan shall notify an eligible homeowner of the availability of any homeownership counseling offered by the creditor. As a supplement to the counseling provided by the creditor, the creditor shall notify the homeowner of the availability of 1 of the following:

"(A) Homeownership counseling provided by nonprofit organizations approved by the Secretary and experienced in the provision of homeownership counseling.

"(B) A list of the nonprofit organizations, approved by the Secretary and experienced in the provision of homeownership counseling, that can be obtained by calling a toll-free telephone number at the Department of Housing and Urban Development.

"(C) Homeownership counseling provided by the Administrator of Veterans' Affairs for loans insured or guaranteed under chapter 37 of title 38, United States Code.

"(6) DEFINITIONS.—For purposes of this subsection:

"(A) The term 'creditor' means a person or entity that is servicing a home loan on behalf of itself or another person or entity.

"(B) The term 'eligible homeowner' means a homeowner eligible for counseling under paragraph (4).

"(C) The term 'home loan' means a loan secured by a mortgage or lien on residential property.

"(D) The term 'homeowner' means a person who is obligated under a home loan.

"(E) The term 'residential property' means a 1-family residence, including a 1-family unit in a condominium project, a membership interest and occupancy agreement in a cooperative housing project, and a manufactured home and the lot on which the home is situated.

"(7) REGULATIONS.—The Secretary shall issue any regulations that are necessary to carry out this subsection.

"(8) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this subsection such sums as may be necessary for each of the fiscal years 1988 and 1989. Any amount appropriated under this subsection shall remain available until expended.

"(9) TERMINATION.—The provisions of this subsection shall not be effective after September 30, 1989.".

SEC. 171. HOUSING ASSISTANCE TECHNICAL AMENDMENTS.

(a) SECTION 235 HOMEOWNERSHIP ASSISTANCE.—Section 235(i)(3)(C) of the National Housing Act is amended by inserting an opening parenthesis before "including".

(b) RENTAL HOUSING FOR LOWER INCOME FAMILIES.—The last sentence of section 236(i)(1) of the National Housing Act is amended by striking "(h)" and inserting "(f)(4)".

(c) DEFINITION OF DISABILITY.—Section 3(b)(3)(A) of the United States Housing Act of 1937 is amended—

(1) by striking "or" the first place it appears and inserting a comma; and

(2) by striking "or in section 102 of the Developmental Disabilities Services and Facilities Construction Amendments of 1970" and inserting the following: ", has a developmental disability as defined in section 102(7) of the Developmental Disabilities Assistance and Bill of Rights Act (42 U.S.C. 6001(7))".

(d) LOWER INCOME HOUSING.—

(1) The first sentence of section 6(a) of the United States Housing Act of 1937 is amended by inserting "The" before "Secretary".

(2) Section 6(c)(4)(A) of the United States Housing Act of 1937 is amended—

(A) by striking "or are paying more than 50 per centum of family income for rent"; and

(B) by inserting ", are paying more than 50 percent of family income for rent," after "substandard housing".

(3) Paragraphs (4) and (5) of section 6(k) of the United States Housing Act of 1937 are amended by striking "his" each place it appears and inserting "their".

(e) HOUSING DEVELOPMENT GRANTS.—Section 17(d)(7)(A) of the United States Housing Act of 1937 is amended by striking "title" and inserting "subsection".

(f) PUBLIC HOUSING DEMOLITION AND DISPOSITION.—Section 18(b) of the United States Housing Act of 1937 is amended in the matter preceding paragraph (1) by inserting "or" after "section".

(g) HOUSING FOR THE ELDERLY AND HANDICAPPED.—

(1) The third sentence of section 202(d)(4) of the Housing Act of 1959 is amended by striking "is a developmentally disabled individual as defined in section 102(5) of the Developmental Disabilities Services and Facilities Construction Amendments of 1950" and inserting the following: "has a developmental disability as defined in section 102(7) of the Developmental Disabilities Assistance and Bill of Rights Act (42 U.S.C. 6001(7))".

(2) Section 202(f) of the Housing Act of 1959 is amended by striking "section 134" and inserting "section 133".

(3) Section 202(l) of the Housing Act of 1959 is amended by striking "difference" and inserting "different".

(h) RENT SUPPLEMENTS.—Section 101(j)(1)(D) of the Housing and Urban Development Act of 1965 is amended by striking "divided" and inserting "dividend".

Subtitle C—Multifamily Housing Management and Preservation

SEC. 181. MANAGEMENT AND PRESERVATION OF HUD-OWNED MULTIFAMILY HOUSING PROJECTS.

(a) GOALS.—Section 203(a) of the Housing and Community Development Amendments of 1978 is amended by striking "(a)" and all that follows through the semicolon at the end of paragraph (1) and inserting the following:

"(a) The Secretary of Housing and Urban Development (in this section referred to as the 'Secretary') shall manage or dispose of multifamily housing projects that are owned by the Secretary, or that are subject to a mortgage held by the Secretary that is either delinquent, under a workout agreement, or being foreclosed upon by the Secretary, in a manner that is consistent with the National Housing Act and this section and that will, in the least costly fashion among the reasonable alternatives available, further the goals of—

"(1) preserving so that they are available to and affordable by low- and moderate-income persons—

"(A) all units in multifamily housing projects that are subsidized projects or formerly subsidized projects;

"(B) in other multifamily housing projects owned by the Secretary, at least the units that are occupied by low- and moderate-income persons or vacant; and

"(C) in all other multifamily housing projects, at least the units that are, on the date of assignment, occupied by low- and moderate-income persons;".

(b) MANAGEMENT SERVICES.—Section 203(b)(2) of the Housing and Community Development Amendments of 1978 is amended—

(1) by inserting "(A)" after the paragraph designation;

(2) by redesignating clauses (A) through (D) as clauses (i) through (iv), respectively;

(3) by striking ", owned by the Secretary" and inserting the following: "subject to subsection (a) that is owned by the Secretary (or for which the Secretary is mortgagee in possession)";

(4) by striking the period at the end and inserting "; and"; and

(5) by adding at the end the following new subparagraph:

"(B) to require the owner of a multifamily housing project subject to subsection (a) that is not owned by the Secretary (and for

which the Secretary is not mortgagee in possession), to contract for management services for the project in the manner described in subparagraph (A).".

(c) MAINTAINING OF PROJECTS.—Section 203(c) of the Housing and Community Development Amendments of 1978 is amended to read as follows:

"(c)(1) In the case of multifamily housing projects subject to subsection (a) that are owned by the Secretary (or for which the Secretary is mortgagee in possession), the Secretary shall—

"(A) to the greatest extent possible, maintain all such occupied projects in a decent, safe, and sanitary condition;

"(B) to the greatest extent possible, maintain full occupancy in all such projects; and

"(C) maintain all such projects for purposes of providing rental or cooperative housing for the longest feasible period.

"(2) In the case of any multifamily housing project subject to subsection (a) that is not owned by the Secretary (and for which the Secretary is not mortgagee in possession), the Secretary shall require the owner of the project to carry out the requirements of paragraph (1).".

(d) FINANCIAL ASSISTANCE.—Section 203 of the Housing and Community Development Amendments of 1978 is amended—

(1) by redesignating subsections (d) through (g) as subsections (e) through (h), respectively; and

(2) by inserting after subsection (c) the following new subsection:

"(d) In carrying out the goals specified in subsection (a)(1) the Secretary shall take not less than one of the following actions:

"(1) Enter into contracts under section 8 of the United States Housing Act of 1937, to the extent budget authority is available for such section 8, with owners of multifamily housing projects that are acquired by a purchaser other than the Secretary at foreclosure or after sale by the Secretary. Such contracts shall provide assistance to the project involved for a period of not less than 15 years. Such contracts shall be sufficient to assist all units in subsidized or formerly subsidized projects, and all units in other projects that are occupied by lower income families eligible for assistance under such section 8 at the time of foreclosure or sale, as the case may be, and all units that are vacant at such time (which units shall be made available for such families as soon as possible). In order to make available to families any units in subsidized or formerly subsidized projects that are occupied by persons not eligible for assistance under such section 8, but that subsequently become vacant, the contract shall also provide that when any such vacancy occurs the owner involved shall lease the available unit to a family eligible for assistance under such section 8. The Secretary shall provide such contracts at contract rents that, consistent with subsection (a), provide for the rehabilitation of such project and do not exceed the most recently adjusted fair market rents for substantially rehabilitated units published by the Secretary in the Federal Register.

"(2) In accordance with the authority provided under the National Housing Act, provide purchase-money mortgages, reduce the selling price, or provide other financial assistance to the owners of multifamily housing projects that are acquired by a purchaser other than the Secretary at foreclosure, or after sale by the Secretary, on terms that will ensure that, for a period of not less than 15 years (A) the project will remain available to and affordable by low- and moderate-income persons; and (B) such persons shall pay not more than the amount payable as rent under section 3(a) of the United States Housing Act of 1937.".

(e) RIGHT OF FIRST REFUSAL.—Section 203 of the Housing and Community Development Amendments of 1978 is amended—

(1) by redesignating subsections (e) through (h) (as so redesignated by this section) as subsections (f) through (i); and

(2) by inserting before such subsection (f) the following new subsection:

"(e) Upon receipt of a bona fide offer to purchase a project subject to subsection (a), the Secretary shall notify the local government and the State housing finance agency (or other agency or agencies designated by the Governor) of the proposed terms and conditions of the offer, including the assistance that the Secretary plans to make available to the prospective purchaser. The local government and the designated State agency shall have 90 days to match the offer and purchase the project. In administering the right of first refusal provided in this subsection, the Secretary shall offer assistance to the local government or designated State agency on terms and conditions at least as favorable as made available to the prospective purchaser. Notwithstanding any other provision of law to the contrary, a local government (including a public housing agency) or designated State agency may purchase a subsidized project or formerly subsidized project in accordance with this subsection.".

(f) DISPLACEMENT PROTECTION.—Section 203(f)(1) of the Housing and Community Development Amendments of 1978 (as so redesignated by this section) is amended—

(1) by striking "owned by the Secretary" and inserting the following: "subject to subsection (a) that is owned by the Secretary (or for which the Secretary is mortgagee in possession)"; and

(2) by adding at the end the following new sentence: "In the case of a multifamily housing project subject to subsection (a) that is not owned by the Secretary (and for which the Secretary is not mortgagee in possession), the Secretary shall require the owner of the project to carry out the requirements of this paragraph.".

(g) LIMITATIONS ON CERTAIN PROJECT, LOAN, AND MORTGAGE SALES.—Section 203 of the Housing and Community Development Amendments of 1978 is amended—

(1) by redesignating subsections (h) and (i) (as so redesignated by this section) as subsections (i) and (j); and

(2) by inserting before such subsection (i) the following new subsection:

"(h)(1) The Secretary may not approve the sale of any loan or mortgage held by the Secretary (including any loan or mortgage owned by the Government National Mortgage Association) on any subsidized project or formerly subsidized project unless such sale is made as part of a transaction that will ensure that such project will continue to operate at least until the maturity date of such loan or mortgage in a manner that will provide rental housing on terms at least as advantageous to existing and future tenants as the terms required by the program under which the loan or mortgage was made or insured prior to the assignment of the loan or mortgage on such project to the Secretary.

"(2) The Secretary may not approve the sale of any subsidized project (A) that is subject to a mortgage held by the Secretary; or (B) if the sale transaction involves the provision of any additional subsidy funds by the Secretary or a recasting of the mortgage, unless such sale is made as part of a transaction that will ensure that such project will continue to operate at least until the maturity date of the loan or mortgage in a manner that will provide rental housing on terms at least as advantageous to existing and future tenants as the terms required by the program under which the loan or mortgage was made or insured prior to the proposed sale of the project.

"(3) Notwithstanding any provision of law that may require competitive sales or bidding, the Secretary may carry out negotiated sales of subsidized or formerly subsidized mortgages held by the Secretary, without the competitive selection of purchasers or intermediaries, to agencies of State or local government, or groups of investors that include at least 1 such agency of State or local government, if the negotiations are conducted with such agencies, except that—

"(A) the terms of any such sale shall include the agreement of the purchasing agency or agencies of State or local government to act as mortgagee or owner of a beneficial interest in such mortgages in a manner consistent with maintaining the projects that are subject to such mortgages for occupancy by the general tenant group intended to be served by the applicable mortgage insurance program, including, to the extent the Secretary determines appropriate, authorizing such agency of State or local government to enforce the provisions of any regulatory agreement or other program requirements applicable to the related projects; and

"(B) the sales prices for such mortgages shall be, in the determination of the Secretary, the best price that may be obtained for such mortgages from an agency of State or local government, consistent with the expectation and intention that the projects financed will be retained for use under the applicable mortgage insurance program for the life of the initial mortgage insurance contract.".

(h) DEFINITIONS.—Section 203(i) of the Housing and Community Development Amendments of 1978 (as so redesignated by this section) is amended—

(1) by inserting "(1)" after the subsection designation; and

(2) by adding at the end the following new paragraphs:

"(2) For the purpose of this section, the term 'subsidized project' means a multifamily housing project receiving any of the following assistance immediately prior to the assignment of the mortgage on such project to, or the acquisition of such mortgage by, the Secretary:

"(A) below market interest rate mortgage insurance under the proviso of section 221(d)(5) of the National Housing Act;

"(B) interest reduction payments made in connection with mortgages insured under section 236 of the National Housing Act;

"(C) rent supplement payments under section 101 of the Housing and Urban Development Act of 1965;

"(D) direct loans at below market interest rates, made under section 202 of the Housing Act of 1959 or to a multifamily housing project under section 312 of the Housing Act of 1964; or

"(E) housing assistance payments made under section 23 of the United States Housing Act of 1937 (as in effect before January 1, 1975) or section 8 of the United States Housing Act of 1937 (other than subsection (b)(1) of such section), without regard to whether such payments are made to all or a portion of the units in the project.

"(3) For the purpose of this section, the term 'formerly subsidized project' means a multifamily housing project owned by the Secretary that was a subsidized project immediately prior to its acquisition by the Secretary.".

SEC. 182. ACQUISITION OF INSURED MULTIFAMILY HOUSING PROJECTS.

Section 207(k) of the National Housing Act is amended by inserting after the second sentence the following new sentence: "In determining the amount to be bid, the Secretary shall act consistently with the goal established in section 203(a)(1) of the Housing and Community Development Amendments of 1978.".

SEC. 183. TENANT PARTICIPATION IN MULTIFAMILY HOUSING PROJECTS.

(a) APPLICABILITY.—Section 202(a) of the Housing and Community Development Amendments of 1978 is amended by inserting before the period at the end the following: "or section 202 of the Housing Act of 1959".

(b) NOTICE AND COMMENT.—Section 202(b)(1) of the Housing and Community Development Amendments of 1978 is amended by striking "and the Secretary deems it appropriate" and inserting the following: "or where the Secretary proposes to sell a mortgage secured by a multifamily housing project".

(c) NONDISCRIMINATION AGAINST SECTION 8 CERTIFICATE HOLDERS AND VOUCHER HOLDERS.—No owner of a subsidized project (as defined in section 203(i)(2) of the Housing and Community Development Amendments of 1978, as amended by section 181(h) of this Act) shall refuse—

(1) to lease any available dwelling unit in any such project of such owner that rents for an amount not greater than the fair market rent for a comparable unit, as determined by the Secretary under section 8 of the United States Housing Act of 1937, to a holder of a certificate of eligibility under such section, a proximate cause of which is the status of such prospective tenant as a holder of such certificate, and to enter into a housing assistance payments contract respecting such unit; or

(2) to lease any available dwelling unit in any such project of such owner to a holder of a voucher under section 8(o) of such Act, and to enter into a voucher contract respecting such unit, a proximate cause of which is the status of such prospective tenant as holder of such voucher.

SEC. 184. MULTIFAMILY HOUSING DISPOSITION PARTNERSHIP.

(a) ESTABLISHMENT OF DEMONSTRATION PROGRAM.—The Secretary of Housing and Urban Development (referred to in this section as the "Secretary") shall carry out a program to demonstrate the effectiveness of disposing of distressed multifamily housing projects owned by the Department of Housing and Urban Development through a partnership with State housing finance agencies. The demonstration program may be carried out with not more than 4 State housing finance agencies and shall be designed to determine the feasibility of entering into similar relationships with other State housing finance agencies.

(b) REQUIREMENTS OF DEMONSTRATION PROGRAM.—

(1) OPPORTUNITY TO PARTICIPATE IN SALE.—Not less than 30 days before offering to sell any multifamily housing project that is located in a State participating in the demonstration program and that is subject to section 204 of the Housing and Community Development Amendments of 1978, the Secretary shall—

(A) notify the State housing finance agency of the plan of the Secretary to sell the project; and

(B) provide the State housing finance agency with the option to provide the long-term financing for the sale of the project through the co-insurance program of the Secretary, if the project complies with the State laws applicable to the State housing finance agency.

(2) TERMS OF PARTICIPATION.—If the State housing finance agency agrees to participate in the sale of a project under this section, the terms of the sale shall be as follows:

(A) The State housing finance agency shall provide a loan to the purchaser of the property.

(B) The mortgage securing the loan shall be insured by the Secretary and the State housing finance agency under paragraph (3) or (4) of section 221(d) of the National Housing Act.

(C) The terms and conditions of the loan shall be consistent with the terms and conditions of the sale.

(3) COOPERATIVE AGREEMENT.—Not later than the expiration of the 3-month period beginning on the date of the enactment of this Act, the Secretary shall enter into cooperative agreements with State housing finance agencies to carry out the demonstration program under this section.

(c) TERMINATION OF DEMONSTRATION PROGRAM.—

(1) IN GENERAL.—Except as provided in paragraph (2), the demonstration program under this section shall terminate upon the expiration of the 3-year period beginning on the date of the enactment of this Act.

(2) CONTINUATION OF PROGRAM.—

(A) The Secretary may continue the demonstration program under this section after the termination date established in paragraph (1) for such additional period as the Secretary determines to be appropriate.

(B) The Secretary shall continue the demonstration program under this section with respect to any project for which the Secretary notifies the State housing finance agency under subsection (b)(1)(A) before the termination date established in paragraph (1) or under subparagraph (A).

(d) REPORT TO CONGRESS.—Not later than 6 months after the termination date established in subsection (c)(1), the Secretary shall submit to the Congress a report evaluating the effectiveness of the demonstration program under this section as a national model for the disposition of distressed multifamily housing projects owned by the Department of Housing and Urban Development.

SEC. 185. MULTIFAMILY HOUSING CAPITAL IMPROVEMENTS ASSISTANCE.

(a) PURPOSE.—Section 201(a) of the Housing and Community Development Amendments of 1978 is amended by inserting after "management," the following: "to permit capital improvements to be made to maintain certain projects as decent, safe, and sanitary housing,".

(b) ELIGIBLITY.—Section 201(c)(1)(B) of the Housing and Community Development Amendments of 1978 is amended by inserting after "is assisted under" the following: "section 23 of the United States Housing Act of 1937, as in effect immediately before January 1, 1975,".

(c) BORROWER REQUIREMENTS.—Section 201(d) of the Housing and Community Development Amendments of 1978 is amended—

(1) in paragraph (1), by inserting "or physical" after "maintain the financial"; and

(2) in paragraph (6), by striking the final period, and inserting the following: "; except that the Secretary may excuse an owner from compliance with the plan requirement set forth in this paragraph in any case in which such owner seeks only assistance for capital improvements under this section.".

(d) AMOUNT AND CONDITIONS OF ASSISTANCE.—Section 201(f) of the Housing and Community Development Amendments of 1978 is amended—

(1) in paragraph (1), by inserting after "to any project" in the matter preceding subparagraph (A) the following: "(except a project assisted only for capital improvements)"; and

(2) in paragraph (4), by inserting after "for any year" the following: "for a project (other than a project receiving assistance only for capital improvements)".

(e) REGULATIONS.—Section 201(g) of the Housing and Community Development Amendments of 1978 is amended by inserting before the period at the end the following: ", to the extent applicable.".

(f) FLEXIBLE SUBSIDY FUND.—Section 201(j) of the Housing and Community Development Amendments of 1978 is amended to read as follows:

"(j)(1) For purposes of carrying out the provisions of this section, there is hereby established in the Treasury of the United States a revolving fund, to be known as the Flexible Subsidy Fund. The Fund shall, to the extent approved in appropriation Acts, be available to the Secretary to provide assistance under this section (including assistance for capital improvements).

"(2) The Fund shall consist of (A) any amount appropriated to carry out the purposes of this section; (B) any amount repaid on any assistance provided under this section; (C) any amounts credited to the reserve fund described in section 236(g) of the National Housing Act; and (D) any other amount received by the Secretary under this section (including any amount realized under paragraph (3)).

"(3) Any amounts in the Fund determined by the Secretary to be in excess of the amounts currently required to carry out the provisions of this section shall be invested by the Secretary in obligations of, or obligations guaranteed as to both principal and interest by, the United States or any agency of the United States.

"(4) The Secretary may use not more than $50,000,000 from the Fund in any fiscal year for purposes of providing assistance for capital improvements in accordance with this section.".

(g) ASSISTANCE FOR CAPITAL IMPROVEMENTS.—Section 201 of the Housing and Community Development Amendments of 1978 is amended by adding at the end the following new subsections:

"(k)(1) Assistance for capital improvements under this section shall include assistance for any major repair or replacement of a capital item in a multifamily housing project, including any such repair or replacement required as a result of deferred or inadequate maintenance. Capital improvements do not include maintenance of any such item. Assistance for capital improvements under this section shall be in the form of a loan.

"(2) The owner of a project receiving assistance for capital improvements shall agree to contribute assistance to such project in such amounts, from such sources, and in such manner as the Secretary determines to be appropriate, except that—

"(A) such contribution shall not be less than 20 percent of the total estimated cost of the capital improvements involved, unless the Secretary, upon application of the owner, determines that such contribution is financially infeasible and waives or reduces such contribution to the extent necessary;

"(B) the Secretary may not require an amount to be contributed, from the reserve funds established by the owner of such projects for the purpose of making capital improvements, in excess of 50 percent of the amount of such reserve funds on the date of such loan; and

"(C) The Secretary shall waive the requirements of this paragraph if such owner is a private nonprofit corporation or an association.

"(3) The Secretary may provide assistance for capital improvements under this section if the Secretary finds that the reserve funds established by the owner of a project for the purpose of making capital improvements are insufficient to finance both the capital improvements for which such assistance is to be used and other capital improvements that are reasonably expected to be required in the near future, and such insufficiency is not the result of the failure of such owner to comply with any standard established by the Secretary for management of such reserve funds.

"(4) In providing, and contracting to provide, assistance for capital improvements under this section, the Secretary shall—

"(A) give priority to projects that are eligible for incentives under section 224(b) of the Emergency Low Income Housing Preservation Act of 1987; and

"(B) with respect to any amounts not required for projects under subparagraph (A), give priority among other projects based on the exent to which—

"(i) the capital improvements for which such assistance is requested are immediately required;

"(ii) the projects serve as the residences of lower income families, and the extent which other suitable housing is unavailable for such families in the areas in which such projects are located;

"(iii) the capital improvements for which such assistance is requested involve the life, safety, or health of the residents of the project or involve major capital improvements in the projects; and

"(iv) the projects demonstrate the greatest financial distress, while continuing to meet the requirements of subsection (d)(1).

"(l)(1) The principal amount of any assistance for capital improvements under this section that is provided to the owner of a project shall not exceed the difference between the contribution made by the owner in accordance with subsection (k)(2) and the sum of—

"(A) the amount determined by the Secretary to be necessary for such owner to make capital improvements with respect to capital items that have failed, or are likely to deteriorate seriously or fail in the near future, in such projects;

"(B) the amount determined by the Secretary to be necessary to carry out a plan to upgrade the capital items being improved, and any other capital items determined by the Secretary to be associated with such capital items being improved and to require upgrading, to meet cost-effective energy efficiency standards prescribed by the Secretary; and

"(C) the amount determined by the Secretary to be necessary to comply with the requirements of section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794).

"(2)(A) The term of any assistance for capital improvements in the form of a loan under this section shall not exceed the remaining term of the mortgage of the project with respect to which such loan is provided.

"(B) Each loan for capital improvements provided under this section shall bear interest at a rate determined by the Secretary to be appropriate, except that—

"(i) such rate shall not be more than 3 percentage points below a rate determined by the Secretary of the Treasury taking into consideration the average interest rate on all interest bearing obligations of the United States then forming a part of the public debt, computed at the end of the fiscal year next preceding date on which the loan is made, adjusted to the nearest ⅛ of 1 percent, plus an allowance adequate in the judgment of the Secretary of Housing and Urban Development to cover administrative costs and probable losses under the program; and

"(ii) such interest rate plus such allowance shall not exceed 6 percent per annum nor be less than 3 percent per annum.

"(C) Each loan for capital improvements provided under this section shall be considered to be a liability of the project involved, and shall not be dischargeable in any bankruptcy proceeding under section 727, 1141, or 1328(b) of title 11, United States Code.

"(D) The Secretary may establish such additional conditions on loans provided under this section as the Secretary determines to be appropriate.

"(E) The Secretary may provide more than one loan or assistance in any other form to any project under this section, if each loan or other assistance complies with the provisions of this section.

"(m)(1) Increases in rental payments that may occur as a result of the debt service and other expenses of a loan for capital improvements provided under this section for a project subject to a plan of action approved under subtitle B of the Emergency Low Income Housing Preservation Act of 1987 shall be governed by the rent agreements entered into under such subtitle.

"(2) In order to minimize any increases in rental payments that may occur as a result of the debt service and other expenses of a loan for capital improvements provided under this section for a project not subject to paragraph (1) and that would be incurred by lower income residents of the project involved whose rental payments are, or would as a result of such expenses be, in excess of the amount allowable if section 3(a) of the United States Housing Act of 1937 were applicable to such residents, the Secretary may take any or all of the following actions:

"(A) Provide assistance with respect to such project under section 8(b)(1) of the United States Housing Act of 1937, to the extent amounts are available for such assistance and without regard to section 16 of such Act.

"(B) Reduce the rate of interest charged on such loan to a rate of not less than 1 percent.

"(C) Increase the term of such loan to a term that does not exceed the remaining term of the mortgage on such project.

"(D) Increase the amount of assistance to be provided by the owner of such project under subsection (k)(2), if applicable, to an amount not to exceed 30 percent of the total estimated cost of the capital improvements involved.".

(h) CONFORMING AMENDMENT.—The section heading for section 201 of the Housing and Community Development Amendments of 1978 is amended by striking "OPERATING".

SEC. 186. FLEXIBLE SUBSIDY PROGRAM.

(a) USE OF SECTION 236 EXCESS RENTAL CHARGES.—Section 236(f)(3) of the National Housing Act is amended by striking "September 30, 1985" and inserting "September 30, 1989".

(b) ASSISTANCE FOR CERTAIN HOUSING PROJECTS FOR ELDERLY OR HANDICAPPED FAMILIES.

(1) Section 201(a) of the Housing and Community Development Amendments of 1978 is amended by inserting "the Housing Act of 1959," after "1937,".

(2) Section 201(c)(1)(A) of the Housing and Community Development Amendments of 1978 is amended by inserting before the semicolon at the end the following: ", or received a loan under section 202 of the Housing Act of 1959 more than 15 years before the date on which assistance is made available under this section".

SEC. 187. USE OF FUNDS RECAPTURED FROM REFINANCING STATE FINANCE PROJECTS.

In the case of any State financed project that was provided a financial adjustment factor under section 8 of the United States Housing Act of 1937 and is being refinanced, 50 percent of the amounts that are recaptured from the project shall be made available to the State housing finance agency in the State where the project is located for use in providing decent, safe, and sanitary housing affordable to very low-income families or persons.

TITLE II—PRESERVATION OF LOW INCOME HOUSING

Subtitle A—General Provisions

SEC. 201. SHORT TITLE.

This title may be cited as the "Emergency Low Income Housing Preservation Act of 1987".

SEC. 202. FINDINGS AND PURPOSE.

(a) FINDINGS.—The Congress finds that—

(1) in the next 15 years, more than 330,000 low income housing units insured or assisted under sections 221(d)(3) and 236 of the National Housing Act could be lost as a result of the termination of low income affordability restrictions;

(2) in the next decade, more than 465,000 low income housing units produced with assistance under section 8 of the United States Housing Act of 1937 could be lost as a result of the expiration of the rental assistance contracts;

(3) some 150,000 units of rural low income housing financed under section 515 of the Housing Act of 1949 are threatened with loss as a result of the prepayment of mortgages by owners;

(4) the loss of this privately owned and federally assisted housing, which would occur in a period of sharply rising rents on unassisted housing and extremely low production of additional low rent housing, would inflict unacceptable harm on current tenants and would precipitate a grave national crisis in the supply of low income housing that was neither anticipated nor intended when contracts for these units were entered into;

(5) the loss of this affordable housing, to encourage the production of which the public has provided substantial benefits over past years, would irreparably damage hard-won progress toward such important and long-established national objectives as—

(A) providing a more adequate supply of decent, safe, and sanitary housing that is affordable to low income Americans;

(B) increasing the supply of housing affordable to low income Americans that is accessible to employment opportunities; and

(C) expanding housing opportunities for all Americans, particularly members of disadvantaged minorities;

(6) the provision of an adequate supply of low income housing has depended and will continue to depend upon a strong, long-term partnership between the public and private sectors that accommodates a fair return on investment;

(7) recent reductions in Federal housing assistance and tax benefits related to low income housing have increased the incentives for private industry to withdraw from the production and management of low income housing;

(8) efforts to retain this housing must take account of specific financial and market conditions that differ markedly from project to project;

(9) a major review of alternative responses to this threatened loss of affordable housing is now being undertaken by numerous private sector task forces as well as State and local organizations; and

(10) until the Congress can act on recommendations that will emerge from this review, interim measures are needed to avoid the irreplaceable loss of low income housing and irrevocable displacement of current tenants.

(b) PURPOSE.—It is the purpose of this title—

(1) to preserve and retain to the maximum extent practicable as housing affordable to low income families or persons those privately owned dwelling units that were produced for such purpose with Federal assistance;

(2) to minimize the involuntary displacement of tenants currently residing in such housing; and

(3) to continue the partnership between all levels of government and the private sector in the production and operation of housing that is affordable to low income Americans.

SEC. 203. TERMINATION OF CERTAIN PROVISIONS.

(a) IN GENERAL.—Effective upon the expiration of the 2-year period beginning on the date of the enactment of this Act—

(1) subtitles B and D are repealed; and

(2) each provision of law amended by subtitle B or D is amended to read as it would without such amendment.

(b) SAVINGS PROVISION.—The repeal or amendment of any provision under subsection (a) shall have no effect on any action taken or authorized under the provision prior to such repeal or amendment.

Subtitle B—Prepayment of Mortgages Insured Under National Housing Act

SEC. 221. GENERAL PREPAYMENT LIMITATION.

(a) PRIOR APPROVAL OF PLAN OF ACTION.—An owner of eligible low income housing may prepay, and a mortgagee may accept prepayment of, a mortgage on such housing only in accordance with a plan of action approved by the Secretary of Housing and Urban Development under this subtitle.

(b) ALTERNATIVE PREPAYMENT MORATORIUM.—In the event any court of the United States or any State invalidates the requirements established in this subtitle, an owner of eligible low income housing located in the geographic area subject to the jurisdiction of such court may not prepay, and a mortgagee may not accept prepayment of, a mortgage on such housing during the 2-year period following the date of such invalidation.

SEC. 222. NOTICE OF INTENT.

An owner of eligible low income housing seeking to initiate prepayment or other changes in the status or terms of the mortgage or regulatory agreement shall file with the Secretary a notice of the intent of the owner in such form and manner as the Secretary shall prescribe. The owner shall simultaneously file the notice or intent with any appropriate State or local government agency for the jurisdiction within which the housing is located.

SEC. 223. PLAN OF ACTION.

(a) PREPARATION AND SUBMISSION.—Upon receipt of a notice of intent, the Secretary shall provide the owner with such information as the owner needs to prepare a plan of action, which information shall include a description of the Federal incentives authorized under this title. The owner shall submit the plan of action to the Secretary in such form and manner as the Secretary shall prescribe. The owner may simultaneously submit the plan of action to any appropriate State or local government agency for the jurisdiction within which the housing is located, which agency shall, in reviewing the plan, consult with representatives of the tenants of the housing.

(b) CONTENTS.—The plan of action shall include—

(1) a description of any proposed changes in the status or terms of the mortgage or regulatory agreement, which may include a request for incentives to extend the low income use of the housing;

(2) a description of any assistance that could be provided by State or local government agencies, as determined by prior consultation between the owner and any appropriate State or local agencies;

(3) a description of any proposed changes in the low income affordability restrictions;

(4) a description of any change in ownership that is related to prepayment;

(5) an assessment of the effect of the proposed changes on existing tenants;

(6) a statement of the effect of the proposed changes on the supply of housing affordable to lower and very low income families or persons in the community within which the housing is located and in the area that the housing could reasonably be expected to serve; and

(7) any other information that the Secretary determines is necessary to achieve the purposes of this title.

(c) REVISIONS.—The owner may from time to time revise and amend the plan of action as may be necessary to obtain approval of the plan under this subtitle.

SEC. 224. INCENTIVES TO EXTEND LOW INCOME USE.

(a) AGREEMENTS BY SECRETARY.—After receiving a plan of action from an owner of eligible low income housing, the Secretary may enter into such agreements as are necessary to satisfy the criteria for approval under section 225.

(b) PERMISSIBLE INCENTIVES.—Such agreements may include one or more of the following incentives that the Secretary, after taking into account local market conditions, determines to be necessary to achieve the purposes of this title:

(1) An increase in the allowable distribution or other measures to increase the rate of return on investment.

(2) Revisions to the method of calculating equity.

(3) Increased access to residual receipts accounts or excess replacement reserves.

(4) Provision of insurance for a second mortgage under section 241(f) of the National Housing Act.

(5) An increase in the rents permitted under an existing contract under section 8 of the United States Housing Act of 1937, or (subject to the availability of amounts provided in appropriation Acts) additional assistance under such section 8 or an extension of any project-based assistance attached to the housing.

(6) Financing of capital improvements under section 201 of the Housing and Community Development Amendments of 1978.

(7) Other actions, authorized in other provisions of law, to facilitate a transfer or sale of the project to a qualified nonprofit organization, limited equity tenant cooperative, public agency, or other entity acceptable to the Secretary.

(8) Other incentives authorized in law.

SEC. 225. CRITERIA FOR APPROVAL OF PLAN OF ACTION.

(a) PLAN OF ACTION INVOLVING TERMINATION OF LOW INCOME AFFORDABILITY RESTRICTIONS.—The Secretary may approve a plan of action that involves termination of the low income affordability restrictions only upon a written finding that—

(1) implementation of the plan of action will not materially increase economic hardship for current tenants or involuntarily displace current tenants (except for good cause) where comparable and affordable housing is not readily available; and

(2)(A) the supply of vacant, comparable housing is sufficient to ensure that such prepayment will not materially affect—

(i) the availability of decent, safe, and sanitary housing affordable to lower income and very low-income families or persons in the area that the housing could reasonably be expected to serve;

(ii) the ability of lower income and very low-income families or persons to find affordable, decent, safe, and sanitary housing near employment opportunities; or

(iii) the housing opportunities of minorities in the community within which the housing is located; or

(B) the plan has been approved by the appropriate State agency and any appropriate local government agency for the jurisdiction within which the housing is located as being in accordance with a State strategy approved by the Secretary under section 226.

(b) PLAN OF ACTION INCLUDING INCENTIVES.—The Secretary may approve a plan of action that includes incentives only upon finding that—

(1) the package of incentives is necessary to provide a fair return on the investment of the owner;

(2) due diligence has been given to ensuring that the package of incentives is, for the Federal Government, the least costly alternative that is consistent with the full achievement of the purposes of this title; and

(3) binding commitments have been made to ensure that—

(A) the housing will be retained as housing affordable for very low-income families or persons, lower income families or persons, and moderate income families or persons for the remaining term of the mortgage;

(B) throughout such period, adequate expenditures will be made for maintenance and operation of the housing;

(C) current tenants shall not be involuntarily displaced (except for good cause);

(D) any increase in rent contributions for current tenants shall be to a level that does not exceed 30 percent of the adjusted income of the tenant or the fair market rent for comparable housing under section 8(b) of

the United States Housing Act of 1937, whichever is lower;

(E)(i) any resulting increase in rents for current tenants (except for increases made necessary by increased operating costs)—

(I) shall be phased in equally over a period of not less than 3 years, if such increase is 30 percent or more; and

(II) shall be limited to not more than 10 percent per year if such increase is more than 10 percent but less than 30 percent; and

(ii) assistance under section 8 of the United States Housing Act of 1937 shall be provided if necessary to mitigate any adverse affect on current income eligible tenants; and

(F)(i) rents for units becoming available to new tenants shall be at levels approved by the Secretary that will ensure, to the extent practicable, that the units will be available and affordable to the same proportions of very low-income families or persons, lower income families or persons, and moderate income families or persons (including families or persons whose incomes are 95 percent or more of area median income) as resided in the housing as of January 1, 1987; and

(ii) in approving rents under this paragraph, the Secretary shall take into account any additional incentives provided under this subtitle and shall make provision for such annual rent adjustments as may be made necessary by future reasonable increases in operating costs.

SEC. 226. ALTERNATIVE STATE STRATEGY.

(a) CRITERIA FOR APPROVAL.—The Secretary may approve a State strategy for purposes of section 225(a) only upon finding that it is a practicable statewide strategy that ensures at a minimum that—

(1) current tenants will not be involuntarily displaced (except for good cause);

(2) housing opportunities for minorities will not be adversely affected in the communities within which the housing is located;

(3) any increase in rent for current tenants shall be to a level that does not exceed 30 percent of the adjusted income of the tenants or the fair market rent for comparable housing under section 8(b) of the United States Housing Act of 1937, whichever is lower, except that any increase not necessitated by increased operating costs shall be phased in equally over not less than 3 years if such increase exceeds 10 percent;

(4) housing approved under the State strategy will remain affordable to very low-income, lower income or moderate income families and persons for not less than the remaining term of the original mortgage, if the housing is to be made available for rental, or for not less than 40 years, if the housing is to be made available for homeownership;

(5)(A) not less than 80 of all units in eligible low income housing approved under the State strategy shall be retained as affordable to families or persons meeting the income eligibility standards for initial occupancy that applies to the housing on January 1, 1987; and

(B) not less than 60 percent of the units in any one project shall remain available and affordable to such families or persons, within which not less than 20 percent of the units shall remain available and affordable to very low income families or persons as determined by the Secretary with adjustments for smaller and larger families;

(6) expenditures for rehabilitation, maintenance and operation shall be at a level necessary to maintain the housing as decent, safe and sanitary for the period specified in paragraph (4);

(7) not less than 25 percent of new assistance required to maintain low income affordability in accordance with this section shall be provided through State and local actions, such as tax exempt financing, low-income tax credits, State or local tax concessions, and other incentives provided by the State or local governments; and

(8) for each unit of eligible low income housing approved under the State strategy that is not retained as affordable to families or persons meeting the income eligibility standards for initial occupancy on January 1, 1987, the State will provide with State funds 1 additional unit of comparable housing in the same market area that is available and affordable to such families or persons, and such units or funds shall be made available before the Secretary approves the State strategy.

(b) ADDITIONAL REQUIREMENTS.—

(1) The Secretary may not approve a State strategy until the State has entered into all of the agreements necessary to carry out the strategy.

(2) Each State strategy shall include any other provision that the Secretary determines to be necessary to implement an approved State strategy.

(c) IMPLEMENTATION AGREEMENTS.—The Secretary may enter into such agreements as are necessary to implement an approved State strategy, which agreements may include incentives that are authorized in other provisions of this subtitle.

SEC. 227. TIMETABLE FOR APPROVAL OF PLAN OF ACTION.

(a) NOTIFICATION OF DEFICIENCIES.—Not later than 60 days after receipt of a plan of action, the Secretary shall notify the owner in writing of any deficiencies that prevent the plan of action from being approved. If deficiencies are found, such notice shall describe alternative ways in which the plan could be revised to meet the criteria for approval.

(b) NOTIFICATION OF APPROVAL.—

(1) IN GENERAL.—Not later than 180 days after receipt of a plan of action, or such longer period as the owner requests, the Secretary shall notify the owner in writing whether the plan of action, including any revisions, is approved. If approval is withheld, the notice shall describe—

(B) the actions that could be taken to meet the criteria for approval.

(2) OPPORTUNITY TO REVISE.—The Secretary shall subsequently give the owner a reasonable opportunity to revise the plan of action and seek approval.

SEC. 228. MODIFICATION OF EXISTING REGULATORY AGREEMENTS.

(a) IN GENERAL.—If a plan of action cannot be approved within 300 days after a plan of action is submitted, the Secretary shall, upon the request of the owner, modify existing regulatory agreements to—

(1) prevent involuntary displacement of current tenants (except for good cause);

(2) ensure that adequate expenditures will be made for maintenance and operation of the housing,

(3) extend any expiring project-based assistance on the housing for the term of the agreement;

(4) permit an increase in the allowable distribution that could be accommodated by a rise in rents on occupied units to rise to a level no higher than 30 percent of the adjusted income of the current tenants, as determined by the Secretary, except that rents shall not exceed the fair market rent for comparable housing under section 8(b) of the United States Housing Act of 1937 and any resulting increase in rents for current tenants shall be phased in equally over a period of no less than 3 years unless such increase is less than 10 percent; and

(5) ensure that units becoming vacant during the term of the agreement are made available in accordance with section 225(b)(6).

(b) EXPIRATION.—Agreements entered into under this section shall expire upon the expiration of the 4-year period beginning on the date of the enactment of this Act. Upon the expiration of the agreements, the housing covered by the agreements shall be subject to any law then affecting low income affordability restrictions.

SEC. 229. CONSULTATIONS WITH OTHER INTERESTED PARTIES.

The Secretary shall confer with any appropriate State or local government agency to confirm any State or local assistance that is available to achieve the purposes of this title and shall give consideration to the views of any such agency when making determinations under section 225. The Secretary shall also confer with appropriate interested parties that the Secretary believes could assist in the development of a plan of action that best achieves the purposes of this title.

SEC. 230. RIGHT OF CONVERSION TO ALTERNATIVE PREPAYMENT SYSTEM.

Any agreement to extend low income affordability restrictions under section 225(b) shall, for 4 years from the date of the enactment of this Act, provide the owner the right to convert to any system of incentives and restrictions provided in law during such period, with such adjustments as the Secretary determines are appropriate to compensate for the value of any benefits the owner had received under this title.

SEC. 231. INSURANCE FOR SECOND MORTGAGE FINANCING.

Section 241 of the National Housing Act is amended by adding at the end the following new subsection:

"(f)(1) Notwithstanding any other provision of this section, the Secretary may, upon such terms and conditions as the Secretary may prescribe, make a commitment to insure and insure equity loans made by financial institutions approved by the Secretary. For purposes of this section, the term 'equity loan' means a loan or advance of credit to the owner of eligible low income housing (as defined in section 233 of the Emergency Low Income Housing Preservation Act of 1987) that is made for the purpose of implementing a plan of action approved under such Act.

"(2) To be eligible for insurance under this subsection, an equity loan shall—

"(A) be limited to an amount equal to 90 percent of the value of the equity in the project, as determined by the Secretary, and the Secretary, in making the determination, shall take into account that rental income for the project may rise within limits established by section section 225(b) of the Emergency Low Income Housing Preservation Act of 1987;

"(B) have a maturity and provisions for amortization satisfactory to the Secretary, bear interest at such rate as may be agreed upon by the mortgagor and mortgagee, and be secured in such manner as the Secretary may require; and

"(C) contain such other terms, conditions, and restrictions as the Secretary may prescribe, including phased advances of equity loan proceeds to reflect project rent levels.

"(3) A qualified nonprofit organization or limited equity tenant cooperative corpora-

tion, when purchasing an otherwise eligible project, may constitute an owner of eligible low income housing for purposes of receiving a loan insured under this subsection.

"(4) The provisions of subsections (d), (e), (g), (h), (i), (j), (k), (l), and (n) of section 207 shall be applicable to loans insured under this section, except that—

"(A) all references to the term 'mortgage' shall be construed to refer to the term 'loan' as used in this subsection;

"(B) loans involving projects covered by a mortgage insured under section 236 shall be insured under and shall be the obligation of the Special Risk Insurance Fund; and

"(C) with respect to any sale under foreclosure of a mortgage on the project that is senior to the equity loan insured under this subsection and when the equity loan is secured by a mortgage, the Secretary may—

"(i) issue regulations providing that, in order to receive insurance benefits, the insured mortgagee shall either assign the equity loan to the Secretary or bid the amount necessary to acquire the project and convey title to the project to the Secretary, in which case the insurance benefits paid by the Secretary shall include the amount bid by the mortgagee to satisfy the senior mortgage at the foreclosure sale; and

"(ii) if the equity loan has been assigned to the Secretary, bid, in addition to amounts authorized under section 207(k), any sum not in excess of the total unpaid indebtedness secured by such senior mortgage and the equity loan, plus taxes, insurance, foreclosure costs, fees, and other expenses.".

SEC. 232. REPORT TO CONGRESS.

Not later than 1 year after the date of the enactment of this Act, the Secretary shall submit to the Congress a report setting forth the activities carried out under this subtitle. The report shall include a description of the plans of action approved under subsections (a) and (b) of section 225 and an analysis of the extent to which the plans retain housing affordable for very low-income families or persons, lower income families or persons, and moderate income families or persons.

SEC. 233. DEFINITIONS.

For purposes of this subtitle:

(1) The term "eligible low income housing" means any housing financed by a loan or mortgage—

(A) that is—

(i) insured or held by the Secretary under section 221(d)(3) of the National Housing Act and assisted under section 101 of the Housing and Urban Development Act of 1965 or section 8 of the United States Housing Act of 1937;

(ii) insured or held by the Secretary and bears interest at a rate determined under the proviso of section 221(d)(5) of the National Housing Act;

(iii) insured, assisted, or held by the Secretary under section 236 of the National Housing Act; or

(iv) held by the Secretary and formerly insured under a program referred to in clause (i), (ii), or (iii); and

(B) that, under regulation or contract in effect before the date of the enactment of this Act, is or will within 1 year become eligible for prepayment without prior approval of the Secretary.

(2) The term "low income affordability restrictions" means limits imposed by regulation or regulatory agreement on tenant rents, rent contributions, or income eligibility in eligible low income housing.

(3) The terms "lower income families or persons" and "very low-income families or persons" mean families or persons whose incomes do not exceed the respective levels established for lower income families and very low-income families under section 3(b)(2) of the United States Housing Act of 1937.

(4) The term "moderate income families or persons" means families or persons whose incomes are between 80 percent and 95 percent of median income for the area, as determined by the Secretary with adjustments for smaller and larger families.

(5) The term "owner" means the current or subsequent owner or owners of eligible low income housing.

(6) The term "Secretary" means the Secretary of Housing and Urban Development.

(7) The term "termination of low income affordability restrictions" means any elimination or relaxation of low income affordability restrictions (other than those permitted under an approved plan of action under section 225(b)).

SEC. 234. REGULATIONS.

The Secretary shall issue final regulations to carry out this subtitle not later than 60 days after the date of the enactment of this Act. The Secretary shall provide for the regulations to take effect not later than 45 days after the date on which the regulations are issued.

SEC. 235. EFFECTIVE DATE.

The requirements of this subtitle shall apply to any project that is eligible low income housing on or after November 1, 1987.

Subtitle C—Rural Rental Housing Displacement Prevention

SEC. 241. PREPAYMENT AND REFINANCING PROCEDURES.

Section 502(c) of the Housing Act of 1949 is amended by adding at the end the following new paragraphs:

"(3) NOTICE OF OFFER TO PREPAY.—Not less than 30 days after receiving an offer to prepay any loan made or insured under section 514 or 515, the Secretary shall provide written notice of the offer or request to the tenants of the housing and related facilities involved, to interested nonprofit organizations, and to any appropriate State and local agencies.

"(4)(A) AGREEMENT BY BORROWER TO EXTEND LOW INCOME USE.—Before accepting any offer to prepay, or requesting refinancing in accordance with subsection (b)(3) of, any loan made or insured under section 514 or 515 pursuant to a contract entered into before December 21, 1979, the Secretary shall make reasonable efforts to enter into an agreement with the borrower under which the borrower will make a binding commitment to extend the low income use of the assisted housing and related facilities involved for not less than the 20-year period beginning on the date on which the agreement is executed.

"(B) ASSISTANCE AVAILABLE TO BORROWER TO EXTEND LOW INCOME USE.—To the extent of amounts provided in appropriation Acts, the agreement under subparagraph (A) may provide for 1 or more of the following forms of assistance that the Secretary, after taking into account local market conditions, determines to be necessary to extend the low income use of the housing and related facilities involved:

"(i) Increase in the rate of return on investment.

"(ii) Reduction of the interest rate on the loan through the provision of interest credits under section 521(a)(1)(B).

"(iii) Additional rental assistance, or an increase in assistance provided under existing contracts, under section 521(a)(2) or under section 8 of the United States Housing Act of 1937.

"(iv) An equity loan to the borrower under paragraphs (7) and (8) of section 515(b).

"(v) Incremental rental assistance in connection with loans under clauses (ii) and (iv) to the extent necessary to avoid increases in the rental payments of current tenants not receiving rental assistance under section 521(a)(2) or under section 8 of the United States Housing Act of 1937.

"(C) APPROVAL OF ASSISTANCE.—The Secretary may approve assistance under subparagraph (B) only if the Secretary determines that the combination of assistance provided—

"(i) is necessary to provide a fair return on the investment of the borrower; and

"(ii) is the least costly alternative for the Federal Government that is consistent with carrying out the purposes of this subsection.

"(5)(A) OFFER TO SELL TO NONPROFIT ORGANIZATIONS AND PUBLIC AGENCIES.—

"(i) IN GENERAL.—If the Secretary determines after a reasonable period that an agreement will not be entered into with a borrower under paragraph (4), the Secretary shall require the borrower (except as provided in subparagraph (G)) to offer to sell the assisted housing and related facilities involved to any qualified nonprofit organization or public agency at a fair market value determined by 2 independent appraisers, one of whom shall be selected by the Secretary and one of whom shall be selected by the borrower. If the 2 appraisers fail to agree on the fair market value, the Secretary and the borrower shall jointly select a third appraiser, whose appraisal shall be binding on the Secretary and the borrower.

"(ii) PERIOD FOR WHICH REQUIREMENT APPLICABLE.—If, upon the expiration of 120 days after an offer is made to sell housing and related facilities under clause (i), no qualified nonprofit organization or public agency has made a bona fide offer to purchase, the Secretary may accept the offer to prepay, or may request refinancing in accordance with subsection (b)(3) of, the loan. This clause shall apply only when funds are available for purposes of carrying out a transfer under this paragraph.

"(B) QUALIFIED NONPROFIT ORGANIZATIONS AND PUBLIC AGENCIES.—

"(i) LOCAL NONPROFIT ORGANIZATION OR PUBLIC AGENCY.—A local nonprofit organization or public agency may purchase housing and related facilities under this paragraph only if—

"(I) the organization or agency is determined by the Secretary to be capable of managing the housing and related facilities (either directly or through a contract) for the remaining useful life of the housing and related facilities; and

"(II) the organization or agency has entered into an agreement that obligates it (and successors in interest thereof) to maintain the housing and related facilities as affordable for very low-income families or persons and low income families or persons for the remaining useful life of the housing and related facilities.

"(ii) NATIONAL OR REGIONAL NONPROFIT ORGANIZATION.—If the Secretary determines that there is no local nonprofit organization or public agency qualified to purchase the housing and related facilities involved, the Secretary shall require the borrower to offer to sell the assisted housing and related facilities to an existing qualified national or regional nonprofit organization.

"(C) FINANCING OF SALE.—To facilitate the sale described in subparagraph (A), the Secretary shall—

"(i) to the extent provided in appropriation Acts, make an advance to the nonprofit organization or public agency whose offer to purchase is accepted under this paragraph to cover any direct costs (other than the purchase price) incurred by the organization or agency in purchasing and assuming responsibility for the housing and related facilities involved;

"(ii) approve the assumption, by the nonprofit organization or public agency involved, of the loan made or insured under section 514 or 515;

"(iii) to the extent provided in appropriation Acts, transfer any rental assistance payments that are received under section 521(a)(2)(A), or under section 8 of the United States Housing Act of 1937, with respect to the housing and related facilities involved; and

"(iv) to the extent provided in appropriation Acts, provide a grant to the nonprofit organization or public agency whose offer to purchase is accepted under this paragraph to enable the organization or agency to purchase the housing and related facilities involved.

"(D) RENT LIMITATION AND ASSISTANCE.—The Secretary shall, to the extent provided in appropriation Acts, provide to each nonprofit organization or public agency purchasing housing and related facilities under this paragraph financial assistance (in the form of monthly payments or forgiveness of debt) in an amount necessary to ensure that the monthly rent payment made by each low income family or person residing in the housing does not exceed the maximum rent permitted under section 521(a)(2)(A).

"(E) RESTRICTION ON SUBSEQUENT TRANSFERS.—Except as provided in subparagraph (B)(ii), the Secretary may not approve the transfer of any housing and related facilities purchased under this paragraph during the remaining useful life of the housing and related facilities, unless the Secretary determines that—

"(i) the transfer will further the provision of housing and related facilities for low income families or persons; or

"(ii) there is no longer a need for such housing and related facilities by low income families or persons.

"(F) GENERAL RESTRICTION ON PREPAYMENTS AND REFINANCINGS.—Following the transfer of the maximum number of dwelling units set forth in subparagraph (H)(i) in any fiscal year or the maximum number of dwelling units for which budget authority is available in any fiscal year, the Secretary may not accept in such fiscal year any offer to prepay, or request refinancing in accordance with subsection (b)(3) of, any loan made or insured under section 514 or 515 pursuant to a contract entered into before December 21, 1979, except in accordance with subparagraph (G). The limitation established in this subparagraph shall not apply to an offer to prepay, or request to refinance, if, following the date on which such offer or request is made (or following the date of the enactment of the Housing and Community Development Act of 1987, whichever occurs later) a 15-month period expires during which no budget authority is available to carry out this paragraph. For purposes of this subparagraph, the Secretary shall allocate budget authority under this paragraph in the order in which offers to prepay, or request to refinance, are made.

"(G) EXCEPTION.—This paragraph shall not apply to any offer to prepay, or any request to refinance in accordance with subsection (b)(3), any loan made or insured under section 514 or 515 pursuant to a contract entered into before December 21, 1979, if—

"(i) the borrower enters into an agreement with the Secretary that obligates the borrower (and successors in interest thereof)—

"(I) to utilize the assisted housing and related facilities for the purposes specified in section 514 or 515, as the case may be, for a period determined by the Secretary (but not less than the period described in paragraph (1)(B) calculated from the date on which the loan is made or insured); and

"(II) upon termination of the period described in paragraph (1)(B), to offer to sell the assisted housing and related facilities to a qualified nonprofit organization or public agency in accordance with this paragraph;

"(ii) the borrower enters into an agreement with the Secretary that obligates the borrower (and successors in interest thereof) to ensure that tenants of the housing and related facilities financed with the loan will not be displaced due to a change in the use of the housing, or to an increase in rental or other charges, as a result of the prepayment or refinancing; or

"(iii) the Secretary determines that there is an adequate supply of safe, decent, and affordable rental housing within the market area of the housing and related facilities and sufficient actions have been taken to ensure that the rental housing will be made available to each tenant upon displacement.

"(H) FUNDING.—

"(i) BUDGET LIMITATION.—Not more than 5,000 dwelling units may be transferred under this paragraph in any fiscal year, and the budget authority that may be provided under this paragraph for any fiscal year may not exceed the amounts required to carry out this paragraph with respect to such number.

"(ii) REIMBURSEMENT OF RURAL HOUSING INSURANCE FUND.—There are authorized to be appropriated to the Rural Housing Insurance Fund such sums as may be necessary to reimburse the Fund for financial assistance provided under this paragraph, paragraph (4), and section 517(j)(7).

"(I) DEFINITION.—For purposes of this paragraph, the term 'nonprofit organization' means any private organization—

"(i) no part of the net earnings of which inures to the benefit of any member, founder, contributor, or individual; and

"(ii) that is approved by the Secretary as to financial responsibility.

"(J) REGULATIONS.—Notwithstanding section 534, the Secretary shall issue final regulations to carry out this paragraph not later than 60 days after the date of the enactment of the Housing and Community Development Act of 1987. The Secretary shall provide for the regulations to take effect not later than 45 days after the date on which the regulations are issued.".

SEC. 242. EQUITY RECAPTURE LOANS.

Section 515(b) of the Housing Act of 1949 is amended—

(1) by striking "and" at the end of paragraph (5);

(2) by striking the period at the end of paragraph (6) and inserting "; and"; and

(3) by adding at the end the following new paragraphs:

"(7) an equity loan may be made for the purpose of equity takeout or refinancing to the owner of housing financed with a loan made or insured under this section pursuant to a contract entered into before December 21, 1979, for the purpose of extending the affordability of the housing for low income families or persons and very-low income families or persons for not less than 20 years, except that such loan may not exceed 90 percent of the value of the equity in the project as determined by the Secretary; and

"(8) the Secretary may transfer and reamortize existing loans in connection with assistance provided under paragraph (7).".

SEC. 243. USE OF RURAL HOUSING INSURANCE FUND.

Section 517(j) of the Housing Act of 1949 is amended—

(1) by striking "and" at the end of paragraph (5);

(2) by striking the period at the end of paragraph (6) and inserting "; and"; and

(3) by adding at the end the following new paragraph:

"(7) to provide grants, advances, financial assistance, and other payments required to carry out paragraphs (4) and (5) of section 502(c).".

Subtitle D—Other Measures to Preserve Low Income Housing

SEC. 261. USE OF FUNDS RECAPTURED FROM CONTRACT CANCELLATION.

Any subsidy funds recaptured from contract cancellation, including the proceeds of repayments and sales of loans with below-market interest rates (or sales of beneficial interest in such loans) that are insured under section 221(d)(3) of the National Housing Act and owned by the Government National Mortgage Association shall be reserved and, to the extent approved in appropriation Acts, used to achieve the purposes of this title.

SEC. 262. EARLY PREPAYMENT.

Section 250(a)(1) of the National Housing Act is amended by striking "or" and all that follows through "needs" the last place it appears.

SEC. 263. SECTION 8 ASSISTANCE.

(a) REQUIRED NOTICE.—Section 8(c) of the United States Housing Act of 1937 is amended by adding at the end the following new paragraph:

"(9) Not less than 1 year prior to terminating any contract under which assistance payments are received under this section (but not less than 90 days in the case of housing certificates or vouchers under subsection (b) or (o)), an owner shall provide written notice to the Secretary and the tenants involved of the proposed termination, specifying the reasons for the termination with sufficient detail to enable the Secretary to evaluate whether the termination is lawful and whether there are additional actions that can be taken by the Secretary to avoid the termination. The Secretary shall review the owner's notice, shall consider whether there are additional actions that can be taken by the Secretary to avoid the termination, and shall ensure a proper adjustment of the contract rents for the project in conformity with the requirements of paragraph (2). The Secretary shall issue a written finding of the legality of the termination and the reasons for the termination, including the actions considered or taken to avoid the termination. For purposes of this paragraph, the term 'termination' means the expiration of the assistance contract or an owner's refusal to renew the assistance contract.".

(b) ADJUSTMENT OF ALLOWABLE RENT.—Section 8(c) of the United States Housing Act of 1937 (as amended by subsection (a) of this section) is further amended by adding at the end the following new paragraph:

"(10) If an owner provides notice of proposed termination under paragraph (9) and

the contract rent is lower than the maximum monthly rent for units assisted under subsection (b)(1), the Secretary shall adjust the contract rent based on the maximum monthly rent for units assisted under subsection (b)(1) and the value of the lower income housing after rehabilitation.".

(c) LOAN MANAGEMENT AND PROPERTY DISPOSITION PROGRAMS.—Section 8 of the United States Housing Act of 1937 (as amended by section 149 of this Act) is further amended by adding at the end the following new subsection:

"(v)(1) Each contract entered into by the Secretary under this section for loan management assistance shall be for a term of 180 months.

"(2) The Secretary shall extend any expiring contract entered into under this section for loan management assistance or execute a new contract, if the owner agrees to continue providing housing for lower income families during the term of the contract.

"(3) In carrying out the loan management and property disposition programs under this section, the Secretary may not provide housing voucher assistance.".

SEC. 264. DIRECT LOANS TO PREVENT DEFAULTS BY MULTIFAMILY PROJECTS.

Section 203(g) of the Housing and Community Development Amendments of 1978 (as so redesignated by section 181 of this Act) is amended—

(1) by inserting "(1)" after the subsection designation; and

(2) by inserting at the end the following new paragraph:

"(2) If the Secretary determines that a mortgage insured by the Secretary that covers an unsubsidized multifamily housing project is at risk of going into default and if the mortgagee indicates to the Secretary that it will not agree to a request to accept partial payment of a claim under the mortgage insurance contract and to recast the mortgage in accordance with paragraph (1), the Secretary may make a loan to the mortgagor from the applicable insurance fund in order to assist the mortgagor to avoid a default under the mortgage. To be eligible for a loan under this paragraph—

"(A) the amount of the loan or loans made with respect to any mortgage shall not exceed the amount necessary to cover the sum over a 36-month period of the taxes, principal, and interest on the mortgage debt, mortgage insurance premiums, and hazard insurance premiums;

"(B) the mortgagor shall agree to repay the Secretary;

"(C) the loan shall have a maturity satisfactory to the Secretary, which shall not extend beyond the term of the original mortgage;

"(D) the loan shall bear interest at a rate agreed upon by the mortgagor and the Secretary;

"(E) the mortgagor shall provide the Secretary with a note and mortgage or deed of trust, in recordable form, together with a deferred recordation agreement; and

"(F) the loan shall be subject to any other terms and conditions that the Secretary prescribes.".

SEC. 265. SECTION 515 OPERATING RESERVE AND EQUITY CONTRIBUTION REQUIREMENTS.

Section 515 of the Housing Act of 1949 is amended by adding at the end the following new subsection:

"(q) The Secretary—

"(1) may require that the initial operating reserve under this section may be in the form of an irrevocable letter of credit; and

"(2) may not require more than a 3 percent contribution to equity.".

TITLE III—RURAL HOUSING

SEC. 301. PROGRAM AUTHORIZATIONS.

(a) INSURANCE AND GUARANTEE AUTHORITY.—Section 513(a)(1) of the Housing Act of 1949 is amended to read as follows:

"(a)(1) The Secretary may, to the extent approved in appropriation Acts, insure and guarantee loans under this title during fiscal years 1988 and 1989 in aggregate amounts not to exceed $1,775,376,000 and $1,859,884,806, respectively, as follows:

"(A) For insured or guaranteed loans under section 502 on behalf of borrowers receiving assistance under section 521(a)(1) or receiving guaranteed loans pursuant to section 304 of the Housing and Community Development Act of 1987, $1,103,983,000 for fiscal year 1988 and $1,156,533,500 for fiscal year 1989.

"(B) For loans under section 504, $11,335,000 for fiscal year 1988 and $11,874,546 for fiscal year 1989.

"(C) For insured loans under section 514, $11,484,000 for fiscal year 1988 and $12,030,638 for fiscal year 1989.

"(D) For insured loans under section 515, $647,000,000 for fiscal year 1988 and $677,797,200 for fiscal year 1989.

"(E) For loans under section 523(b)(1)(B), $1,000,000 for fiscal year 1988 and $1,047,600 for fiscal year 1989.

"(F) For site loans under section 524, $574,000 for fiscal year 1988 and $601,322 for fiscal year 1989.".

(b) AUTHORIZATION OF APPROPRIATIONS.—Section 513(b) of the Housing Act of 1949 is amended to read as follows:

"(b) There are authorized to be appropriated for fiscal years 1988 and 1989, and to remain available until expended, the following amounts:

"(1) For grants under section 502(c)(5)(C), $47,000,000 for fiscal year 1988 and $49,021,000 for fiscal year 1989.

"(2) For grants under section 504, $13,113,000 for fiscal year 1988 and $13,096,250 for fiscal year 1989.

"(3) For purposes of section 509(c), $713,000 for fiscal year 1988 and $747,010 for fiscal year 1989.

"(4) Such sums as may be necessary to meet payments on notes or other obligations issued by the Secretary under section 511 equal to—

"(A) the aggregate of the contributions made by the Secretary in the form of credits on principal due on loans made pursuant to section 503; and

"(B) the interest due on a similar sum represented by notes or other obligations issued by the Secretary.

"(5) For financial assistance under section 516, $9,979,000 for fiscal year 1988 and $10,454,998 for fiscal year 1989.

"(6) For grants under section 523(f), $8,392,000 for fiscal year 1988 and $8,792,298 for fiscal year 1989.

"(7) For grants under section 533, $20,078,000 for fiscal year 1988 and $21,035,721 for fiscal year 1989.".

(c) RENTAL ASSISTANCE PAYMENT CONTRACTS.—Section 513(c) of the Housing Act of 1949 is amended to read as follows:

"(c)(1) The Secretary, to the extent approved in appropriation Acts for fiscal years 1988 and 1989, may enter into rental assistance payment contracts under section 521(a)(2)(A) aggregating $275,310,000 for fiscal year 1988 and $287,313,516 for fiscal year 1989.

"(2) Any authority approved in appropriation Acts for fiscal year 1988 or any succeeding fiscal year for rental assistance payment contracts under section 521(a)(2)(A) shall be used by the Secretary—

"(A) to renew rental assistance payment contracts that expire during such fiscal year;

"(B) to provide amounts required to continue rental assistance payments for the remaining period of an existing contract, in any case in which the original amount of rental assistance is used prior to the end of the term of the contract; and

"(C) to make additional rental assistance payment contracts for existing or newly constructed dwelling units.".

(d) SUPPLEMENTAL RENTAL ASSISTANCE CONTRACTS.—Section 513 of the Housing Act of 1949 is amended by adding at the end the following new subsection:

"(d) The Secretary, to the extent approved in appropriation Acts for fiscal years 1988 and 1989, may enter into 5-year supplemental rental assistance contracts under section 502(c)(5)(D) aggregating $26,000,000 for fiscal year 1988 and $27,534,000 for fiscal year 1989.".

(e) RENTAL HOUSING LOAN AUTHORITY.—Section 515(b)(4) of the Housing Act of 1949 is amended by striking "November 15, 1987" and inserting "September 30, 1989".

(f) MUTUAL AND SELF-HELP HOUSING GRANT AND LOAN AUTHORITY.—Section 523(f) of the Housing Act of 1949 is amended by striking "November 15, 1987" and inserting "September 30, 1989".

SEC. 302. ELIGIBILITY REQUIREMENTS.

(a) RESIDENT ALIENS.—Section 501 of the Housing Act of 1949 is amended by adding at the end the following new subsection:

"(h)(1) The Secretary may not restrict the availability of assistance under this title for any alien for whom assistance may not be restricted by the Secretary of Housing and Urban Development under section 214 of the Housing and Community Development Act of 1980.

"(2) In carrying out any restriction established by the Secretary on the availability of assistance under this title for any alien, the Secretary shall follow procedures comparable to the procedures established in section 214 of the Housing and Community Development Act of 1980.

(b) INCOME LEVELS.—

(1) Section 501(b)(4) of the Housing Act of 1949 is amended by adding at the end the following new sentence: "Notwithstanding the preceding sentence, the maximum income levels established for purposes of this title for such families and persons in the Virgin Islands shall not be less than the highest such levels established for purposes of this title for such families and persons in American Samoa, Guam, the Northern Mariana Islands, and the Trust Territory of the Pacific Islands.".

(2) The amendment made by paragraph (1) shall be applicable to any determination of eligibility for assistance under title V of the Housing Act of 1949 made on or after the date of the enactment of this Act.

SEC. 303. ESCROWING TAXES AND INSURANCE.

Section 501(e) of the Housing Act of 1949 is amended to read as follows:

"(e) The Secretary shall establish procedures under which borrowers under this title are required to make periodic payments for the purpose of taxes, insurance, and other necessary expenses as the Secretary may deem appropriate. Notwithstanding any other provision of law, such payments shall not be considered public funds. The Secretary shall direct the disbursement of the

funds at the appropriate time or times for the purposes for which the funds were escrowed. If the prepayments made by the borrower are not sufficient to pay the amount due, advances may be made by the Secretary to pay the costs in full, which advances shall be charged to the account of the borrower, bear interest, and be payable in a timely fashion as determined by the Secretary. The Secretary shall notify a borrower in writing when loan payments are delinquent.".

SEC. 304. RURAL HOUSING GUARANTEED LOAN DEMONSTRATION.

(a) ESTABLISHMENT OF DEMONSTRATION.—The Secretary of Agriculture (referred to in this section as the "Secretary") shall carry out a rural housing guaranteed loan demonstration program under which the Secretary shall, to the extent of amounts provided in appropriation Acts, provide guaranteed loans in accordance with section 502, 517(d), and the last sentence of section 521(a)(1)(A), of the Housing Act of 1949.

(b) AMOUNT AVAILABLE FOR DEMONSTRATION.—

(1) There shall be available for guaranteed loans under this section for any fiscal year in each State an amount equal to whichever of the following is lower:

(A) 10 percent of the total loan authority allocated under section 502 of the Housing Act of 1949 to the State for the fiscal year.

(B) The average, during the preceding 3 fiscal years, of the funds allocated to the State under section 502 of the Housing Act of 1949 that have not been utilized.

(2) Any amount made available under this subsection that is not used before the last 60 days of a fiscal year shall become available for assistance for low income families or persons under section 502 of the Housing Act of 1949.

(c) ELIGIBLITY FOR LOANS.—Loans guaranteed pursuant to this section shall be made only to borrowers with moderate incomes that do not exceed 115 percent of the median income of the area, as determined by the Secretary, with adjustments for smaller and larger families.

(d) REPORTS TO CONGRESS.—The Secretary shall submit to the Congress—

(1) as soon as practicable after September 30, 1989, an interim report setting forth the findings and recommendations of the Secretary as a result of the demonstration; and

(2) as soon as practicable after September 30, 1991, a final report setting forth the findings and recommendations of the Secretary as a result of the demonstration.

(e) TERMINATION.—The Secretary may not provide any guaranteed loan under this section after September 30, 1991, except pursuant to a commitment entered into on or before such date.

SEC. 305. DEFINITION OF DOMESTIC FARM LABOR.

(a) INSURED LOAN PROGRAM.—Section 514(f)(3) of the Housing Act of 1949 is amended to read as follows:

"(3) the term 'domestic farm labor' means any person (and the family of such person) who receives a substantial portion of his or her income from primary production of agricultural or aquacultural commodities or the handling of such commodities in the unprocessed stage, without respect to the source of employment, except that—

"(A) such person shall be a citizen of the United States or a person legally admitted for permanent residence;

"(B) such term includes any person (and the family of such person) who is retired or disabled, but who was domestic farm labor at the time of retirement or becoming disabled; and

"(C) in applying this paragraph with respect to vacant units in farm labor housing, the Secretary shall make units available for occupancy in the following order of priority:

"(i) to active farm laborers (and their families);

"(ii) to retired or disabled farm laborers (and their families) who were active in the local farm labor market at the time of retiring or becoming disabled; and

"(iii) to other retired or disabled farm laborers (and their families).".

(b) GRANT PROGRAM.—Section 516(g) of the Housing Act of 1949 is amended—

(1) by striking "and" at the end of paragraph (2);

(2) by striking the period at the end of paragraph (3) and inserting "; and"; and

(3) by adding at the end the following new paragraph:

"(4) the term 'domestic farm labor' has the meaning given such term in section 514(f)(3).".

SEC. 306. CONFORMANCE WITH LOW-INCOME HOUSING TAX CREDIT ELIGIBILITY REQUIREMENTS.

Section 515(o) of the Housing Act of 1949 is amended by adding at the end the following:

"(4) In projects financed under this section, units that have been allocated a low-income housing tax credit by a housing credit agency pursuant to section 42 of the Internal Revenue Code of 1986 shall not be available for occupancy by persons or families other than persons or families with incomes not in excess of the qualifying income applicable to such units pursuant to subparagraph (A) or (B) of section 42(g)(1) of such Code, except when the Secretary determines that the continued vacancy of units that have been unoccupied for at least 6 months threatens the financial viability of the project.".

SEC. 307. LIMITATION OF FEES ON RURAL RENTAL HOUSING LOANS.

Section 515 of the Housing Act of 1949 (as amended by section 265 of this Act) is further amended by adding at the end the following new subsection:

"(r) No fee may be imposed by or for the Secretary or any other Federal agency on or with respect to a loan made or insured under this section.".

SEC. 308. RURAL AREA CLASSIFICATION.

(a) HOLD HARMLESS.—Section 520 of the Housing Act of 1949 is amended by striking "November 15, 1987" in the last sentence and inserting "September 30, 1989".

(b) ELIGIBILITY OF RURAL AREA PROXIMATE TO URBAN AREA.—Section 520 of the Housing Act of 1949 is amended in the first sentence by inserting before "part of or associated with" the following: "(except in the case of Pajaro, in the State of California)".

SEC. 309. PROCEDURES FOR REDUCTION OF INTEREST CREDITS.

Section 521(a)(1)(B) of the Housing Act of 1949 is amended by adding at the end the following new sentence: "In the case of assistance provided under this subparagraph with respect to a loan under section 502, the Secretary may not reduce, cancel, or refuse to renew the assistance due to an increase in the adjusted income of the borrower if the reduction, cancellation, or nonrenewal will cause the borrower to be unable to reasonably afford the resulting payments required under the loan.".

SEC. 310. RURAL HOUSING PRESERVATION GRANT PROGRAM.

Section 533(h) of the Housing Act of 1949 is amended—

(1) by inserting "(1)" after the subsection designation; and

(2) by adding at the end the following new paragraph:

"(2) The Secretary shall, not later than the expiration of the 30-day period following the date of the enactment of the Housing and Community Development Act of 1987 issue regulations to carry out the program of grants under subsection (a)(2).".

SEC. 311. RURAL RENTAL REHABILITATION DEMONSTRATION.

(a) ESTABLISHMENT OF DEMONSTRATION.—The Secretary of Housing and Urban Development (referred to in this section as the "Secretary") shall carry out a rural rental rehabilitation demonstration program in accordance with this section.

(b) AVAILABILITY OF AMOUNTS.—For purposes of the demonstration program, any rental rehabilitation grant amount provided to a State under section 17 of the United States Housing Act of 1937 that is unutilized from any prior fiscal year shall be available for use in areas eligible for assistance under title V of the Housing Act of 1949.

(c) REPORT TO CONGRESS.—The Secretary shall submit to the Congress as soon as practicable after September 30, 1989, a report setting forth the findings and recommendations of the Secretary as a result of the demonstration program. The report shall include an evaluation of the following:

(1) The effectiveness of the program in meeting the need for the rehabilitation of rental housing in rural areas.

(2) The extent of participation by the owners of rental properties in the program.

(3) The cost of the program.

(d) TERMINATION.—The authority provided in this section shall terminate after September 30, 1989.

SEC. 312. STUDY OF MORTGAGE CREDIT IN RURAL AREAS.

The Secretary of Housing and Urban Development shall conduct a study of the availability and use of funds (including mortgages and loans insured under title II of the National Housing Act, loans made or insured under title V of the Housing Act of 1949, and conventional mortgages and loans) for the purchase and improvement of residential real property in rural areas, particularly in communities that have populations of not more than 2,500 individuals. Not later than April 1, 1988, the Secretary shall submit to the Congress a detailed report setting forth the findings of the Secretary as a result of the study.

SEC. 313. DEBT SETTLEMENT AUTHORITY OF SECRETARY.

Section 510(c) of the Housing Act of 1949 is amended to read as follows:

"(c) compromise, adjust, reduce, or charge-off claims, and adjust, modify, subordinate, or release the terms of security instruments, leases, contracts, and agreements entered into or administered by the Secretary under this title, as circumstances may require, including the release of borrowers or others obligated on a debt from personal liability with or without payment of any consideration at the time of the compromise, adjustment, reduction, or charge-off of any claim;".

SEC. 314. MANUFACTURED HOUSING.

Section 502(e) of the Housing Act of 1949 is amended by adding at the end the following:

"(3) A loan that may be made or insured under this section with respect to a manufactured home on a permanent foundation, or a manufactured home on a permanent foundation and a lot, shall be repayable over the same period as would be applicable

under section 203(b) of the National Housing Act.".

SEC. 315. LOAN PACKAGING BY NONPROFIT ORGANIZATIONS.

Section 501 of the Housing Act of 1949 (as amended by section 302) is further amended by adding at the end the following new subsection:

"(i) For the purposes of this title, the term 'development cost' shall include the packaging of loan and grant applications and actions related thereto by public and private nonprofit organizations tax exempt under the Internal Revenue Code of 1986.".

SEC. 316. RURAL HOUSING TECHNICAL AMENDMENTS.

(a) DEFINITIONS.—Section 501(b)(3) of the Housing Act of 1949 is amended by striking "is a developmentally disabled individual as defined in section 102(7) of the Development Disabilities Services and Facilities Construction Act" and inserting the following: "has a developmental disability as defined in section 102(7) of the Developmental Disabilities Assistance and Bill of Rights Act (42 U.S.C. 6001(7))".

(b) FARM LABOR HOUSING.—Section 514(f)(1) of the Housing Act of 1949 is amended by striking "and" at the end.

(c) HOUSING FOR ELDERLY FAMILIES.—Section 515(o)(1) of the Housing Act of 1949 is amended by striking "effective".

(d) LOANS TO LOW- AND MODERATE-INCOME FAMILIES.—Section 521(a) of the Housing Act of 1949 is amended—

(1) in paragraph (1)(A), by striking ", except" and all that follows through "charges"; and

(2) in paragraph (2)(A), by striking "; or" and inserting ", or".

(e) HOUSING FOR RURAL TRAINEES.—Section 522(a) of the Housing Act of 1949 is amended by striking the comma after "Health".

(f) CONDOMINIUM HOUSING.—

(1) Section 526(a) of the Housing Act of 1949 is amended by striking "and" the first place it appears.

(2) Section 526(c) of the Housing Act of 1949 is amended by striking "and" the first place it appears.

(g) HOUSING PRESERVATION GRANTS.—

(1) Section 533(e)(1)(B)(iii) of the Housing Act of 1949 is amended by inserting "to" before "refuse".

(2) Section 533(g) of the Housing Act of 1949 is amended by striking "persons of low income and very low-income" and inserting "low income families or persons and very low-income families or persons".

TITLE IV—MORTGAGE INSURANCE AND SECONDARY MORTGAGE MARKET PROGRAMS

Subtitle A—FHA Mortgage Insurance Programs

SEC. 401. INSURANCE AUTHORITY FOR FHA.

(a) REPEALS.—Each of the following provisions of law is repealed:

(1) Section 217 of the National Housing Act.

(2) The fifth sentence of section 221(f) of the National Housing Act.

(3) Section 244(d), and the last sentence of section 244(h), of the National Housing Act.

(4) The last sentence of section 245(a) of the National Housing Act.

(5) The second sentence of section 809(f) of the National Housing Act.

(6) The second sentence of section 810(k) of the National Housing Act.

(7) The second sentence of section 1002(a) of the National Housing Act.

(8) The second sentence of section 1101(a) of the National Housing Act.

(b) AMENDMENT.—The first sentence of section 2(a) of the National Housing Act is amended by striking "and not later than November 15, 1987,".

(c) EXTENSION OF SECTION 235.—The last sentence of section 235(h)(1), section 235(m), and the last sentence of section 235(q)(1), of the National Housing Act are each amended by striking out "November 15, 1987" and inserting in lieu thereof "September 30, 1989".

SEC. 402. AMOUNT TO BE INSURED UNDER NATIONAL HOUSING ACT.

Section 531 of the National Housing Act is amended—

(1) by inserting "(a)" after "SEC. 531."; and

(2) by adding at the end thereof the following:

"(b) Notwithstanding any other provision of law and subject only to the absence of qualified requests for insurance, to the authority provided in this Act, and to the limitation in subsection (a), the Secretary shall enter into commitments to insure mortgages under this Act with an aggregate principal amount of $100,000,000,000 during fiscal year 1988, and $104,000,000,000 during fiscal year 1989.".

SEC. 403. LIMITATION ON FEDERAL HOUSING ADMINISTRATION INSURANCE PREMIUMS.

Section 203(c) of the National Housing Act is amended by adding at the end the following new sentence: "In the case of any mortgage secured by a 1- to 4-family dwelling, the total premium charge shall not exceed an amount equal to 3.8 percent of the original principal obligation of the mortgage if the Secretary requires (1) a single premium charge to cover the total premium obligation of the insurance of the mortgage; or (2) a periodic premium charge over less than the term of the mortgage.".

SEC. 404. INCREASE IN MAXIMUM MORTGAGE AMOUNT UNDER SINGLE FAMILY INSURANCE PROGRAM.

Section 203(b)(2)(A) of the National Housing Act is amended by striking "133⅓ per centum" and inserting "150 percent".

SEC. 405. CHANGE IN DEFINITION OF VETERAN.

The National Housing Act is amended—

(1) by inserting before the period at the end of the first undesignated paragraph of section 203(b)(3)(2) the following: ", except that persons enlisting in the armed forces after September 7, 1980, or entering active duty after October 16, 1981, shall have their eligibility determined in accordance with section 3103A(d) of title 38, United States Code"; and

(2) by inserting before the semicolon at the end of section 220(d)(3)(A)(i) the following: ", except that persons enlisting in the armed forces after September 7, 1980, or entering active duty after October 16, 1981, shall have their eligibility determined in accordance with section 3103A(d) of title 38, United States Code".

SEC. 406. LIMITATION ON USE OF SINGLE FAMILY MORTGAGE INSURANCE BY INVESTORS.

(a) IN GENERAL.—Section 203 of the National Housing Act is amended by inserting the following new subsection before subsection (h):

"(g)(1) The Secretary may insure a mortgage under this title that is secured by a 1- to 4-family dwelling, or approve a substitute mortgagor with respect to any such mortgage, only if the mortgagor is to occupy the dwelling as his or her principal residence or as a secondary residence, as determined by the Secretary.

"(2) The occupancy requirement established in paragraph (1) shall apply only if the mortgage involves a principal obligation that exceeds, as appropriate, 75 percent of—

"(A) the appraised value of the dwelling;

"(B) the estimate of the Secretary of the replacement cost of the property;

"(C) the sum of the estimates of the Secretary of the cost of repair and rehabilitation and the value of the property before repair and rehabilitation; or

"(D) the sum of the estimates of the Secretary of the cost of repair and rehabilitation and the amount (as determined by the Secretary) required to refinance existing indebtedness secured by the property, and, in the case of a property refinanced under section 220(d)(3)(A), any existing indebtedness incurred in connection with improving, repairing, or rehabilitating the property.

"(3) The occupancy requirement established in paragraph (1) shall not apply to any mortgagor (or co-mortgagor, as appropriate) that is—

"(A) a public entity, as provided in section 214 or 247;

"(B) a private nonprofit or public entity, as provided in section 221(h) or 235(j);

"(C) an Indian tribe, as provided in section 248;

"(D) a serviceperson who is unable to meet such requirement because of his or her duty assignment, as provided in section 216 or subsection (b)(4) or (f) of section 222; or

"(E) a mortgagor or co-mortgagor under subsection (k).

"(4) For purposes of this subsection, the term 'substitute mortgagor' means a person who, upon the release by a mortgagee of a previous mortgagor from personal liability on the mortgage note, assumes such liability and agrees to pay the mortgage debt.".

(b) CONFORMING AMENDMENTS.—

(1) Section 203(b)(2) of the National Housing Act is amended—

(A) in the first sentence, by striking "(whether" and all that follows through "purposes)"; and

(B) in the second sentence, by striking the following: "to be occupied as a principal residence of the owner".

(2) Section 203(b) of the National Housing Act is amended by striking paragraph (8).

(3) Section 203(h) of the National Housing Act is amended by striking "is the owner and occupant and".

(4) Section 203(i) of the National Housing Act is amended—

(A) by striking the first proviso; and

(B) by striking "further" the first place it appears.

(5) The first sentence of section 203(o)(2) of the National Housing Act is amended by striking "occupant".

(6) The first sentence of section 203(p)(2) of the National Housing Act is amended by striking "owner-occupant" and inserting "owner".

(7) The fourth sentence of section 214 of the National Housing Act is amended by striking the following: "shall be the owner and occupant of the property or".

(8) Section 216 of the National Housing Act is amended—

(A) by striking "that the mortgagor be the occupant" and inserting "with respect to the occupancy of the mortgagor"; and

(B) by striking "occupy the property" each place it appears and inserting "meet such requirement".

(9) Section 220(d)(3)(A) of the National Housing Act is amended—

(A) by inserting "and" at the end of clause (i);

(B) by striking clauses (ii) and (iii);

(C) in clause (iv), by striking the following: "(except as provided in clause (iii))"; and

(D) by redesignating clause (iv) as clause (ii).

(10) Section 221(d)(2) of the National Housing Act is amended—

(A) by striking the colon at the end of subparagraph (A)(iv) and all that follows through "Provided further, That" the first place it appears, and inserting ", except that";

(B) by striking "Provided, That (i)" and all that follows through "(1) in" and inserting the following: "Provided, That (i)(1) in";

(C) by striking the penultimate proviso; and

(D) in the last proviso, by striking the following: ", if the mortgagor is the owner and an occupant of the property such" and inserting "the".

(11) Section 221(d)(6)(ii) of the National Housing Act is amended by striking the following: "is an owner-occupant of the property and".

(12) The first sentence of section 221(h)(6) of the National Housing Act is amended by striking "and occupied".

(13) Section 221(h)(8) of the National Housing Act is amended by striking the following: "if one of the units is to be occupied by the owner".

(14) Subsections (b)(4) and (f) of section 222 of the National Housing Act are amended by inserting "as a principal residence" after "occupies the property" each place it appears.

(15) Section 223(a) of the National Housing Act is amended by inserting after "this Act," the first place it appears the following: "other than the limitation in section 203(g),".

(16) The first sentence of section 223(e) of the National Housing Act is amended by inserting after "title XI," the following: "other than the limitation in section 203(g),".

(17) Section 234(c) of the National Housing Act is amended by striking the fourth sentence.

(18) Section 235(i)(3)(A) of the National Housing Act is amended by striking the following: "one of the units of which is to be occupied by the owner and".

(19) Section 235(j)(6) of the National Housing Act is amended by striking the following: "if one of the units is to be occupied by the owner".

(c) REPEAL OF VACATION AND SEASONAL HOME INSURANCE PROGRAM.—Section 203 of the National Housing Act is amended by striking subsection (m).

(d) APPLICABILITY.—The amendments made by this section shall apply only with respect to—

(1) mortgages insured—

(A) pursuant to a conditional commitment issued on or after the date of the enactment of this Act; or

(B) in accordance with the direct endorsement program (24 CFR 200.163), if the approved underwriter of the mortgagee signs the appraisal report for the property on or after the date of the enactment of this Act; and

(2) the approval of substitute mortgagors, referred to in the amendment made by subsection (a), if the original mortgagor was subject to such amendment.

(e) TRANSITION PROVISIONS.—Any mortgage insurance provided under title II of the National Housing Act, as it existed immediately before the date of the enactment of this Act, shall continue to be governed (to the extent applicable) by the provisions specified in subsections (a) through (c), as such provisions existed immediately before such date.

SEC. 407. ACTIONS TO REDUCE LOSSES UNDER SINGLE FAMILY MORTGAGE INSURANCE PROGRAM.

(a) IN GENERAL.—

(1) AMENDMENT TO SECTION 203.—Section 203 of the National Housing Act is amended by adding at the end the following new subsection:

"(r) The Secretary shall take appropriate actions to reduce losses under the mortgage insurance program carried out under this section. Such actions shall include—

"(1) an annual review by the Secretary of the rate of early serious defaults and claims, in accordance with section 533;

"(2) requiring reviews of the credit standing of each person seeking to assume a mortgage insured under this section (A) during the 12-month period following the date on which the mortgage is endorsed for insurance, or (B) during the 24-month period following the date on which the mortgage is endorsed for insurance in the case of an investor originated mortgage; and

"(3) in any case where a mortgage is assumed after the period specified in paragraph (2), requiring that the original mortgagor be advised of the procedures by which he or she may be released from liability.

In any case where the homeowner does not request a release from liability, the purchaser and the homeowner shall have joint and several liability for any default for a period of 5 years following the date of the assumption. After the close of such 5-year period, only the purchaser shall be liable for any default on the mortgage unless the mortgage is in default at the time of the expiration of the 5-year period.".

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to mortgages endorsed for issuance on or after December 1, 1986.

(b) REPORTS BY MORTGAGEES.—Title V of the National Housing Act is amended by adding at the end thereof the following new section:

"DIRECTION TO THE SECRETARY TO REQUIRE MORTGAGEES WITH ABOVE NORMAL RATES OF EARLY, SERIOUS DEFAULTS AND CLAIMS TO SUBMIT REPORTS AND TAKE CORRECTIVE ACTION

"SEC. 533. (a) To reduce losses in connection with mortgage insurance programs under this Act, the Secretary shall review, at least once a year, the rate of early serious defaults and claims involving mortgagees approved under this Act. On the basis of this review, the Secretary shall notify each mortgagee which, as determined by the Secretary, had a rate of early serious defaults and claims during the preceding year which was higher than the normal rate for the geographic area or areas in which that mortgagee does business. In the notification, the Secretary shall require each mortgagee to submit a report, within a time determined by the Secretary, containing the mortgagee's (1) explanation for the above normal rate of early serious defaults and claims; (2) plan for corrective action, if applicable, both with regard to (A) mortgages in default; and (B) its mortgage-processing system in general; and (3) a timeframe within which this corrective action will be begun and completed. If the Secretary does not agree with this timeframe or plan, a mutually agreeable timeframe and plan will be determined.

"(b) Failure of the mortgagee to submit a report required under subsection (a) within the time determined by the Secretary or to commence or complete the plan for corrective action within the timeframe agreed upon by the Secretary may be cause for suspension of the mortgagee from participation in programs under this Act.".

SEC. 408. INSURANCE OF GRADUATED PAYMENT MORTGAGES.

(a) AUTHORITY TO INSURE REFINANCING.—Section 223(a)(7) of the National Housing Act is amended in the first proviso by inserting after "except that" the following: "(A) the principal amount of any such refinancing mortgage may equal the outstanding balance of an existing mortgage insured pursuant to section 245, if the amount of the monthly payment due under the refinancing mortgage is less than that due under the existing mortgage for the month in which the refinancing mortgage is executed; and (B)".

(b) TERMINATION OF AUTHORITY TO INSURE.—Section 245(b) of the National Housing Act is amended by adding at the end the following new sentence: "No loan or mortgage may be insured under this subsection after the date of the enactment of the Housing and Community Development Act of 1987, except pursuant to a commitment to insure entered into on or before such date.".

SEC. 409. REFINANCING MORTGAGE INSURANCE FOR HOSPITALS, NURSING HOMES, INTERMEDIATE CARE FACILITIES, AND BOARD AND CARE HOMES.

(a) STATE CERTIFICATION REQUIREMENT.—Section 223(f)(4)(D) of the National Housing Act is amended to read as follows:

"(D) the applicable requirements for certificates, studies, and statements of section 232 (for the existing nursing home, intermediate care facility, board and care home, or any combination thereof, proposed to be refinanced) or of section 242 (for the existing hospital proposed to be refinanced) have been met.".

(b) REFINANCING INSURANCE FOR NURSING HOMES, INTERMEDIATE CARE FACILITIES, AND BOARD AND CARE HOMES.—Section 223(f) of the National Housing Act is amended—

(1) in paragraph (1), by inserting after "existing hospital" the following: "(or existing nursing home, existing intermediate care facility, existing board and care home, or any combination thereof)"; and

(2) in paragraph (4) (other than in subparagraph (D)), by inserting after "existing hospital" each place it appears the following: "(or existing nursing home, existing intermediate care facility, existing board and care home, or any combination thereof)".

(c) REGULATIONS.—The Secretary of Housing and Urban Development shall issue such regulations as may be necessary to carry out the amendment made by this section by not later than the expiration of the 90-day period following the date of the enactment of this Act.

SEC. 410. MORTGAGE INSURANCE FOR NURSING HOMES, INTERMEDIATE CARE FACILITIES, AND BOARD AND CARE HOMES.

(a) INSURANCE FOR PUBLIC NURSING HOMES.—Section 232(b)(1) of the National Housing Act is amended by inserting "public facility," before "proprietary".

(b) REQUIREMENT OF STATE APPROVAL.—Section 232(d)(4)(A) of the National Housing Act is amended by inserting at the end the following new sentences: "If no such State agency exists, or if the State agency exists but is not empowered to provide a certification that there is a need for the home or facility or combined home and facility as required in clause (i) of the first sentence, the Secretary shall not insure any mortgage under this section unless (i) the State in which the home or facility or combined home and facility is located has conducted or commissioned and paid for the preparation of an independent study of market need

and feasibility that (I) is prepared in accordance with the principles established by the American Institute of Certified Public Accountants; (II) assesses, on a marketwide basis, the impact of the proposed home or facility or combined home and facility on, and its relationship to, other health care facilities and services, the percentage of excess beds, demographic projections, alternative health care delivery systems, and the reimbursement structure of the home, facility, or combined home and facility; (III) is addressed to and is acceptable to the Secretary in form and substance; and (IV) in the event the State does not prepare the study, is prepared by a financial consultant who is selected by the State or the applicant for mortgage insurance and is approved by the Secretary; and (ii) the State complies with the other provisions of this subparagraph that would otherwise be required to be met by a State agency designated in accordance with section 604(a)(1) or section 1521 of the Public Health Service Act. The proposed mortgagor may reimburse the State for the cost of the independent feasibility study required in the preceding sentence. In the case of a small intermediate care facility for the mentally retarded or developmentally disabled, or a board and care home housing less than 10 individuals, the State program agency or agencies responsible for licensing, certifying, financing, or monitoring the facility or home may, in lieu of the requirements of clause (i) of the third sentence, provide the Secretary with written support identifying the need for the facility or home.".

(c) REGULATIONS.—The Secretary of Housing and Urban Development shall issue such regulations as may be necessary to carry out the amendments made by this section by not later than the expiration of the 90-day period following the date of the enactment of this Act.

SEC. 411. REQUIREMENT OF STATE APPROVAL FOR MORTGAGE INSURANCE FOR HOSPITALS.

(a) IN GENERAL.—Section 242(d)(4) of the National Housing Act is amended by inserting at the end the following new sentences: "If no such State agency exists, or if the State agency exists but is not empowered to provide a certification that there is a need for the hospital as set forth in clause (A) of the first sentence, the Secretary shall not insure any mortgage under this section unless (A) the State in which the hospital is located has conducted or commissioned and paid for the preparation of an independent study of market need and feasibility that (i) is prepared in accordance with the principles established by the American Institute of Certified Public Accountants; (ii) assesses, on a marketwide basis, the impact of the proposed hospital on, and its relationship to, other health care facilities and services, the percentage of excess beds, demographic projections, alternative health care delivery systems, and the reimbursement structure of the hospital; (iii) is addressed to and is acceptable to the Secretary in form and substance; and (iv) in the event the State does not prepare the study, is prepared by a financial consultant selected by the State and approved by the Secretary; and (B) the State complies with the other provisions of this paragraph that would otherwise be required to be met by a State agency designated in accordance with section 604(a)(1) or section 1521 of the Public Health Service Act. The proposed mortgagor may reimburse the State for the cost of the independent feasibility study required in the preceding sentence.".

(b) REGULATIONS.—The Secretary of Housing and Urban Development shall issue such regulations as may be necessary to carry out the amendment made by this section by not later than the expiration of the 90-day period following the date of the enactment of this Act.

SEC. 412. MORTGAGE INSURANCE FOR PUBLIC HOSPITALS.

(a) ELIMINATION OF ADDITIONAL COLLATERAL REQUIREMENTS FOR PUBLIC HOSPITALS.—Section 242(a) of the National Housing Act is amended by adding at the end the following: "Such assistance shall be provided regardless of the amount of public financial or other support a hospital may receive, and the Secretary shall neither require additional security or collateral to guarantee such support, nor impose more stringent eligibility or other requirements on publicly owned or supported hospitals.".

(b) CREDIT FOR EXISTING EQUIPMENT AND IMPROVEMENTS.—Section 242(d)(2) of the National Housing Act is amended by striking the matter preceding subparagraph (A) and inserting the following:

"(2) The mortgage shall involve a principal obligation in the amount requested by the mortgagor if such amount does not exceed 90 percent of the estimated replacement cost of the property or project including—".

(c) CONTINUED USE OF LETTERS OF CREDIT.—Section 242(d) of the National Housing Act is amended by adding at the end the following new paragraph:

"(6) To the extent that a private nonprofit or public facility mortgagor is required by the Secretary to provide cash equity in excess of the amount of the mortgage to complete the project, the mortgagor shall be entitled, at the option of the mortgagee, to fund the excess with a letter of credit. In such event, mortgage proceeds may be advanced to the mortgagor prior to any demand being made on the letter of credit.".

(d) IMMEDIATE PROCESSING OF APPLICATIONS FOR PUBLIC HOSPITALS.—Section 242(f) of the National Housing Act is amended by adding at the end the following: "The Secretary shall begin immediately to process applications of public facilities for mortgage insurance under this section in accordance with regulations, guidelines, and procedures applicable to facilities of private nonprofit corporations and associations.".

SEC. 413. MORTGAGE INSURANCE ON HAWAIIAN HOME LANDS AND INDIAN RESERVATIONS.

(a) APPLICABILITY OF MORTGAGE INSURANCE ON HAWAIIAN HOME LANDS.—Section 247(c)(1) of the National Housing Act is amended by inserting before the period at the end the following: "(or, in the case of an individual who succeeds a spouse or parent in an interest in a lease of Hawaiian home lands, such lower percentage as may be established for such succession under section 209 of the Hawaiian Homes Commission Act, 1920, or under the corresponding provision of the Constitution of the State of Hawaii adopted under section 4 of the Act entitled 'An Act to provide for the admission of the State of Hawaii into the Union', approved March 18, 1959 (73 Stat. 5))".

(b) MORTGAGE INSURANCE ON HAWAIIAN HOME LANDS AS OBLIGATIONS OF GENERAL INSURANCE FUND.—Section 247 of the National Housing Act is amended—

(1) by redesignating subsection (c) as subsection (d); and

(2) by inserting after subsection (b) the following new subsection:

"(c) Notwithstanding any other provision of this Act, the insurance of a mortgage using the authority contained in this section shall be the obligation of the General Insurance Fund established in section 519. The mortgagee shall be eligible to receive the benefits of insurance as provided in section 204 with respect to mortgages insured pursuant to this section, except that (1) all references in section 204 to the Mutual Mortgage Insurance Fund or the Fund shall be construed to refer to the General Insurance Fund; and (2) all references in section 204 to section 203 shall be construed to refer to the section under which the mortgage is insured.".

(c) MORTGAGE INSURANCE ON INDIAN RESERVATIONS AS OBLIGATIONS OF GENERAL INSURANCE FUND.—Section 248 of the National Housing Act is amended—

(1) in paragraphs (3) and (5) of subsection (f), by striking "insurance fund" each place it appears and inserting "General Insurance Fund";

(2) by redesignating subsections (f), (g), and (h) as subsections (g), (h), and (i), respectively; and

(3) by inserting after subsection (e) the following new subsection:

"(f) Notwithstanding any other provision of this Act, the insurance of a mortgage using the authority contained in this section shall be the obligation of the General Insurance Fund established in section 519. The mortgagee shall be eligible to receive the benefits of insurance as provided in section 204 with respect to mortgages insured pursuant to this section, except that (1) all references in section 204 to the Mutual Mortgage Insurance Fund or the Fund shall be construed to refer to the General Insurance Fund; and (2) all references in section 204 to section 203 shall be construed to refer to the section under which the mortgage is insured.".

SEC. 414. CO-INSURANCE PROGRAM.

(a) REPEALER.—Section 244 of the National Housing Act is amended by striking subsection (c).

(b) CO-INSURANCE AMENDMENTS.—Section 244 of the National Housing Act is amended—

(1) in subsection (h), by striking "coinsurance" each place it appears and inserting "co-insurance"; and

(2) by adding at the end the following new subsection:

"(i) Any mortgagee which enters into a contract of co-insurance under this section shall have the authority to assign its interest in any note or mortgage subject to a contract of co-insurance to a warehouse bank or other financial institution which provides interim funding for a loan co-insured under this section, and to retain the co-insurance risk of such note or mortgage, upon such terms and conditions as the Secretary shall prescribe.".

SEC. 415. INCREASE IN AUTHORITY TO INSURE ADJUSTABLE RATE SINGLE FAMILY MORTGAGES.

(a) IN GENERAL.—Section 251(c) of the National Housing Act is amended to read as follows:

"(c) The aggregate number of mortgages and loans insured under this section in any fiscal year may not exceed 30 percent of the aggregate number of mortgages and loans insured by the Secretary under this title during the preceding fiscal year.".

(b) CONFORMING AMENDMENTS.—

(1) Section 245(c) of the National Housing Act is amended in the last sentence by striking ", section 251,".

(2) Section 252(g) of the National Housing Act is amended—

(A) by striking the first comma and inserting "and"; and

(B) by striking ", and section 251".

SEC. 416. PENALTIES FOR EQUITY SKIMMING.

(a) PURCHASE OF DWELLING SUBJECT TO LOAN IN DEFAULT.—Section 912 of the Housing and Urban Development Act of 1970 is amended—

(1) in paragraph (1), by inserting "(including condominiums and cooperatives)" after "dwellings";

(2) in paragraph (2), by inserting after "due" the following: ", regardless of whether the purchaser is obligated on the loan"; and

(3) in the matter following paragraph (3)—

(A) by striking "$5,000" and inserting "$250,000"; and

(B) by striking "three" and inserting "5".

(b) USE OF FUNDS DERIVED FROM PROPERTY SUBJECT TO LOAN IN DEFAULT.—Title II of the National Housing Act is amended by adding at the end the following new section:

"EQUITY SKIMMING PENALTY

"SEC. 254. Whoever, as an owner, agent, or manager, or who is otherwise in custody, control, or possession of property that is security for a mortgage note that is insured, acquired, or held by the Secretary pursuant to section 203, 207, 213, 220, 221(d)(3), 221(d)(4), 223(f), 231, 232, 234, 236, 238(c), 241, 242, 244, 608, or 810, or title XI, or is made pursuant to section 202 of the Housing Act of 1959, willfully uses or authorizes the use of any part of the rents, assets, proceeds, income or other funds derived from property covered by such mortgage note during a period when the mortgage note is in default or the project is in a nonsurplus cash position as defined by the regulatory agreement covering such property, for any purpose other than to meet actual or necessary expenses that include expenses approved by the Secretary if such approval is required under the terms of the regulatory agreement, shall be fined not more than $250,000 or imprisoned not more than 5 years, or both.".

(c) CONFORMING AMENDMENTS.—Section 239 of the National Housing Act is amended—

(1) by striking "INSURED" in the section heading;

(2) by striking "(a)" after "SEC. 239."; and

(3) by striking subsection (b).

SEC. 417. HOME EQUITY CONVERSION MORTGAGE INSURANCE DEMONSTRATION.

(a) IN GENERAL.—Title II of the National Housing Act (as amended by section 416 of this Act) is further amended by adding at the end the following new section:

"DEMONSTRATION PROGRAM OF INSURANCE OF HOME EQUITY CONVERSION MORTGAGES FOR ELDERLY HOMEOWNERS

"SEC. 255. (a) PURPOSE.—The purpose of this section is to authorize the Secretary to carry out a demonstration program of mortgage insurance designed—

"(1) to meet the special needs of elderly homeowners by reducing the effect of the economic hardship caused by the increasing costs of meeting health, housing, and subsistence needs at a time of reduced income, through the insurance of home equity conversion mortgages to permit the conversion of a portion of accumulated home equity into liquid assets;

"(2) to encourage and increase the involvement of mortgagees and participants in the mortgage markets in the making and servicing of home equity conversion mortgages for elderly homeowners; and

"(3) to require the evaluation of data to determine—

"(A) the extent of the need and demand among elderly homeowners for insured and uninsured home equity conversion mortgages;

"(B) the types of home equity conversion mortgages that best serve the needs and interests of elderly homeowners, the Federal Government, and lenders; and

"(C) the appropriate scope and nature of participation by the Secretary in connection with home equity conversion mortgages for elderly homeowners.

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

"(1) The terms 'elderly homeowner' and 'homeowner' mean any homeowner who is, or whose spouse is, at least 62 years of age or such higher age as the Secretary may prescribe.

"(2) The terms 'mortgage', 'mortgagee', 'mortgagor', and 'State' have the meanings given such terms in section 201.

"(3) The term 'home equity conversion mortgage' means a first mortgage which provides for future payments to the homeowner based on accumulated equity and which a housing creditor (as defined in section 803(2) of the Garn-St Germain Depository Institutions Act of 1982) is authorized to make (A) under any law of the United States (other than section 804 of such Act) or applicable agency regulations thereunder; (B) in accordance with section 804 of such Act, notwithstanding any State constitution, law, or regulation; or (C) under any State constitution, law, or regulation.

"(c) INSURANCE AUTHORITY.—The Secretary may, upon application by a mortgagee, insure any home equity conversion mortgage eligible for insurance under this section and, upon such terms and conditions as the Secretary may prescribe, make commitments for the insurance of such mortgages prior to the date of their execution or disbursement to the extent that the Secretary determines such mortgages—

"(1) have promise for improving the financial situation or otherwise meeting the special needs of elderly homeowners;

"(2) will include appropriate safeguards for mortgagors to offset the special risks of such mortgages; and

"(3) have a potential for acceptance in the mortgage market.

"(d) ELIGIBILITY REQUIREMENTS.—To be eligible for insurance under this section, a mortgage shall—

"(1) have been made to a mortgagee approved by the Secretary as responsible and able to service the mortgage properly;

"(2) have been executed by a mortgagor who—

"(A) qualifies as an elderly homeowner;

"(B) has received adequate counseling by a third party (other than the lender) as provided in subsection (f); and

"(C) meets any additional requirements prescribed by the Secretary;

"(3) be secured by a dwelling that is designed principally for a 1-family residence and is occupied by the mortgagor and that has a value not to exceed the maximum dollar amount established by the Secretary under section 203(b)(2) for a 1-family residence;

"(4) provide that prepayment, in whole or in part, may be made without penalty at any time during the period of the mortgage;

"(5) provide for a fixed or variable interest rate or future sharing between the mortgagor and the mortgagee of the appreciation in the value of the property, as agreed upon by the mortgagor and the mortgagee;

"(6) contain provisions for satisfaction of the obligation satisfactory to the Secretary;

"(7) provide that the homeowner shall not be liable for any difference between the net amount of the remaining indebtedness of the homeowner under the mortgage and the amount recovered by the mortgagee from—

"(A) the foreclosure sale; or

"(B) the insurance benefits paid pursuant to subsection (i)(1)(C); and

"(8) contain such terms and provisions with respect to insurance, repairs, alterations, payment of taxes, default reserve, delinquency charges, foreclosure proceedings, anticipation of maturity, additional and secondary liens, and other matters as the Secretary may prescribe.

"(e) DISCLOSURES BY MORTGAGEE.—The Secretary shall require each mortgagee of a mortgage insured under this section to make available to the homeowner—

"(1) at the time of the loan application, a written list of the names and addresses of third-party information sources who are approved by the Secretary as responsible and able to provide the information required by subsection (f);

"(2) at least 10 days prior to loan closing, a statement explaining the homeowner's rights, obligations, and remedies with respect to temporary absences from the home, late payments, and payment default by the lender, all conditions requiring satisfaction of the loan obligation, and any other information that the Secretary may require; and

"(3) on an annual basis (but not later than January 31 of each year), a statement summarizing the total principal amount paid to the homeowner under the loan secured by the mortgage, the total amount of deferred interest added to the principal, and the outstanding loan balance at the end of the preceding year.

"(f) INFORMATION SERVICES FOR MORTGAGORS.—The Secretary shall provide or cause to be provided by entities other than the lender the information required in subsection (d)(2)(B). Such information shall be discussed with the mortgagor and shall include—

"(1) options other than a home equity conversion mortgage that are available to the homeowner, including other housing, social service, health, and financial options;

"(2) other home equity conversion options that are or may become available to the homeowner, such as sale-leaseback financing, deferred payment loans, and property tax deferral;

"(3) the financial implications of entering into a home equity conversion mortgage;

"(4) a disclosure that a home equity conversion mortgage may have tax consequences, affect eligibility for assistance under Federal and State programs, and have an impact on the estate and heirs of the homeowner; and

"(5) any other information that the Secretary may require.

"(g) LIMITATION ON INSURANCE AUTHORITY.—No mortgage may be insured under this section after September 30, 1991, except pursuant to a commitment to insure issued on or before such date. The total number of mortgages insured under this section may not exceed 2,500. In no case may the benefits of insurance under this section exceed the maximum dollar amount established under section 203(b)(2) for a 1-family residence.

"(h) ADMINISTRATIVE AUTHORITY.—The Secretary may—

"(1) enter into such contracts and agreements with Federal, State, and local agencies, public and private entities, and such other persons as the Secretary determines to be necessary or desirable to carry out the purposes of this section; and

"(2) make such investigations and studies of data, and publish and distribute such reports, as the Secretary determines to be appropriate.

"(i) PROTECTION OF HOMEOWNER AND LENDER.—

"(1) Notwithstanding any other provision of law, and in order to further the purposes of the demonstration program authorized in this section, the Secretary shall take any action necessary—

"(A) to provide any mortgagor under this section with funds to which the mortgagor is entitled under the insured mortgage or ancillary contracts but that the mortgagor has not received because of the default of the party responsible for payment;

"(B) to obtain repayment of disbursements provided under subparagraph (A) from any source; and

"(C) to provide any mortgagee under this section with funds not to exceed the limitations in subsection (g) to which the mortgagee is entitled under the terms of the insured mortgage or ancillary contracts authorized in this section.

"(2) Actions under paragraph (1) may include—

"(A) disbursing funds to the mortgagor or mortgagee from the General Insurance Fund;

"(B) accepting an assignment of the insured mortgage notwithstanding that the mortgagor is not in default under its terms, and calculating the amount and making the payment of the insurance claim on such assigned mortgage;

"(C) requiring a subordinate mortgage from the mortgagor at any time in order to secure repayments of any funds advanced or to be advanced to the mortgagor;

"(D) requiring a subrogation to the Secretary of the rights of any parties to the transaction against any defaulting parties; and

"(E) imposing premium charges.

"(j) SAFEGUARD TO PREVENT DISPLACEMENT OF HOMEOWNER.—The Secretary may not insure a home equity conversion mortgage under this section unless such mortgage provides that the homeowner's obligation to satisfy the loan obligation is deferred until the homeowner's death, the sale of the home, or the occurrence of other events specified in regulations of the Secretary. For purposes of this subsection, the term 'homeowner' includes the spouse of a homeowner.

"(k) REPORTS TO CONGRESS.—

"(1) The Secretary shall, not later than September 30, 1989, submit an interim report to Congress describing—

"(A) design and implementation of the demonstration;

"(B) number and types of reverse mortgages written to date;

"(C) profile of participant homeowner-borrowers, including incomes, home equity, and regional distribution; and

"(D) problems encountered in implementation, including impediments associated with State or Federal laws or regulations governing taxes, insurance, securities, public benefits, banking, and any other problems in implementation that the Secretary encounters.

"(2) Not later than March 30, 1992, the Secretary shall submit to Congress a preliminary evaluation of the program authorized in this section. Such evaluation shall include an updated report on the matters referred to in paragraph (1) and shall in addition—

"(A) describe the types of mortgages appropriate for inclusion in such program;

"(B) describe any changes in the insurance programs under this title, or in other Federal regulatory provisions, determined to be appropriate;

"(C) describe any risk created under such mortgages to mortgagors and mortgagees or the insurance programs under this title, and whether the risk is adequately covered by the premiums under the insurance programs;

"(D) evaluate whether such program has improved the financial situation or otherwise met the special needs of participating elderly homeowners;

"(E) evaluate whether such program has included appropriate safeguards for mortgagors to offset the special risks of such mortgages; and

"(F) evaluate whether home equity conversion mortgages have a potential for acceptance in the mortgage markets.

"(3) The preliminary evaluation shall incorporate comments and recommendations solicited by the Secretary from the Board of Governors of the Federal Reserve System, the Secretary of Health and Human Services, the Federal Council on Aging, Federal Home Loan Bank Board, the Comptroller of the Currency, and the National Credit Union Administration Board regarding any of the matters referred to in paragraph (1) or (2).

"(4) Following submission of the preliminary evaluation, the Secretary shall, on a biennial basis, submit to the Congress an updated report and evaluation covering the period since the most recent report under this subsection and shall include analysis of the repayment of the home equity conversion mortgages under this demonstration during such period.".

(b) REGULATIONS.—The Secretary of Housing and Urban Development shall—

(1) not later than 6 months after the date of enactment of this Act, consult with lenders, insurers, and organizations and individuals with expertise in home equity conversion in developing proposed regulations implementing section 254 of the National Housing Act; and

(2) not later than 9 months after the date of the enactment of this Act, issue proposed regulations implementing section 254 of the National Housing Act.

SEC. 418. ASSURANCE OF ADEQUATE PROCESSING OF APPLICATIONS FOR LOAN AND MORTGAGE INSURANCE.

Title V of the National Housing Act (as amended by section 407 of this Act) is amended by adding at the end the following new section:

"ASSURANCE OF ADEQUATE PROCESSING OF APPLICATIONS FOR LOAN AND MORTGAGE INSURANCE

"SEC. 534. In order to ensure the adequate processing of applications for insurance of loans and mortgages under this Act, the Secretary shall maintain not less than one office in each State to carry out the provisions of this Act.".

SEC. 419. PROHIBITION OF LENDER REQUIREMENTS DISCOURAGING LOANS WITH LOWER PRINCIPAL AMOUNTS.

(a) LOAN AMOUNT OF ORIGINAL LOANS.—Title V of the National Housing Act (as amended by sections 407 and 418 of this Act) is further amended by adding at the end the following new section:

"PROHIBITION OF REQUIREMENT OF MINIMUM PRINCIPAL LOAN AMOUNT

"SEC. 535. A mortgagee or lender may not require, as a condition of providing a loan insured under this Act or secured by a mortgage insured under this Act, that the principal amount of the loan exceed a minimum amount established by the mortgagee or lender.".

(b) LOAN AMOUNT OF REFINANCINGS.—Section 223(a)(7) of the National Housing Act (as amended by section 408 of this Act) is further amended by striking "; and (B)" and inserting the following: "; (B) a mortgagee may not require a minimum principal amount to be outstanding on the loan secured by the existing mortgage; and (C)".

(c) STUDY OF OTHER LENDING PRACTICES.—During the 6-month period beginning on the date of the enactment of this Act, the Secretary of Housing and Urban Development shall conduct a study of the interest rates and discount points charged for mortgages and loans insured under the National Housing Act. The study shall be designed to identify any pattern or practice of charging higher interest rates or discount points for mortgages or loans with lower principal amounts than for mortgages or loans with the maximum principal amounts permitted for insurance under the National Housing Act. Not later than 3 months after the expiration of the 6-month period, the Secretary shall submit to the Congress a report setting forth the findings and recommendations of the Secretary.

SEC. 420. REPEAL OF REQUIREMENT TO PUBLISH PROTOTYPE HOUSING COSTS FOR 1- TO 4-FAMILY DWELLING UNITS.

The Housing and Community Development Act of 1977 is amended by striking section 904.

SEC. 421. DOUBLE DAMAGES REMEDY FOR UNAUTHORIZED USE OF MULTIFAMILY HOUSING PROJECT ASSETS AND INCOME.

(a) ACTION TO RECOVER ASSETS OR INCOME.—

(1) The Secretary of Housing and Urban Development (referred to in this section as the "Secretary") may request the Attorney General to bring an action in a United States district court to recover any assets or income used by any person in violation of (A) a regulatory agreement that applies to a multifamily project whose mortgage is insured or held by the Secretary under title II of the National Housing Act; or (B) any applicable regulation. For purposes of this section, a use of assets or income in violation of the regulatory agreement or any applicable regulation shall include any use for which the documentation in the books and accounts does not establish that the use was made for a reasonable operating expense or necessary repair of the project and has not been maintained in accordance with the requirements of the Secretary and in reasonable condition for proper audit.

(2) For purposes of a mortgage insured or held by the Secretary under title II of the National Housing Act, the term "any person" shall mean any person or entity which owns a project, as identified in the regulatory agreement, including but not limited to any stockholder holding 25 percent or more interest of a corporation that owns the project; any beneficial owner under any business or trust; any officer, director, or partner of an entity owning the project; and any heir, assignee, successor in interest, or agent of any owner.

(b) INITIATION OF PROCEEDINGS AND TEMPORARY RELIEF.—The Attorney General, upon request of the Secretary, shall have the exclusive authority to authorize the initiation of proceedings under this section. Pending final resolution of any action under this section, the court may grant appropriate temporary or preliminary relief, including restraining orders, injunctions, and acceptance of satisfactory performance bonds, to protect the interests of the Secretary and to prevent use of assets or income in violation of the regulatory agreement and any appli-

cable regulation and to prevent loss of value of the realty and personalty involved.

(c) AMOUNT RECOVERABLE.—In any judgment favorable to the United States entered under this section, the Attorney General may recover double the value of the assets and income of the project that the court determines to have been used in violation of the regulatory agreement or any applicable regulation, plus all costs relating to the action, including but not limited to reasonable attorney and auditing fees. Notwithstanding any other provision of law, the Secretary may apply the recovery, or any portion of the recovery, to the project or to the applicable insurance fund under the National Housing Act.

(d) TIME LIMITATION.—Notwithstanding any other statute of limitations, the Secretary may request the Attorney General to bring an action under this section at any time up to and including 6 years after the latest date that the Secretary discovers any use of project assets and income in violation of the regulatory agreement or any applicable regulation.

(e) CONTINUED AVAILABILITY OF OTHER REMEDIES.—The remedy provided by this section is in addition to any other remedies available to the Secretary or the United States.

SEC. 422. MISCELLANEOUS MORTGAGE INSURANCE PROVISIONS.

(a) MORTGAGE INSURANCE FOR CONDOMINIUMS.—Section 234(e)(3) of the National Housing Act is amended by inserting after "design;" the following: "except that each of the foregoing dollar amounts is increased to the amount established for a comparable unit in section 221(d)(3)(ii);".

(b) MORTGAGE INSURANCE FOR CERTAIN PROPERTIES WITHIN AN INDIAN RESERVATION.—Section 203(q)(1) of the National Housing Act is amended by striking "Secretary may" and inserting "Secretary shall".

SEC. 423. CALCULATION OF MAXIMUM MORTGAGE AMOUNT UNDER SINGLE FAMILY INSURANCE PROGRAM.

Section 203(b)(2) of the National Housing Act is amended by inserting after the first sentence the following: "For purposes of the preceding sentence, the term 'area' means a county, or a metropolitan statistical area as established by the Office of Management and Budget, whichever results in the higher dollar amount.".

SEC. 424. APPROVAL OF INDIVIDUAL RESIDENTIAL WATER PURIFICATION OR TREATMENT UNITS.

(a) IN GENERAL.—When the existing water supply does not meet the minimum property standards established by the Department of Housing and Urban Development and a permanent alternative acceptable water supply is not available, a continuous supply of water may be provided through the use of approved residential water treatment equipment or a water purification unit that provides bacterially and chemically safe drinking water.

(b) APPROVAL PROCESS.—A performance-based approval of the equipment or unit and the maintenance, monitoring, and replacement plan for such equipment or unit shall be certified by field offices of the Department of Housing and Urban Development based upon general standards recognized by the Department as modified for local or regional conditions. As a part of such approved plan, a separate monthly escrow account may be required to be established through the lender to cover the cost of the approved yearly maintenance and monitoring schedule and projected replacement of the equipment or unit.

SEC. 425. REGULATION OF RENTS IN INSURED PROJECTS.

After October 20, 1987, the Secretary of Housing and Urban Development shall control rents and charges as they were controlled prior to April 19, 1983, for any multifamily housing project insured under the National Housing Act if—

(1) the project owner and the Secretary have not executed, during the period of April 19, 1983, through October 20, 1987, an amendment to the regulatory agreement pursuant to regulations published by the Secretary on April 19, 1983, or June 4, 1986, electing to deregulate rents or utilize an alternative formula for determining the maximum allowable rents pursuant to regulations published by the Secretary on April 19, 1983, or June 4, 1986; and

(2)(A) the project was, as of October 20, 1987, receiving a housing assistance payment under a contract pursuant to section 8 of the United States Housing Act of 1937 (other than under the existing housing certificate program of section 8(b)(1) of such Act); or

(B) not less than 50 percent of the units in the project are occupied by lower income families (as defined in section 3(a)(2) of the United States Housing Act of 1937).

SEC. 426. MORTGAGE LIMITS FOR MULTIFAMILY PROJECTS.

(a) SECTION 207 LIMITS.—Section 207(c)(3) of the National Housing Act is amended—

(1) by striking out "$19,500", "$21,600", "$25,800", "$31,800", and "$36,000" and inserting in lieu thereof "$25,350", "$28,080", "$33,540", "$41,340", and "$46,800", respectively; and

(2) by striking out "$22,500", "$25,200", "$30,900", "$38,700", and "$43,758" and inserting in lieu thereof "$29,250", "$32,760", "$40,170", "$50,310", and "$56,885", respectively.

(b) SECTION 213 LIMITS.—Section 213(b)(2) of the National Housing Act is amended—

(1) by striking out "$19,500", "$21,600", "$25,800", "$31,800", and "$36,000" and inserting in lieu thereof "$25,350", "$28,080", "$33,540", "$41,340", and "$46,800", respectively; and

(2) by striking out "$22,500", "$25,200", "$30,900", "$38,700", and "$43,758" and inserting in lieu thereof "$29,250", "$32,760", "$40,170", "$50,310", and "$56,885", respectively.

(c) SECTION 220 LIMITS.—Section 220(d)(3)(B)(iii) of the National Housing Act is amended—

(1) by striking out "$19,500", "$21,600", "$25,800", "$31,800", and "$36,000" and inserting in lieu thereof "$25,350", "$28,080", "$33,540", "$41,340", and "$46,800", respectively; and

(2) by striking out "$22,500", "$25,200", "$30,900", "$38,700", and "$43,758" and inserting in lieu thereof "$29,250", "$32,760", "$40,170", "$50,310", and "$56,885", respectively.

(d) SECTION 221(d)(3) LIMITS.—Section 221(d)(3)(ii) of the National Housing Act is amended by striking out "$21,563"; "$24,862"; "$29,984"; "$38,379"; "$42,756"; "$22,692"; "$26,012"; "$31,631"; "$40,919"; and "$44,917" and inserting in lieu thereof "$28,032"; "$32,321"; "$38,979"; "$49,893"; "$55,583"; "$29,500"; "$33,816"; "$41,120"; "$53,195"; and "$58,392", respectively.

(e) SECTION 221(d)(4) LIMITS.—Section 221(d)(4)(ii) of the National Housing Act of 1934 is amended by striking out "$19,406"; "$22,028"; "$26,625"; "$33,420"; "$37,870"; "$20,962"; "$24,030"; "$29,220"; "$37,800"; and "$41,494" and inserting in lieu thereof "$25,228"; "$28,636"; "$34,613"; "$43,446"; "$49,231"; "$27,251"; "$31,239"; "$37,986"; "$49,140"; and "$53,942", respectively.

(f) SECTION 231 LIMITS.—Section 231(c)(2) of the National Housing Act is amended—

(1) by striking out "$18,450", "$20,625", "$24,630", "$29,640", and "$34,846" and inserting in lieu thereof "$23,985", "$26,813", "$32,019", "$38,532", and "$45,300", respectively; and

(2) by striking out "$20,962", "$24,030", "$29,220", "$37,800", and "$41,494" and inserting in lieu thereof "$27,251", "$31,239", "$37,986", "$49,140", and "$53,942", respectively.

(g) SECTION 234 LIMITS.—Section 234(e)(3) of the National Housing Act is amended—

(1) by striking out "$19,500", "$21,600", "$25,800", "$31,800", and "$36,000" and inserting in lieu thereof "$25,350", "$28,080", "$33,540", "$41,340", and "$46,800", respectively; and

(2) by striking out "$22,500", "$25,200", "$30,900", "$38,700", and "$43,758" and inserting in lieu thereof "$29,250", "$32,760", "$40,170", "$50,310", and "$56,885", respectively.

(h) LIMITS FOR MULTIFAMILY PROJECTS IN HIGH-COST AREAS.—Section 207(c)(3), the second proviso of section 213(b)(2), the first proviso of section 220(d)(3)(B)(iii), section 221(d)(3)(ii), section 221(d)(4)(ii), section 231(c)(2), and section 234(e)(3) of the National Housing Act are each amended by striking "not to exceed 75 per centum" and all that follows through "involved) in such an area" and inserting the following: "not to exceed 110 per centum in any geographical area where the Secretary finds that cost levels so require and by not to exceed 140 percent where the Secretary determines it necessary on a project-by-project basis, but in no case may any such increase exceed 90 percent where the Secretary determines that a mortgage purchased or to be purchased by the Government National Mortgage Association in implementing its special assistance functions under section 305 of this Act (as such section existed immediately before November 30, 1983) is involved".

SEC. 427. OPERATING LOSS LOAN INSURANCE.

Section 223(d) of the National Housing Act is amended—

(1) by inserting "(1)" after the subsection designation;

(2) by striking the first and second sentences and inserting the following:

"Notwithstanding any other provision of this Act, the Secretary is authorized to insure loans made to cover the operating losses of certain projects that have existing project mortgages insured by the Secretary. Insurance under this subsection shall be in the Secretary's discretion and upon such terms and conditions as the Secretary may prescribe, and shall be provided in accordance with the provisions of this subsection. For purposes of this subsection, the term 'operating loss' means the amount by which the sum of the taxes, interest on the mortgage debt, mortgage insurance premiums, hazard insurance premiums, and the expense of maintenance and operation of the project covered by the mortgage, exceeds the income of the project.

"(2) To be eligible for insurance pursuant to this paragraph—

"(A) the existing project mortgage (i) shall have been insured by the Secretary at any time before or after the date of enactment of the Housing and Community Development Act of 1987; and (ii) shall cover any proper-

ty, other than a property upon which there is located a 1- to 4-family dwelling;

"(B) the operating loss shall have occurred during the first 24 months after the date of completion of the project, as determined by the Secretary; and

"(C) the loan shall be in an amount not exceeding the operating loss.

"(3) To be eligible for insurance pursuant to this paragraph—

"(A) the existing project mortgage (i) shall have been insured by the Secretary at any time before or after the date of enactment of the Housing and Community Development Act of 1987; (ii) shall cover any property, other than a property upon which there is located a 1- to 4-family dwelling; and (iii) shall not cover a subsidized project, as defined by the Secretary;

"(B) the loan shall be in an amount not exceeding 80 percent of the unreimbursed cash contributions made on or after March 18, 1987, by the project owner for the use of the project, during any period of consecutive months (not exceeding 24 months) in the first 10 years after the date of completion of the project, as determined by the Secretary, except that in no event may the amount of the loan exceed the operating loss during such period;

"(C) the loan shall be made within 10 years after the end of the period of consecutive months referred to in the preceding subparagraph; and

"(D) the project shall meet all applicable underwriting and other requirements of the Secretary at the time the loan is to be made.

"(4) Any loan insured pursuant to this subsection shall (A) bear interest at such rate as may be agreed upon by the mortgagor and mortgagee; (B) be secured in such manner as the Secretary shall require; (C) be limited to a term not exceeding the unexpired term of the original mortgage; and (D) be insured under the same section as the original mortgage. The Secretary may provide insurance pursuant to paragraph (2) or (3), or pursuant to both such paragraphs, in connection with an existing project mortgage, except that the Secretary may not provide insurance pursuant to both such paragraphs in connection with the same period of months referred to in paragraphs (2)(B) and (3)(B).";; and

(3) by inserting "(5)" before "A loan" at the beginning of the undesignated paragraph at the end.

SEC. 428. INTEREST CHARGES ON TEMPORARY MORTGAGE ASSISTANCE PAYMENTS AND ASSIGNMENT OR OTHER ASSISTANCE.

Section 230(a)(5) of the National Housing Act is amended by striking the third sentence and inserting the following: "The interest rate on payments made under this subsection shall be the rate established under section 1803(c) of title 38, United States Code. The interest rate to be charged shall be determined when the Secretary approves assistance under this subsection.".

SEC. 429. MORTGAGE INSURANCE TECHNICAL AMENDMENTS.

(a) ADMINISTRATIVE PROVISIONS.—The second sentence of section 1 of the National Housing Act is amended by striking the last comma.

(b) APPLICABLITY.—Section 9 of the National Housing Act is amended by inserting the following section heading:

"APPLICABILITY".

(c) LOAN INSURANCE PROGRAMS.—Sections 203(k)(3)(B) and 241(b)(3) of the National Housing Act are amended—

(1) by striking "mortgagor" each place it appears and inserting "borrower"; and

(2) by striking "mortgagee" each place it appears and inserting "financial institution".

(d) MISCELLANEOUS HOUSING INSURANCE.—

(1) Section 223(a)(7) of the National Housing Act is amended—

(A) in the first proviso, by striking "a rate not in excess of the maximum rate prescribed under the applicable section or title of this Act" and inserting the following: "such rate as may be agreed upon by the mortgagor and the mortgagee";

(B) in the second proviso, by striking "maturity, a principal obligation, and an interest rate" and inserting the following: "maturity and a principal obligation"; and

(C) by inserting before the semicolon at the end the following: ", and shall bear interest at such rate as may be agreed upon by the mortgagor and the mortgagee".

(2) Section 223(d)(1) of the National Housing Act is amended by striking "bear interest (exclusive of premium charges for insurance) at not to exceed the per centum per annum currently permitted for mortgages insured under the section under which it is to be insured" and inserting the following: "bear interest at such rate as may be agreed upon by the mortgagor and the mortgagee".

(e) INSURANCE FOR NURSING HOMES, INTERMEDIATE CARE FACILITIES, AND BOARD AND CARE HOMES.—

(1) Section 232(b) of the National Housing Act is amended—

(A) by indenting as a separate paragraph (in the same manner as paragraph (1)) "(3) a nursing" and all that follows through "day; and";

(B) in such new paragraph (3)—

(i) by inserting "the term" after the paragraph designation; and

(ii) by striking "and" at the end;

(C) by redesignating the second paragraph (3) as paragraph (4); and

(D) by redesignating paragraph (4) as paragraph (5).

(2) Section 232(i)(2)(B) of the National Housing Act is amended to read as follows:

"(B) bear interest at such rate as may be agreed upon by the mortgagor and the mortgagee;".

(f) MULTIFAMILY ASSISTANCE.—Section 236 of such Act is amended by striking out "(h)" in the last sentence of subsection (i)(1) and inserting in lieu thereof "(f)(4)".

(g) CO-INSURANCE.—

(1) Section 244(g) of the National Housing Act is amended—

(A) by striking paragraph (2); and

(B) by redesignating paragraphs (3) through (6) as paragraphs (2) through (5), respectively.

(2) Section 244(h) of the National Housing Act is amended by striking "coinsurance" each place it appears and inserting "co-insurance".

(h) INSURANCE ON HAWAIIAN HOME LANDS.—Section 247(a)(2) of the National Housing Act is amended by striking "Mortgagor" and inserting "mortgagor".

(i) INSURANCE ON INDIAN RESERVATIONS.—Section 248 of the National Housing Act is amended—

(1) in subsection (a)(1), by striking "lands" and inserting "land";

(2) in subsection (a)(2), by striking "lands"; and

(3) in subsection (d), by striking "tribal or trust land" and inserting "trust or otherwise restricted land".

(j) SHARED APPRECIATION MORTGAGES.—Section 253 of the National Housing Act is amended—

(1) in subsection (b), by striking the fourth sentence and inserting the following: "For purposes of this section, the term 'net appreciated value' means the amount by which the sales price of the property (less the mortgagor's selling costs) exceeds the actual project cost after completion, as approved by the Secretary.";

(2) in the first sentence of subsection (c), by striking "204" and inserting "207"; and

(3) in subsection (c), by striking the last sentence and inserting the following: "The term 'original principal face amount of the mortgage' as used in section 207 shall not include the mortgagee's share of net appreciated value.".

(k) DEFENSE HOUSING FOR IMPACTED AREAS.—The first sentence of section 810(h) of the National Housing Act is amended—

(1) by striking "(exclusive of premium charges for insurance) at not to exceed the rate applicable to mortgages insured under section 207" and inserting the following: "at such rate as may be agreed upon by the mortgagor and the mortgagee"; and

(2) by striking "not to exceed the rate applicable to mortgages insured under section 203" and inserting the following: "such rate as may be agreed upon by the mortgagor and the mortgagee".

SEC. 430. RELEASE OF POOL FUNDS.

(a) SECTION 236.—Section 236 of the National Housing Act is amended by adding at the end thereof the following:

"(r) The Secretary shall, not later than 45 days after receipt of an application by the mortgagee, provide interest reduction and rental assistance payments for the benefit of projects assisted under this section whose mortgages were made by State or local housing finance agencies or State or local government agencies for a term equal to the remaining mortgage term to maturity on projects assisted under this section to the extent of—

"(1) unexpended balances of amounts of authority as set forth in certain letter agreements between the Department of Housing and Urban Development and such State or local housing finance agencies or State or local government agencies, and

"(2) existing allocation under section 236 contracts on projects whose mortgages were made by State or local housing finance agencies or State or local government agencies which are not being funded, to the extent of such excess allocation, for any purposes permitted under the provisions of this section, including without limitation rent supplement and rental assistance payment unit increases and mortgage increases for any eligible purpose under this section, including without limitation operating deficit loans.

An application shall be eligible for assistance under the previous sentence only if the mortgagee submits the application within 548 days after the effective date of this subsection, along with a certification of the mortgagee that amounts hereunder are to be utilized only for the purpose of either (A) reducing rents or rent increases to tenants, or (B) making repairs or otherwise increasing the economic viability of a related project. Unexpended balances referred to in the first sentence of this subsection which remain after disposition of all such applications is favorably concluded shall be rescinded. The calculation of the amount of assistance to be provided under an interest reduction contract pursuant to this subsection shall be made on the basis of an assumed mortgage term equal to the lesser of a 40-year amortization period or the term of that part of the mortgage which relates to the additional as-

sistance provided under this subsection, even though the additional assistance may be provided for a shorter period.".

(b) RENT SUPPLEMENT PROGRAM.—Section 101 of the Housing and Urban Development Act of 1965 is amended by adding at the end thereof the following:

"(m) The Secretary shall, not later than 45 days after receipt of an application by the mortgagee, provide interest reduction and rental assistance payments for the benefit of projects assisted under this section whose mortgages were made by State or local housing finance agencies or State or local government agencies for a term equal to the remaining mortgage term to maturity on projects assisted under this section to the extent of—

"(1) unexpended balances of amounts of authority as set forth in certain letter agreements between the Department of Housing and Urban Development and such State or local housing finance agencies or State or local government agencies, and

"(2) existing allocation under section 236 contracts on projects whose mortgages were made by State or local housing finance agencies or State or local government agencies which are not being funded, to the extent of such excess allocation, for any purposes permitted under the provisions of this section.

An application shall be eligible for assistance under the previous sentence only if the mortgagee submits the application within 548 days after the effective date of this subsection, along with a certification of the mortgagee that amounts are to be utilized hereunder for the purpose of either (A) reducing rents or rent increases to tenants, or (B) making repairs or otherwise increasing the economic viability of a related project. Unexpended balances referred to in the first sentence of this subsection which remain after disposition of all such applications is favorably concluded shall be rescinded.".

Subtitle B—Secondary Mortgage Market Programs

SEC. 441. LIMITATIONS ON CERTAIN SECONDARY MORTGAGE MARKET FEES.

(a) FEDERAL NATIONAL MORTGAGE ASSOCIATION.—Section 304 of the Federal National Mortgage Association Charter Act is amended by adding at the end the following new subsection:

"(f) Except for fees paid pursuant to section 309(g), no fee or charge may be assessed or collected by the United States (including any executive department, agency, or independent establishment of the United States) on or with regard to the purchase, acquisition, sale, pledge, issuance, guarantee, or redemption of any mortgage, asset, obligation, trust certificate of beneficial interest, or other security by the corporation. No provision of this subsection shall affect the purchase of any obligation by the Secretary of the Treasury pursuant to subsection (c).".

(b) FEDERAL HOME LOAN MORTGAGE CORPORATION.—Section 306 of the Federal Home Loan Mortgage Corporation Act is amended by adding at the end the following new subsection:

"(i) Except for fees paid pursuant to section 303(c) or 306(c), no fee or charge may be assessed or collected by the United States (including any executive department, agency, or independent establishment of the United States) on or with regard to the purchase, acquisition, sale, pledge, issuance, guarantee, or redemption of any mortgage, asset, obligation, or other security by the Corporation. No provision of this subsection shall affect the purchase of any obligation by any Federal home loan bank pursuant to section 303(a).".

SEC. 442. FNMA CUMULATIVE VOTING.

Section 303(a) of the Federal National Mortgage Association Charter Act is amended by inserting after the first sentence the following new sentence: "The corporation may eliminate such rights of cumulative voting by a resolution adopted by its board of directors and approved by the holders of a majority of the shares of common stock voting in person or by proxy at the annual meeting, or other special meeting, at which such resolution is considered.".

SEC. 443. PERMANENT AUTHORITY TO PURCHASE SECOND MORTGAGES ON SINGLE-FAMILY PROPERTIES.

(a) FEDERAL NATIONAL MORTGAGE ASSOCIATION.—Section 302(b)(5)(A)(i) of the Federal National Mortgage Association Charter Act is amended by striking "through November 15, 1987,".

(b) FEDERAL HOME LOAN MORTGAGE CORPORATION.—Section 305(a)(4)(A)(i) of the Federal Home Loan Mortgage Corporation Act is amended by striking "through November 15, 1987,".

SEC. 444. PERIOD FOR APPROVAL OF ACTIONS OF FNMA.

Section 309(i) of the Federal National Mortgage Association Charter Act is amended in the second sentence by inserting before the period at the end the following: ", but such 45-day period may not be extended for any other reason or for any period in addition to or other than such 15-day period".

SEC. 445. PROHIBITION OF LIMITATION ON FHLMC MORTGAGE OPERATIONS.

Section 305 of the Federal Home Loan Mortgage Corporation Act is amended by adding at the end the following new subsection:

"(c) The Board of Directors may not impose any annual limitation on the maximum aggregate principal amount of mortgages purchased by the Corporation.".

SEC. 446. LIMITATION ON GNMA GUARANTEES OF MORTGAGE-BACKED SECURITIES.

Section 306(g)(2) of the Federal National Mortgage Association Charter Act is amended to read as follows:

"(2) Notwithstanding any other provision of law and subject only to the absence of qualified requests for guarantees, to the authority provided in this subsection, and to any funding limitation approved in appropriation Acts, the Association shall enter into commitments to issue guarantees under this subsection in an aggregate amount of $150,000,000,000 for fiscal year 1988, and $156,000,000,000 for fiscal year 1989.".

TITLE V—COMMUNITY DEVELOPMENT AND MISCELLANEOUS PROGRAMS

Subtitle A—Community and Neighborhood Development and Preservation

SEC. 501. COMMUNITY DEVELOPMENT AUTHORIZATIONS.

(a) COMMUNITY DEVELOPMENT BLOCK GRANTS.—The second sentence of section 103 of the Housing and Community Development Act of 1974 is amended to read as follows: "There are authorized to be appropriated for purposes of assistance under sections 106 and 107 $3,000,000,000 for fiscal year 1988, and $3,090,000,000 for fiscal year 1989.".

(b) DISCRETIONARY FUND.—

(1) The first sentence of section 107(a) of the Housing and Community Development Act of 1974 is amended to read as follows: "Of the total amount provided in appropriation Acts under section 103 for fiscal years 1988 and 1989, $60,000,000 may be set aside in each year in a special discretionary fund for grants under subsection (b).".

(2) Section 107 of the Housing and Community Development Act of 1974 is amended—

(A) by redesignating subsections (c) and (d) as subsections (d) and (e), respectively; and

(B) by inserting after subsection (b) the following new subsection:

"(c) Of the amount set aside for use under subsection (b) in any fiscal year, the Secretary shall, to the extent approved in appropriation Acts, make available not less than $3,000,000 in the form of grants to institutions of higher education, either directly or through areawide planning organizations or States, for the purpose of providing assistance to economically disadvantaged and minority students who participate in community development work study programs and are enrolled in full-time graduate or undergraduate programs in community and economic development, community planning, or community management.".

(c) URBAN DEVELOPMENT ACTION GRANTS.—Section 119(a) of the Housing and Community Development Act of 1974 is amended by striking the second and last sentences and inserting the following new sentences: "There are authorized to be appropriated to carry out this section $225,000,000 for fiscal year 1988, and $225,000,000 for fiscal year 1989. Any amount appropriated under this subsection shall remain available until expended.".

SEC. 502. TARGETING OF BENEFITS TO PERSONS OF LOW AND MODERATE INCOME.

(a) PRIMARY OBJECTIVE.—Section 101(c) of the Housing and Community Development Act of 1974 is amended in the second sentence by striking "51 percent" and inserting "60 percent".

(b) SPECIFIC OBJECTIVES.—Section 101(c)(6) of the Housing and Community Development Act of 1974 is amended by striking "to attract persons of higher income".

(c) CERTIFICATION.—Section 104(b)(3) of the Housing and Community Development Act of 1974 is amended by striking "51 percent" and inserting "60 percent".

SEC. 503. CITY AND COUNTY CLASSIFICATIONS.

(a) METROPOLITAN CITY.—Section 102(a)(4) of the Housing and Community Development Act of 1974 is amended—

(1) in the second sentence, by striking "November 15, 1987" and inserting "September 30, 1989";

(2) by striking out the third sentence and inserting in lieu thereof the following: "Any unit of general local government that becomes eligible to be classified as a metropolitan city, and was not classified as a metropolitan city in the immediately preceding fiscal year, may, upon submission of written notification to the Secretary, defer its classification as a metropolitan city for all purposes under this title, if it elects to have its population included in an urban county under subsection (d). Notwithstanding the second sentence of this paragraph, a city may elect not to retain its classification as a metropolitan city for fiscal year 1988 or 1989."; and

(3) by adding at the end thereof the following new sentence: "Any city classified as a metropolitan city pursuant to the first or second sentence of this paragraph, and that no longer qualifies as a metropolitan city under such first or second sentence in a fiscal year beginning after fiscal year 1989, shall retain its classification as a metropolitan city for such fiscal year and the succeed-

ing fiscal year, except that in such succeeding fiscal year (A) the amount of the grant to such city shall be 50 percent of the amount calculated under section 106(b); and (B) the remaining 50 percent shall be added to the amount allocated under section 106(d) to the State in which the city is located and the city shall be eligible in such succeeding fiscal year to receive a distribution from the State allocation under section 106(d) as increased by this sentence.".

(b) URBAN COUNTY.—Section 102(a)(6) of the Housing and Community Development Act of 1974 is amended to read as follows:

"(6)(A) The term 'urban county' means any county within a metropolitan area which—

"(i) is authorized under State law to undertake essential community development and housing assistance activities in its unincorporated areas, if any, which are not units of general local government, and

"(ii) either—

"(I) has a population of 200,000 or more (excluding the population of metropolitan cities therein) and has a combined population of 100,000 or more (excluding the population of metropolitan cities therein) in such unincorporated areas and in its included units of general local government (which areas and units of general local government must include the areas and units of general local government which have the highest percentages of the persons of low and moderate income who reside in the county) (a) in which it has authority to undertake essential community development and housing assistance activities and which do not elect to have their population excluded, or (b) with which it has entered into cooperation agreements to undertake or to assist in the undertaking of essential community development and housing assistance activities, or

"(II) has a population in excess of 100,000, a population density of at least 5,000 persons per square mile, and contains within its boundaries no incorporated places as defined by the United States Bureau of the Census.

"(B) In order to permit an orderly transition of each county losing its classification as an urban county by reason of a decrease in population, any county classified as or deemed to be an urban county under this paragraph for purposes of receiving assistance under any section of this title for fiscal year 1983 or subsequent years shall retain such qualification for purposes of receiving such assistance through September 30, 1989, or for such longer period covered by a cooperation agreement entered into during fiscal year 1984, except that the provisions of this subparagraph shall not apply with respect to any county losing its classification as an urban county by reason of the election of any unit of general local government included in such county to have its population excluded under clause (ii)(I)(a) of subparagraph (A) or to not renew a cooperation agreement under clause (ii)(I)(b) of such subparagraph.

"(C) Notwithstanding the combined population amount set forth in clause (ii) of subparagraph (A), a county shall also qualify as an urban county for purposes of assistance under section 106 if such county—

"(i) complies with all other requirements set forth in the first sentence;

"(ii) has, according to the most recent available decennial census data, a combined population between 190,000 and 199,999, inclusive (excluding the population of metropolitan cities therein) in all its unincorporated areas that are not units of general local government and in all units of general local government located within such county;

"(iii) had a population growth rate of not less than 15 percent during the most recent 10-year period measured by applicable censuses; and

"(iv) has submitted data satisfactory to the Secretary that it has a combined population of not less than 200,000 (excluding the population of metropolitan cities therein) in all its unincorporated areas that are not units of general local government and in all units of general local government located within such county.

"(D) Such term also includes a county that—

"(i) has a current population in excess of 175,000 (exclusive of all metropolitan cities therein), with more than 50 percent of the housing units of the area unsewered and with the unsewered housing units contributing to the degradation of an aquifer that has been declared a sole source aquifer by the Environmental Protection Agency;

"(ii) has taken steps, which include at least one public referendum, to consolidate substantial public services with an adjoining metropolitan city, and in the opinion of the Secretary, has consolidated these services with the city in an effort that is expected to result in the unification of the two governments within 6 years of the date of enactment of the Housing and Community Development Act of 1987; or

"(iii) had a population between 180,000 and 200,000 on October 1, 1987, was eligible for assistance under section 119 of the Housing and Community Development Act of 1974 in fiscal year 1986, and does not contain any metropolitan cities.

"(E) Any county classified as an urban county pursuant to subparagraph (A), (B), or (C) of this paragraph, and that no longer qualifies as an urban county under such subparagraph in a fiscal year beginning after fiscal year 1989, shall retain its classification as an urban county for such fiscal year and the succeeding fiscal year, except that in such succeeding fiscal year (i) the amount of the grant to such an urban county shall be 50 percent of the amount calculated under section 106(b); and (ii) the remaining 50 percent shall be added to the amount allocated under section 106(d) to the State in which the urban county is located and the urban county shall be eligible in such succeeding fiscal year to receive a distribution from the State allocation under section 106(d) as increased by this sentence.".

(c) DEFINITION OF URBAN COUNTY FOR PURPOSES OF ALLOCATION.—Section 106(b)(2)(A)(i) of the Housing and Community Development Act of 1974 is amended by inserting before the semicolon at the end the following: "(except that, for purposes of this clause, the population of any county qualifying as an urban county under section 102(a)(6)(A)(ii)(I) shall be the population of the portion of the urban county complying with the requirements of subclause (a) or (b) of such section)".

(d) INCLUSION OF UNITS OF GENERAL LOCAL GOVERNMENT IN URBAN COUNTIES.—Section 102(d) of the Housing and Community Development Act of 1974 is amended by striking the last sentence.

SEC. 504. ELIGIBLE ACTIVITIES.

(a) ELIGIBLE ACTIVITIES.—Section 105(a)(15) of the Housing and Community Development Act of 1974 is amended by striking out "grants" both places it appears and inserting in lieu thereof "assistance".

(b) ENERGY USE STRATEGIES.—Section 105(a)(16) of such Act is amended to read as follows:

"(16) activities necessary to the development of energy use strategies related to a recipient's development goals, to assure that those goals are achieved with maximum energy efficiency, including items such as—

"(A) an analysis of the manner in, and the extent to, which energy conservation objectives will be integrated into local government operations, purchasing and service delivery, capital improvements budgeting, waste management, district heating and cooling, land use planning and zoning, and traffic control, parking, and public transportation functions; and

"(B) a statement of the actions the recipient will take to foster energy conservation and the use of renewable energy resources in the private sector, including the enactment and enforcement of local codes and ordinances to encourage or mandate energy conservation or use of renewable energy resources, financial and other assistance to be provided (principally for the benefit of low- and moderate-income persons) to make energy conserving improvements to residential structures, and any other proposed energy conservation activities;".

SEC. 505. STATEMENT OF ACTIVITIES AND REVIEW.

Section 104(a)(1) of the Housing and Community Development Act of 1974 is amended by striking out the last sentence.

SEC. 506. ALLEVIATION OF LAKEFRONT FLOODING AND EROSION.

Section 104(b)(3) of the Housing and Community Development Act of 1974 is amended—

(1) by inserting "(A)" after "except that"; and

(2) by inserting before the semicolon at the end the following: "; and (B) a grantee that borders on the Great Lakes and that experiences significant adverse financial and physical effects due to lakefront erosion or flooding may include in the projected use of funds activities that are clearly designed to alleviate the threat posed, and rectify the damage caused, by such erosion or flooding if such activities will principally benefit persons of low and moderate income and the grantee certifies that such activities are necessary to meet other needs having a particular urgency".

SEC. 507. HOUSING ASSISTANCE PLANS.

(a) HOUSING PRESERVATION.—Section 104(c)(1) of the Housing and Community Development Act of 1974 is amended—

(1) by striking "and" at the end of subparagraph (B);

(2) by striking the period at the end of subparagraph (C) and inserting "; and"; and

(3) by adding at the end the following new subparagraph:

"(D) specifies activities that will be undertaken annually to minimize displacement and preserve or expand the availability of housing for persons of low and moderate income, such as the preservation of single room occupancy housing and the development by public and private nonprofit organizations of vacant properties that become available under in rem proceedings, and specifies separately the activities that will be undertaken for persons of low income and the activities that will be undertaken for persons of moderate income.".

(b) TECHNICAL AMENDMENTS.—Section 104(c)(1) of the Housing and Community Development Act of 1974 is amended—

(1) by striking "lower income persons" each place it appears and inserting "persons of low and moderate income"; and

(2) in subparagraph (C)(ii), by striking "low-income persons" and inserting "persons of low and moderate income".

SEC. 508. CITIZEN PARTICIPATION PLAN.

Section 104(a) of the Housing and Community Development Act of 1974 is amended by striking out paragraph (2) and inserting in lieu thereof the following:

"(2) A grant under section 106 may be made only if the grantee certifies that it is following a detailed citizen participation plan which—

"(A) provides for and encourages citizen participation, with particular emphasis on participation by persons of low and moderate income who are residents of slum and blight areas and of areas in which section 106 funds are proposed to be used, and in the case of a grantee described in section 106(a), provides for participation of residents in low and moderate income neighborhoods as defined by the local jurisdiction;

"(B) provides citizens with reasonable and timely access to local meetings, information, and records relating to the grantee's proposed use of funds, as required by regulations of the Secretary, and relating to the actual use of funds under this title;

"(C) provides for technical assistance to groups representative of persons of low and moderate income that request such assistance in developing proposals with the level and type of assistance to be determined by the grantee;

"(D) provides for public hearings to obtain citizen views and to respond to proposals and questions at all stages of the community development program, including at least the development of needs, the review of proposed activities, and review of program performance, which hearings shall be held after adequate notice, at times and locations convenient to potential or actual beneficiaries, and with accommodation for the handicapped;

"(E) provides for a timely written answer to written complaints and grievances, within 15 working days where practicable; and

"(F) identifies how the needs of non-English speaking residents will be met in the case of public hearings where a significant number of non-English speaking residents can be reasonably expected to participate.

This paragraph may not be construed to restrict the responsibility or authority of the grantee for the development and execution of its community development program.".

SEC. 509. CONSERVING NEIGHBORHOODS AND HOUSING BY PROHIBITING DISPLACEMENT.

(a) IN GENERAL.—Section 104 of the Housing and Community Development Act of 1974 is amended—

(1) by redesignating subsections (d) through (j) as subsections (e) through (k), respectively; and

(2) by inserting after subsection (c) the following new subsection:

"(d)(1) A grant under section 106 or 119 may be made only if the grantee certifies that it is following a residential antidisplacement and relocation assistance plan. A grantee receiving a grant under section 106(a) or section 119 shall so certify to the Secretary. A grantee receiving a grant under section 106(d) shall so certify to the State.

"(2) The residential antidisplacement and relocation assistance plan shall in connection with an activity assisted under section 106 or 119—

"(A) in the event of such displacement, provide that—

"(i) governmental agencies or private developers shall provide within the same community comparable replacement dwellings for the same number of occupants as could have been housed in the occupied and vacant occupiable low and moderate income dwelling units demolished or converted to a use other than for housing for low and moderate income persons, except where the demolition or conversion results from code enforcement activities, and provide that such replacement housing may include existing housing assisted with project based assistance provided under section 8 of the United States Housing Act of 1937;

"(ii) such comparable replacement dwellings shall be designed to remain affordable to persons of low and moderate income for 10 years from the time of initial occupancy;

"(iii) relocation benefits shall be provided for all low or moderate income persons who occupied housing demolished or converted to a use other than for low or moderate income housing, including reimbursement for actual and reasonable moving expenses, security deposits, credit checks, and other moving-related expenses, including any interim living costs; and in the case of displaced persons of low and moderate income, provide either—

"(I) compensation sufficient to ensure that, for a 5-year period, the displaced families shall not bear, after relocation, a ratio of shelter costs to income that exceeds 30 percent; or

"(II) if elected by a family, a lump-sum payment equal to the capitalized value of the benefits available under subclause (I) to permit the household to secure participation in a housing cooperative or mutual housing association;

"(iv) relocation benefits shall be provided for low and moderate income tenants who are (or are about to be) indirectly displaced, within 18 months of the expenditure of grant funds in connection with a specified development project, as a result of increases in residential rents—

"(I) that are significantly higher and more rapid than increases in comparable sections of the city or urban county, and

"(II) of which a specified development project is a proximate cause, except that rental assistance that a grantee shall be required to provide under this clause shall be limited to amounts available, after good faith efforts of the grantee, to provide housing assistance for 5 years under section 8 of the United States Housing Act of 1937, public housing, and loan repayments from the project; and

"(v) persons displaced shall be relocated into comparable replacement housing that is—

"(I) decent, safe, and sanitary;

"(II) adequate in size to accommodate the occupants;

"(III) functionally equivalent; and

"(IV) in an area not subject to unreasonably adverse environmental conditions;

"(B) provide that persons displaced shall have the right to elect, as an alternative to the benefits under this subsection, to receive benefits under the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (42 U.S.C. 4601 et seq.) if such persons determine that it is in their best interest to do so; and

"(C) provide that where a claim for assistance under subparagraph (A)(iv) is denied by a grantee, the claimant may appeal to the Secretary in the case of a grant under section 106 or 119 or to the appropriate State official in the case of a grant under section 106(d), and that the decision of the Secretary or the State official shall be final unless a court determines the decision was arbitrary and capricious.

"(3) For purposes of paragraph (2)(A)(iv) of this subsection, the term 'specified development project' means a project assisted under section 106 or 119 which is a luxury residential project, which in the case of a rental project has rents higher than 120 percent of the section 8 existing fair market rent for the area, as determined by the Secretary, or a commercial or industrial project.".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on October 1, 1988.

SEC. 510. LIMITED NEW CONSTRUCTION OF HOUSING UNDER COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM.

Section 105(a) of the Housing and Community Development Act of 1974 is amended—

(1) by striking out "and" at the end of paragraph (17);

(2) by striking out the period at the end of paragraph (18) and inserting in lieu thereof "; and"; and

(3) by adding at the end thereof the following new paragraph:

"(19) provision of assistance to facilitate substantial reconstruction of housing owned and occupied by low and moderate income persons (A) where the need for the reconstruction was not determinable until after rehabilitation under this section had already commenced, or (B) where the reconstruction is part of a neighborhood rehabilitation effort and the grantee (i) determines the housing is not suitable for rehabilitation, and (ii) demonstrates to the satisfaction of the Secretary that the cost of substantial reconstruction is significantly less than the cost of new construction and less than the fair market value of the property after substantial reconstruction.".

SEC. 511. AVAILABILITY OF COMMUNITY DEVELOPMENT BLOCK GRANTS FOR UNIFORM EMERGENCY TELEPHONE NUMBER SYSTEMS.

Section 105(c)(2) of the Housing and Community Development Act of 1974 is amended—

(1) by inserting "(A)" after the paragraph designation;

(2) by redesignating subparagraphs (A) and (B) as clauses (i) and (ii), respectively; and

(3) by adding at the end thereof the following new subparagraph:

"(B) The requirements of subparagraph (A) do not prevent the use of assistance under this title for the development, establishment, and operation for not to exceed 2 years after its establishment of a uniform emergency telephone number system if the Secretary determines that—

"(i) such system will contribute substantially to the safety of the residents of the area served by such system;

"(ii) not less than 51 percent of the use of the system will be by persons of low and moderate income; and

"(iii) other Federal funds received by the grantee are not available for the development, establishment, and operation of such system due to the insufficiency of the amount of such funds, the restrictions on the use of such funds, or the prior commitment of such funds for other purposes by the grantee.

The percentage of the cost of the development, establishment, and operation of such a system that may be paid from assistance

under this title and that is considered to benefit low and moderate income persons is the percentage of the population to be served that is made up of persons of low and moderate income.".

SEC. 512. STATE CERTIFICATIONS FOR RECEIVING COMMUNITY DEVELOPMENT BLOCK GRANTS FOR NONENTITLEMENT AREAS.

Section 106(d)(2) of the Housing and Community Development Act of 1974 is amended—

(1) in subparagraph (C), by striking "the Governor must certify that the State" and inserting "the State must certify that it"; and

(2) in subparagraph (D), by striking "the Governor of each State" and inserting "the State".

SEC. 513. ADMINISTRATIVE EXPENSES OF STATES DISTRIBUTING FUNDS TO NONENTITLEMENT AREAS.

Section 106(d)(3)(A) of the Housing and Community Development Act of 1974 is amended by striking "$102,000" and inserting "$100,000".

SEC. 514. COMMUNITY DEVELOPMENT BLOCK GRANT LOAN GUARANTEES.

(a) LIMITATION ON COMMITMENTS.—The last sentence of section 108(a) of the Housing and Community Development Act of 1974 is amended—

(1) by striking "during fiscal year 1984"; and

(2) by striking "$225,000,000" and inserting "$150,000,000 during fiscal year 1988, and $156,150,000 during fiscal year 1989".

(b) PROHIBITION ON FEES.—Section 108 of the Housing and Community Development Act of 1974 is amended by adding at the end the following new subsection:

"(m) No fee or charge may be imposed by the Secretary or any other Federal agency on or with respect to a guarantee made by the Secretary under this section after the date of the enactment of the Housing and Community Development Act of 1987.".

(c) ELIGIBLE USES OF LOAN GUARANTEES.—Section 108(a) of the Housing and Community Development Act of 1974 is amended in the first sentence—

(1) by inserting "(1)" after "purposes of financing"; and

(2) by inserting before the period at the end the following: "; (2) housing rehabilitation; or (3) economic development activities permitted under paragraphs (14), (15), and (17) of section 105(a)".

SEC. 515. URBAN DEVELOPMENT ACTION GRANT SELECTION CRITERIA.

(a) PROJECT QUALITY CRITERIA.—Section 119(d)(1) of the Housing and Community Development Act of 1974 is amended—

(1) by inserting a dash before "(A)";

(2) by indenting subparagraphs (A) and (B) in the same manner as subparagraphs (C) and (D), as inserted by this subsection;

(3) in subparagraph (A), by striking out "as the primary criterion,";

(4) by striking out "and" at the end of subparagraph (B); and

(5) by striking out subparagraph (C) and inserting in lieu thereof the following new subparagraphs:

"(C) the following other criteria:

"(i) the extent to which the grant will stimulate economic recovery by leveraging private investment;

"(ii) the number of permanent jobs to be created and their relation to the amount of grant funds requested;

"(iii) the proportion of permanent jobs accessible to lower income persons and minorities, including persons who are unemployed;

"(iv) the extent to which the project will retain jobs that will be lost without the provision of a grant under this section;

"(v) the extent to which the project will relieve the most pressing employment or residential needs of the applicant by—

"(I) reemploying workers in a skill that has recently suffered a sharp increase in unemployment locally;

"(II) retraining recently unemployed residents in new skills;

"(III) providing training to increase the local pool of skilled labor; or

"(IV) producing decent housing for low- and moderate-income persons in cases where such housing is in severe shortage in the area of the applicant, except that an application shall be considered to produce housing for low- and moderate-income persons under this clause only if such application proposes that (a) not less than 51 percent of all funds available for the project shall be used for dwelling units and related facilities; and (b) not less than 30 percent of all funds used for dwelling units and related facilities shall be used for dwelling units to be occupied by persons of low and moderate income, or not less than 20 percent of all dwelling units made available to occupancy using such funds shall be occupied by persons of low and moderate income, whichever results in the occupancy of more dwelling units by persons of low and moderate income;

"(vi) the impact of the proposed activities on the fiscal base of the city or urban county and its relation to the amount of grant funds requested;

"(vii) the extent to which State or local Government funding or special economic incentives have been committed; and

"(viii) the extent to which the project will have a substantial impact on physical and economic development of the city or urban county, the proposed activities are likely to be accomplished in a timely fashion with the grant amount available, and the city or urban county has demonstrated performance in housing and community development programs; and

"(D) additional consideration for projects with the following characteristics:

"(i) projects to be located within a city or urban county which did not receive a preliminary grant approval under this section during the 12-month period preceding the date on which applications are required to be submitted for the grant competition involved; and

"(ii) twice the amount of the additional consideration provided under clause (i) for projects to be located in cities or urban counties which did not receive a preliminary grant approval during the 24-month period preceding the date on which applications under this section are required to be submitted for the grant competition involved.

If a city or urban county has submitted and has pending more than one application, the additional consideration provided by subparagraph (D) of the preceding sentence shall be available only to the project in such city or urban county which received the highest number of points under subparagraph (C) of such sentence.".

(b) SELECTION LIMITATIONS AND CRITERIA WEIGHT.—Section 119(d) of the Housing and Community Development Act of 1974 is amended by adding at the end thereof the following new paragraphs:

"(3) The Secretary shall award points to each application as follows:

"(A) not more than 35 points on the basis of the criteria referred to in paragraph (1)(A);

"(B) not more than 35 points on the basis of the criteria referred to in paragraph (1)(B);

"(C) not more than 33 points on the basis of the criteria referred to in paragraph (1)(C); and

"(D)(i) 1 additional point on the basis of the criterion referred to in paragraph (1)(D)(i); or

"(ii) 2 additional points on the basis of the criterion referred to in paragraph (1)(D)(ii).

"(4) The Secretary shall distribute grant funds under this section so that to the extent practicable during each funding cycle—

"(A) 65 percent of the funds is first made available utilizing all of the criteria set forth in paragraph (1); and

"(B) 35 percent of the funds is then made available solely on the basis of the factors referred to in subparagraphs (C) and (D) of paragraph (1).

"(5)(A) Within 30 days of the start of each fiscal year, the Secretary shall announce the number of competitions for grants to be held in that fiscal year. The number of competitions shall be not less than two nor more than three.".

"(B) Each competition for grants described in any clause of subparagraph (A) shall be for an amount equal to the sum of—

"(i) approximately the amount of the funds available for such grants for the fiscal year divided by the number of competitions for those funds;

"(ii) any funds available for such grants in any previous competition that are not awarded; and

"(iii) any funds available for such grants in any previous competition that are recaptured.

"(6) In an application under this subsection, an urban county may use data relating to the criteria under paragraph (1) that reflect distress conditions of census tracts within a radius of 15 miles of the proposed project and within that urban county and in metropolitan cities within that urban county, except that if any data reflecting conditions in a metropolitan city with a population of 100,000 or more are included, then data reflecting conditions in any metropolitan city with a population of 75,000 or more may be used only with the consent of that metropolitan city.".

(c) USE OF REPAID GRANT FUNDS.—Section 119(f) of the Housing and Community Development Act of 1974 is amended by adding at the end thereof the following: "In any case in which the project proposes the repayment to the applicant of the grant funds, such funds shall be made available by the applicant for economic development activities that are eligible activities under this section or section 104. The applicant shall annually provide the Secretary with a statement of the projected receipt and use of repaid grant funds during the next year together with a report acceptable to the Secretary on the use of such funds during the most recent preceding full fiscal year of the applicant.".

(d) NONDISCRIMINATION.—Section 119(r) of the Housing and Community Development Act of 1974 is amended to read as follows:

"(r) In utilizing the discretion of the Secretary when providing assistance and applying selection criteria under this section, the Secretary may not discriminate against applications on the basis of (1) the type of activity involved, whether such activity is pri-

marily housing, industrial, or commercial; or (2) the type of applicant, whether such applicant is a city or urban county.".

(e) REPORTS OF COMPTROLLER GENERAL.—

(1)(A) Not later than the expiration of the 1-year period following the date of enactment of this Act and every 3 years thereafter, the Comptroller General of the United States shall prepare and submit to the Congress a comprehensive report evaluating the eligibility standards and selection criteria applicable under section 119 of the Housing and Community Development Act of 1974.

(B) Such report shall evaluate in detail the standards and criteria specified in such section that measure the level or comparative degree of economic distress of cities and urban counties and the effect of the grants awarded on the basis of such standards and criteria on stimulating the maximum economic development activity.

(C) Such report shall also evaluate in detail the extent to which the economic and social data utilized by the Secretary in awarding grants under such section is current and accurate, and shall compare the data used by the Secretary with other available data. The Comptroller General shall make recommendations to the Congress on whether or not other data should be collected by the Federal Government in order to fairly and accurately distribute grants under such section based on the level or comparative degree of economic distress. The Comptroller General shall also make recommendations on whether or not existing data should be collected more frequently in order to ensure that timely data is used to evaluate grant applications under such section.

(2) Not later than the expiration of the 3-month period following the date of the final competition for grants for fiscal year 1988 under section 119 of the Housing and Community Development Act of 1974, the Comptroller General of the United States shall prepare and submit to the Congress a comprehensive report describing the effect of the amendments made by this section on—

(A) the targeting of grant funds to cities and urban counties having the highest level or degree of economic distress;

(B) the distribution of grant funds among regions of the United States;

(C) the number and types of projects receiving grants;

(D) the per capita funding levels for each city, urban county, or identifiable community described in subsection (p) of such section 119, receiving assistance under such section 119; and

(E) the stimulation of the maximum economic development activity.

(f) REGULATIONS.—The Secretary of Housing and Urban Development shall issue such regulations as may be necessary to carry out the amendments made by this section. Such regulations shall be published for comment in the Federal Register not later than 60 days after the date of enactment of this Act. The provisions of section 119(d)(1)(D), section 119(d)(3), and section 119(d)(4) of the Housing and Community Development Act of 1974, shall take effect on the date of enactment of this Act.

(g) APPLICABILITY.—

(1) IN GENERAL.—The amendments made by this section shall be applicable to the making of urban development action grants that have not received the preliminary approval of the Secretary of Housing and Urban Development before the date on which final regulations issued by the Secretary under subsection (f) become effective. For the fiscal year in which the amendments made by this section become applicable, such amendments shall only apply with respect to the aggregate amount awarded for such grants on or after such effective date.

(2) SUNSET OF URBAN COUNTY COMPETITION RULE.—Effective October 1, 1989, section 119(d)(6) of the Housing and Community Development Act of 1974 is repealed.

(h) LIMITATION ON GRANT AMOUNTS.—Section 119 of the Housing and Community Development Act of 1974 is amended by adding at the end thereof the following:

"(s) For fiscal years 1988 and 1989, the maximum grant amount for any project under this section is $10,000,000.".

(i) CONSIDERATION OF CERTAIN COUNTIES AS CITIES UNDER URBAN DEVELOPMENT ACTION GRANT PROGRAM.—Section 119(n)(1) of the Housing and Community Development Act of 1974 is amended by adding at the end thereof the following new sentence: "Such term also includes the counties of Kauai, Maui, and Hawaii in the State of Hawaii.".

SEC. 516. PROHIBITION ON USE OF URBAN DEVELOPMENT ACTION GRANTS FOR BUSINESS RELOCATIONS.

(a) IN GENERAL.—Section 119(h) of the Housing and Community Development Act of 1974 is amended—

(1) by inserting after the subsection designation the following: "(1) SPECULATIVE PROJECTS.—";

(2) by adding at the end of paragraph (1) (as so redesignated by paragraph (1) of this subsection) the following new sentence: "The provisions of this paragraph shall apply only to projects that do not have identified intended occupants."; and

(3) by adding at the end the following new paragraphs:

"(2) PROJECTS WITH IDENTIFIED INTENDED OCCUPANTS.—No assistance may be provided or utilized under this section for any project with identified intended occupants that is likely to facilitate—

"(A) a relocation of any operation of an industrial or commercial plant or facility or other business establishment—

"(i) from any city, urban county, or identifiable community described in subsection (p), that is eligible for assistance under this section; and

"(ii) to the city, urban county, or identifiable community described in subsection (p), in which the project is located; or

"(B) an expansion of any such operation that results in a reduction of any such operation in any city, county, or community described in subparagraph (A)(i).

"(3) SIGNIFICANT AND ADVERSE EFFECT.—The restrictions established in paragraph (2) shall not apply if the Secretary determines that the relocation or expansion does not significantly and adversely affect the employment or economic base of the city, county, or community from which the relocation or expansion occurs.

"(4) APPEAL OF ADVERSE DETERMINATION.—Following notice of intent to withhold, deny, or cancel assistance under paragraph (1) or (2), the Secretary shall provide a period of not less than 90 days in which the applicant can appeal to the Secretary the withholding, denial, or cancellation of assistance. Notwithstanding any other provision of this section, nothing in this section or in any legislative history related to the enactment of this section may be construed to permit an inference or conclusion that the policy of the Congress in the urban development action grant program is to facilitate the relocation of businesses from one area to another.

"(5) ASSISTANCE FOR INDIVIDUALS ADVERSELY AFFECTED BY PROHIBITED RELOCATIONS.—

"(A) Any amount withdrawn by, recaptured by, or paid to the Secretary due to a violation (or a settlement of an alleged violation) of this subsection (or of any regulation issued or contractual provision entered into to carry out this subsection) by a project with identified intended occupants shall be made available by the Secretary as a grant to the city, county, or community described in subsection (p), from which the operation of an industrial or commercial plant or facility or other business establishment relocated or in which the operation was reduced.

"(B)(i) Any amount made available under this paragraph shall be used by the grantee to assist individuals who were employed by the operation involved prior to the relocation or reduction and whose employment or terms of employment were adversely affected by the relocation or reduction. The assistance shall include job training, job retraining, and job placement.

"(ii) If any amount made available to a grantee under this paragraph is more than is required to provide assistance under clause (i), the grantee shall use the excess amount to carry out community development activities eligible under section 105(a).

"(C)(i) The provisions of this paragraph shall be applicable to any amount withdrawn by, recaptured by, or paid to the Secretary under this section, including any amount withdrawn, recaptured, or paid before the effective date of this paragraph.

"(ii) Grants may be made under this paragraph only to the extent of amounts provided in appropriation Acts.

"(6) DEFINITION.—For purposes of this subsection, the term 'operation' includes any plant, equipment, facility, position, employment opportunity, production capacity, or product line.

"(7) REGULATIONS.—Not later than 60 days after the date of the enactment of the Housing and Community Development Act of 1987, the Secretary shall issue such regulations as may be necessary to carry out the provisions of this subsection. Such regulations shall include specific criteria to be used by the Secretary in determining whether there is a significant and adverse effect under paragraph (3).".

(b) APPLICABILITY.—The amendments made by this section shall be applicable to urban development action grants that have not received the preliminary approval of the Secretary of Housing and Urban Development before the date of the enactment of this Act.

SEC. 517. URBAN HOMESTEADING.

(a) EXTENSIONS.—(1) Section 810(h)(1) of such Act is amended by striking out "1984 and 1985" and inserting in lieu thereof "1988 and 1989".

(2) Section 810(i)(1) of such Act is amended by striking out "1984 and 1985" and inserting in lieu thereof "1988 and 1989".

(3) Section 810(j) of such Act is amended by striking out "December 31, 1985" and inserting in lieu thereof "December 1, 1987".

(b) STATE ADMINISTRATIVE EXPENSES.—

(1) The second sentence of section 106(d)(3)(A) of the Housing and Community Development Act of 1974 is amended—

(A) by inserting immediately after "such expenses" the first time it appears the following: "and its administrative expenses under section 810 of this Act"; and

(B) by inserting immediately after "such expenses" the second time it appears the following: "under this title".

(2) Section 107(b)(4) of such Act is amended by inserting before the first semicolon the following: "and section 810 of this Act".

(c) SELECTION PROCEDURE.—

(1) Section 810(b)(2) of the Housing and Community Development Act of 1974 is amended to read as follows:

"(2) an equitable procedure for selecting recipients of homestead properties who have the capacity to make or cause to be made the repairs and improvements required under paragraph (3) of this subsection, which procedure shall—

"(A) give special priority to applicants who are 'lower income families' as defined in section 3(b)(2) of the United States Housing Act of 1937;

"(B) exclude applicants who are currently homeowners;

"(C) take into account the applicant's capacity to contribute a substantial amount of labor to the rehabilitation process, or to obtain assistance from private sources, community organizations, or other sources; and

"(D) include other reasonable selection criteria.".

(2) Section 810(b)(5) of such Act is amended by adding "and" after the semicolon.

(3) Section 810(b)(6) of such Act is amended by striking out "; and" and inserting in lieu thereof a period.

(4) Section 810(b)(7) of such Act is repealed.

(d) TRANSFER OF PROPERTY TO QUALIFIED COMMUNITY ORGANIZATIONS.—Section 810 of the Housing and Community Development Act of 1974 is amended—

(1) in subsection (a), by inserting "qualified community organization or" before "public agency designated";

(2) in subsection (b), by inserting "qualified community organization or" before "public agency designated";

(3) in subsection (b)(1), by inserting before the semicolon the following: "or in accordance with subsection (l) to qualified community organizations";

(4) in subsection (b)(3)(D), by inserting "qualified community organization or" before "public agency designated";

(5) in subsection (b)(5), by inserting "qualified community organization or" before "public agency designated";

(6) by redesignating subsection (k) as subsection (l); and

(7) by inserting after subsection (j) the following new subsection:

"(k) A unit of general local government or a State, or a public agency designated by a unit of general local government or a State, may transfer any real property that it receives under subsection (a) or purchases under subsection (i) to a qualified community organization. Qualified community organizations shall be limited to organizations that—

"(1) are incorporated and controlled by a board of directors whose members receive no compensation of any kind for the performance of their duties;

"(2) are organized exclusively for charitable, educational, scientific purposes, or the promotion of social welfare, and qualify as exempt organizations under paragraph (3) or (4) of section 501(c) of the Internal Revenue Code of 1986; and

"(3) agree to assist the applicable State or unit of general local government with the selection of homesteaders, the selection, inspection, and rehabilitation of the properties, and to perform such other functions as may be agreed between the State or unit of general local government and the qualified nonprofit organization, including the acceptance of title to property from the relevant Federal agency and the direct conveyance of the property to the homesteaders subject to the terms and conditions specified in this section.".

(e) AUTHORIZATION OF APPROPRIATIONS.—The first sentence of section 810(l) of the Housing and Community Development Act of 1974 (as so redesignated by subsection (d) of this section) is amended to read as follows: "To reimburse the housing loan funds for properties transferred pursuant to this section, and to carry out subsections (c), (g), (h), and (i), there are authorized to be appropriated $12,000,000 for fiscal year 1988, and $12,576,000 for fiscal year 1989.".

SEC. 518. REHABILITATION LOANS.

(a) EXTENSION OF LOAN AUTHORITY.—Section 312(h) of the Housing Act of 1964 is amended by striking "November 15, 1987" and inserting "September 30, 1989".

(b) PROHIBITION OF CERTAIN FEES.—Section 312(g) of the Housing Act of 1964 is amended by adding at the end the following new sentence: "No risk premium or loan fee may be imposed by or for the Secretary or any other Federal agency on or with respect to a loan made under this section after the date of the enactment of the Housing and Community Development Act of 1987.".

(c) PROHIBITION OF LOAN SALES.—Section 312 of the Housing Act of 1964 is amended by adding at the end the following new subsection:

"(l) The Secretary may not sell any loan made under this section.".

SEC. 519. LOAN CANCELLATION.

The Secretary of Housing and Urban Development shall cancel the indebtedness represented by loan number 070024914 under section 312 of the Housing Act of 1964. The obligor on such loan is relieved of all liability to the Government for the outstanding principal balance on such loan, for the amount of accrued interest on such loan, and for any other fees and charges payable in connection therewith.

SEC. 520. NEIGHBORHOOD REINVESTMENT CORPORATION.

(a) COMPOSITION OF BOARD.—Section 604 of such Act is amended—

(1) by inserting before the semicolon in subsection (a)(1) the following: "or a member of the Federal Home Loan Bank Board to be designated by the Chairman";

(2) by striking out subsection (a)(3) and inserting in lieu thereof the following: "(3) the Chairman of the Board of Governors of the Federal Reserve System, or a member of the Board of Governors of the Federal Reserve System to be designated by the Chairman,";

(3) by inserting before the semicolon in subsection (a)(4) the following: "or the appointive member of the Board of Directors of the Federal Deposit Insurance Corporation if so designated by the Chairman"; and

(4) by striking out "Administrator" in subsection (a)(6) and inserting in lieu thereof the word "Chairman"; and by inserting after "Administration" the following: "or a member of the Board of the National Credit Union Administration to be designated by the Chairman.".

(b) AUTHORIZATION OF APPROPRIATIONS.—Section 608(a) of the Neighborhood Reinvestment Corporation Act is amended to read as follows:

"(a) There are authorized to be appropriated to the corporation to carry out this title $18,300,000 for fiscal year 1988, and $18,300,000 for fiscal year 1989.".

SEC. 521. NEIGHBORHOOD DEVELOPMENT DEMONSTRATION PROGRAM.

Section 123(g) of the Housing and Urban-Rural Recovery Act of 1983 is amended to read as follows:

"(g) There are authorized to be appropriated to carry out this section $2,000,000 for fiscal year 1988, and $2,000,000 for fiscal year 1989.".

SEC. 522. PARK CENTRAL NEW COMMUNITY PROJECT.

(a) HOUSING ASSISTANCE.—Section 213 of the Housing and Community Development Act of 1974 is amended by adding at the end the following new subsection:

"(e) From budget authority made available in appropriation Acts for fiscal year 1988, the Secretary shall enter into an annual contributions contract for a term of 180 months to obligate sufficient funds to provide assistance payments pursuant to section 8(b)(1) of the United States Housing Act of 1937 on behalf of 500 lower income families from budget authority made available for fiscal year 1988, so long as such families occupy properties in the Park Central New Community Project or in adjacent areas that are recognized by the unit of general local government in which such Project is located as being included within the Park Central New Town In Town Project. If a lower income family receiving assistance payments pursuant to this subsection ceases to qualify for assistance payments pursuant to the provisions of section 8 of such Act or of this subsection during the 180-month term of the annual contributions contract, assistance payments shall be made on behalf of another lower income family who occupies a unit identified in the previous sentence.".

(b) COMMUNITY DEVELOPMENT ASSISTANCE.—Section 107(a) of the Housing and Community Development Act of 1974 is amended by adding at the end the following new sentence: "Of the amount set aside for grants under subsection (b) for fiscal year 1988, $5,000,000 shall be made available by the Secretary for purposes of grants under subsection (b)(1) for the Park Central New Community Project.".

SEC. 523. USE OF URBAN RENEWAL LAND DISPOSITION PROCEEDS AND CERTAIN OTHER COMMUNITY DEVELOPMENT FUNDS.

(a) IN GENERAL.—Notwithstanding any other provision of law or other requirement, each unit of general local government referred to in subsection (b) is authorized to retain any land disposition proceeds from the specified financially closed-out urban renewal projects not paid to the Department of Housing and Urban Development and to use such proceeds in accordance with the requirements of the community development block grant program specified in title I of the Housing and Community Development Act of 1974. Each such unit of general local government shall retain such proceeds in a lump sum and shall be entitled to retain and use, in accordance with this section, all past and future earnings from such proceeds, including any interest.

(b) APPLICABILITY.—The units of general local government and projects to which subsection (a) applies are as follows:

(1) The City of Hartford, in the State of Connecticut, with respect to the Sheldon-Charter Oak, Section A Urban Renewal Project (No. Conn. R. 77).

(2) The City of Lebanon, in the State of Pennsylvania, with respect to the Southside Urban Renewal Project (R-635(C)).

(3) The City of Richmond, in the State of Virginia, with respect to the following projects:

(A) The Washington Park Conservation Project (No. VA-A-3-1).

(B) The Fulton Redevelopment Project (No. VA-A-3-2).

(C) The George Mason Redevelopment Project (No. VA-A-3-3).

(D) The Jefferson Park Conservation Project (No. VA-A-3-4).

(E) The Randolph Redevelopment and Conservation Project (No. VAR-58).

(4) The City of Milwaukee, in the State of Wisconsin, with respect to urban renewal projects (Nos. R-1 and R-20).

(5) The Borough of East Stroudsburg, in the State of Pennsylvania, with respect to the Courtland Plaza Urban Renewal Project (No. PA-R-352).

(c) ADDITIONAL AUTHORIZATIONS.—(1) Notwithstanding any other provision of law or other requirement, the city of Nanticoke, the Borough of Plymouth, and the Borough of Forty Fort, all in the county of Luzerne and in the State of Pennsylvania, are authorized to retain any categorical settlement grant funds or urban renewal grant funds that remain after the financial closeout of the Lower Broadway Disaster Urban Renewal Project (No. B-79-UR-42-0001) in the city of Nanticoke, the Plymouth Disaster Urban Renewal Project (No. PA.R-617 and No. B-79-UR-42-0007) in the Borough of Plymouth, and the Forty Fort Disaster Urban Renewal Project (No. PA.R-613 and No. B-79-UR-42-0003) in the Borough of Forty Fort, respectively, and to use such funds in accordance with the requirements of the Community Development Block Grant Program specified in title I of the Housing and Community Development Act of 1974. The city of Nanticoke, the Borough of Plymouth, and the Borough of Forty Fort shall retain such funds in a lump sum and shall be entitled to retain and use, in accordance with this paragraph, all past and future earnings from such funds, including any interest.

(2) Notwithstanding any other provision of law or other requirement, the City of Vallejo in the State of California is authorized to retain any land disposition proceeds from the Marina Vista Urban Renewal Plan (No. CA R-14) if the City of Vallejo, or its Redevelopment Agency, will construct within the Plan Area and within the Community Development Block Grant Target Area a waterfront park of approximately 5 acres. Such proceeds shall not be deemed as income for purposes of determining the allocation of Community Development Block Grant funds to the City of Vallejo in the State of California.

SEC. 524. COMMUNITY DEVELOPMENT PROJECTS LABOR STANDARDS.

Section 110 of the Housing and Community Development Act of 1974 is amended by striking "is designed for residential use of eight or more families" and insert "contains not less than 8 units".

SEC. 525. URBAN PLANNING.

Section 702 of the Housing Act of 1954 is amended—

(1) by striking subsections (c) and (h); and

(2) by striking subsection (g) and inserting the following:

"(g) Effective upon the date of the enactment of the Housing and Community Development Act of 1987, and in accordance with such accounting and other procedures as the Secretary may prescribe, each advance made by the Secretary under this section that has any principal amount outstanding shall be forgiven. The terms and conditions of any contract, or any amendment to a contract, for such advance with respect to any promise to repay the advance shall be canceled.".

SEC. 526. COMMUNITY DEVELOPMENT TECHNICAL AMENDMENTS.

Section 123(e)(3) of the Housing and Urban-Rural Recovery Act of 1983 is amended by striking "Act" and inserting "section".

Subtitle B—Flood and Crime Insurance Programs

SEC. 541. EXTENSION OF FLOOD INSURANCE PROGRAM.

(a) GENERAL AUTHORITY.—Section 1319 of the National Flood Insurance Act of 1968 is amended by striking "November 15, 1987" and inserting "September 30, 1989".

(b) EMERGENCY IMPLEMENTATION.—Section 1336(a) of the National Flood Insurance Act of 1968 is amended by striking "November 15, 1987" and inserting "September 30, 1989".

(c) ESTABLISHMENT OF FLOOD-RISK ZONES.—Section 1360(a)(2) of the National Flood Insurance Act of 1968 is amended by striking "November 15, 1987" and inserting "September 30, 1989".

(d) LIMITATION ON PREMIUMS.—The premium rates charged for flood insurance under any program established pursuant to the National Flood Insurance Act of 1968 may not be increased during the period beginning on the date of the enactment of this Act and ending on September 30, 1989, by more than a prorated annual rate of 10 percent.

SEC. 542. EXTENSION OF CRIME INSURANCE PROGRAM.

(a) GENERAL AUTHORITY.—Section 1201(b)(1) of the National Housing Act is amended by striking "November 15, 1987" in the matter preceding subparagraph (A) and inserting "September 30, 1989".

(b) CONTINUATION OF EXISTING CONTRACTS.—Section 1201(b)(1)(A) of the National Housing Act is amended by striking "September 30, 1986" and inserting "September 30, 1990".

(c) LIMITATION ON PREMIUMS.—The premium rates charged for crime insurance under any program established pursuant to part C of title XII of the National Housing Act may not be increased during the period beginning on the date of the enactment of this Act and ending on September 30, 1989, by more than a prorated annual rate of 5 percent.

SEC. 543. STUDIES UNDER NATIONAL FLOOD INSURANCE PROGRAM.

Section 1376(c) of the National Flood Insurance Act of 1968 is amended to read as follows:

"(c) There are authorized to be appropriated for studies under this title $36,670,000 for fiscal year 1988, and such sums as may be necessary for fiscal year 1989. Any amount appropriated under this subsection shall remain available until expended.".

SEC. 544. SCHEDULE FOR PAYMENT OF FLOOD INSURANCE FOR STRUCTURES ON LAND SUBJECT TO IMMINENT COLLAPSE OR SUBSIDENCE.

(a) IN GENERAL.—Section 1306 of the National Flood Insurance Act of 1968 is amended by adding at the end the following new subsection:

"(c)(1) If any structure covered by a contract for flood insurance under this title and located on land that is along the shore of a lake or other body of water is certified by an appropriate State or local land use authority to be subject to imminent collapse or subsidence as a result of erosion or undermining caused by waves or currents of water exceeding anticipated cyclical levels, the Director shall (following final determination by the Director that the claim is in compliance with regulations developed pursuant to paragraph (6)(A)) pay amounts under such flood insurance contract for proper demolition or relocation as follows:

"(A) For proper demolition—

"(i) Following final determination by the Director, 40 percent of the value of the structure; and

"(ii) Following demolition of the structure (including any septic containment system) prior to collapse, the remaining 60 percent of the value of the structure and 10 percent of the value of the structure, or the actual cost of demolition, whichever amount is less.

"(B) For proper relocation (including removal of any septic containment system) if the owner chooses to relocate the structure—

"(i) following final determination by the Director, prior to collapse, up to 40 percent of the value of the structure;

"(ii) the total payment under this subparagraph shall not exceed the actual cost of relocation.

"(2) If any structure subject to a final determination under paragraph (1) collapses or subsides before the owner demolishes or relocates the structure and the Director determines that the owner has failed to take reasonable and prudent action to demolish or relocate the structure, the Director shall not pay more than the amount provided in subparagraph (A)(i) with respect to the structure.

"(3) For purposes of paying flood insurance pursuant to this subsection, the value of a structure shall be whichever of the following is lowest:

"(A) The fair market value of a comparable structure that is not subject to imminent collapse or subsidence.

"(B) The price paid for the structure and any improvement to the structure, as adjusted for inflation in accordance with an index determined by the Director to be appropriate.

"(C) The value of the structure under the flood insurance contract issued pursuant to this title.

"(4)(A) The provisions of this subsection shall apply to contracts for flood insurance under this title that are in effect on, or entered into after, the date of the enactment of the Housing and Community Development Act of 1987.

"(B) The provisions of this subsection shall not apply to any structure not subject to a contract for flood insurance under this title on the date of a certification under paragraph (1).

"(C) The provisions of this subsection shall not apply to any structure unless the structure is covered by a contract for flood insurance under this title—

"(i) on or before June 1, 1988;

"(ii) for a period of 2 years prior to certification under paragraph (1); or

"(iii) for the term of ownership if less than 2 years.

"(D) The provisions of this subsection shall not apply to any structure located in the area west of the groin field on the barrier island from Moriches Inlet to Shinnecock Inlet on the southern shore of Long Island of Suffolk County, New York.

"(5) For any parcel of land on which a structure is subject to a final determination under paragraph (1), no subsequent flood insurance coverage under this title or assistance under the Disaster Relief Act of 1974 (except emergency assistance essential to save lives and protect property, public health and safety) shall be available for—

"(A) any structure consisting of one to four dwelling units which is constructed or

relocated at a point seaward of the 30-year erosion setback; or

"(B) any other structure which is constructed or relocated at a point seaward of the 60-year erosion setback.

"(6)(A) The Director shall promulgate regulations and guidelines to implement the provisions of this subsection.

"(B) Prior to issuance of regulations regarding the State and local certifications pursuant to paragraph (1), all provisions of this subsection shall apply to any structure which is determined by the Director—

"(i) to otherwise meet the requirements of this subsection; and

"(ii) to have been condemned by a State or local authority and to be subject to imminent collapse or subsidence as a result of erosion or undermining caused by waves or currents of water exceeding anticipated cyclical levels.".

(b) EFFECTIVE DATE.—The amendment made by this section shall become effective on the date of the enactment of this Act.

SEC. 545. FLOOD AND CRIME INSURANCE TECHNICAL AMENDMENTS.

(a) CRIME INSURANCE PROGRAM AUTHORITY.—Section 1201(b) of the National Housing Act is amended—

(1) by striking paragraphs (2) and (3);

(2) by striking "(b)(1)" and inserting "(b)"; and

(3) by redesignating subparagraphs (A) through (C) as paragraphs (1) through (3), respectively.

(b) REINSURANCE AGREEMENTS.—Section 1222(c) of the National Housing Act is amended by striking "section 3679(a) of the Revised Statutes of the United States (31 U.S.C. 665(a))," and inserting "section 1341(a) of title 31, United States Code,".

(c) NATIONAL INSURANCE DEVELOPMENT FUND.—Section 1243(d) of the National Housing Act is amended by striking "by law (sections 102, 103, and 104 of the Government Corporation Control Act (31 U.S.C. 847-849))" and inserting "by sections 9103 and 9104 of title 31, United States Code,".

(d) NATIONAL FLOOD INSURANCE FUND.—Section 1310(e) of the National Flood Insurance Act of 1968 is amended by inserting a comma after "Code".

(e) FLOOD INSURANCE IN COLORADO RIVER FLOODWAY.—The National Flood Insurance Act of 1968 is amended by inserting the following section heading for section 1322: "COLORADO RIVER FLOODWAY".

(f) FEMA TREASURY BORROWINGS.—The third sentence of section 15(e) of the Federal Flood Insurance Act of 1956 is amended by inserting a comma after "Code".

Subtitle C—Miscellaneous Programs

SEC. 561. FAIR HOUSING INITIATIVES PROGRAM.

(a) IN GENERAL.—The Secretary of Housing and Urban Development (in this section referred to as the "Secretary") may make grants to, or (to the extent of amounts provided in appropriation Acts) enter into contracts or cooperative agreements with, State or local governments or their agencies, public or private nonprofit organizations or institutions, or other public or private entities that are formulating or carrying out programs to prevent or eliminate discriminatory housing practices, to develop, implement, carry out, or coordinate—

(1) programs or activities designed to obtain enforcement of the rights granted by title VIII of the Act of April 11, 1968 (commonly referred to as the Civil Rights Act of 1968), or by State or local laws that provide rights and remedies for alleged discriminatory housing practices that are substantially equivalent to the rights and remedies provided in such title VIII, through such appropriate judicial or administrative proceedings (including informal methods of conference, conciliation, and persuasion) as are available therefor; and

(2) education and outreach programs designed to inform the public concerning rights and obligations under the laws referred to in paragraph (1).

(b) PROGRAM ADMINISTRATION.—

(1) Not less than 30 days before providing a grant or entering into any contract or cooperative agreement to carry out activities authorized by this section, the Secretary shall submit notification of such proposed grant, contract, or cooperative agreement (including a description of the geographical distribution of such contracts) to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Banking, Finance and Urban Affairs of the House of Representatives.

(2) The Secretary shall provide to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Banking, Finance and Urban Affairs of the House of Representatives a quarterly report that summarizes the activities funded under this section and describes the geographical distribution of grants, contracts, or cooperative agreements funded under this section.

(c) REGULATIONS.—

(1) The Secretary shall issue such regulations as may be necessary to carry out the provisions of this section.

(2) The Secretary shall, for use during the demonstration authorized in this section, establish guidelines for testing activities funded under the private enforcement initiative of the fair housing initiatives program. The purpose of such guidelines shall be to ensure that investigations in support of fair housing enforcement efforts described in subsection (a)(1) shall develop credible and objective evidence of discriminatory housing practices. Such guidelines shall apply only to activities funded under this section, shall not be construed to limit or otherwise restrict the use of facts secured through testing not funded under this section in any legal proceeding under Federal fair housing laws, and shall not be used to restrict individuals or entities, including those participating in the fair housing initiatives program, from pursuing any right or remedy guaranteed by Federal law. Not later than 6 months after the end of the demonstration period authorized in this section, the Secretary shall submit to Congress the evaluation of the Secretary of the effectiveness of such guidelines in achieving the purposes of this section.

(3) Such regulations shall include provisions governing applications for assistance under this section, and shall require each such application to contain—

(A) a description of the assisted activities proposed to be undertaken by the applicant, together with the estimated costs and schedule for completion of such activities;

(B) a description of the experience of the applicant in formulating or carrying out programs to prevent or eliminate discriminatory housing practices;

(C) available information, including studies made by or available to the applicant, indicating the nature and extent of discriminatory housing practices occurring in the general location where the applicant proposes to conduct its assisted activities, and the relationship of such activities to such practices;

(D) an estimate of such other public or private resources as may be available to assist the proposed activities;

(E) a description of proposed procedures to be used by the applicant for monitoring conduct and evaluating results of the proposed activities; and

(F) any additional information required by the Secretary.

(4) Regulations issued under this subsection shall not become effective prior to the expiration of 90 days after the Secretary transmits such regulations, in the form such regulations are intended to be published, to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Banking, Finance and Urban Affairs of the House of Representatives.

(5) The Secretary shall not obligate or expend any amount under this section before the effective date of the regulations required under this subsection.

(d) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out the provisions of this section, including any program evaluations, $5,000,000 for fiscal year 1988, and $5,000,000 for fiscal year 1989, of which not more than $3,000,000 in each year shall be for the private enforcement initiative demonstration. Any amount appropriated under this section shall remain available until expended.

(e) SUNSET.—The demonstration period authorized in this section shall end on September 30, 1989.

SEC. 562. COLLECTION OF CERTAIN DATA.

(a) IN GENERAL.—To assess the extent of compliance with Federal fair housing requirements (including the requirements established under title VI of Public Law 88-352 and title VIII of Public Law 90-284), the Secretary of Housing and Urban Development and the Secretary of Agriculture shall each collect, not less than annually, data on the racial and ethnic characteristics of persons eligible for, assisted, or otherwise benefiting under each community development, housing assistance, and mortgage and loan insurance and guarantee program administered by such Secretary. Such data shall be collected on a building by building basis if the Secretary involved determines such collection to be appropriate.

(b) REPORTS TO CONGRESS.—The Secretary of Housing and Urban Development and the Secretary of Agriculture shall each include in the annual report of such Secretary to the Congress a summary and evaluation of the data collected by such Secretary under subsection (a) during the preceding year.

SEC. 563. REGULATORY AUTHORITY.

(a) DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT.—Section 7(o) of the Department of Housing and Urban Development Act is amended by adding at the end thereof the following new paragraph:

"(7) The Secretary shall include with each rule or regulation required to be transmitted to the Committees under this subsection a detailed summary of all changes required by the Office of Management and Budget that prohibit, modify, postpone, or disapprove such rule or regulation in whole or part.".

(b) FARMERS HOME ADMINISTRATION.—Section 534 of the Housing Act of 1949 is amended by adding at the end thereof the following new subsection:

"(d) The Secretary shall include with each rule or regulation required to be transmitted to the Committees under this section a detailed summary of all changes required by the Office of Management and Budget that prohibit, modify, postpone, or disapprove such rule or regulation in whole or part.".

SEC. 564. RESEARCH AND DEVELOPMENT.

Section 501 of the Housing and Urban Development Act of 1970 is amended by striking the second and third sentences and inserting the following: "There are authorized to be appropriated to carry out this title $17,000,000 for fiscal year 1988, and $17,918,000 for fiscal year 1989.".

SEC. 565. HOME MORTGAGE DISCLOSURE.

(a) APPLICABILITY TO MORTGAGE BANKING AFFILIATES.—

(1) Section 303(2) of the Home Mortgage Disclosure Act of 1975 is amended—

(A) by striking "or" the first place it appears; and

(B) by inserting before the semicolon at the end the following: ", mortgage banking subsidiary of a bank holding company or savings and loan holding company, or savings and loan service corporation that originates or purchases mortgage loans".

(2) Section 304 of the Home Mortgage Disclosure Act of 1975 is amended by adding at the end the following new subsection:

"(g) The requirements of subsections (a) and (b) shall not apply with respect to mortgage loans that are—

"(1) made by any mortgage banking subsidiary of a bank holding company or savings and loan holding company or by any savings and loan service corporation that originates or purchases mortgage loans; and

"(2) approved by the Secretary for insurance under title I or II of the National Housing Act.".

(3) The first sentence of section 311 of the Home Mortgage Disclosure Act of 1975 is amended by inserting after "306(b)" the following: "(and for each mortgagee making mortgage loans exempted under section 304(g))".

(4) The amendments made by this subsection shall be applicable to calendar years beginning after December 31, 1986.

(b) PERMANENT EXTENSION OF GENERAL AUTHORITY.—The Home Mortgage Disclosure Act of 1975 is amended by striking section 312.

SEC. 566. LEAD-BASED PAINT POISONING PREVENTION.

(a) DETECTION AND ABATEMENT PROCEDURES.—Section 302 of the Lead-Based Paint Poisoning Prevention Act is amended—

(1) by inserting after the section designation the following: "(a) GENERAL REQUIREMENTS.—";

(2) in the second sentence, by striking "housing constructed prior to 1950" and inserting the following: "housing constructed or substantially rehabilitated prior to 1978";

(3) in clause (1) of the second sentence, by striking "paint which may contain lead and to which children may be exposed" and inserting the following: "accessible intact, intact, and nonintact interior and exterior painted surfaces that may contain lead in any such housing in which any child who is less than 7 years of age resides or is expected to reside";

(4) in clause (2) of the second sentence, by inserting after "notification" the following: "(using a brochure developed after consultation with the National Institute of Building Sciences)";

(5) by striking the third sentence; and

(6) by adding at the end the following new subsections:

"(b) MEASUREMENT CRITERIA.—The procedures established by the Secretary under this section for the detection and abatement of lead-based paint poisoning hazards in any housing—

"(1) shall be based upon criteria that measure the condition of the housing; and

"(2) shall not be based upon criteria that measure the health of the residents of the housing.

"(c) INSPECTION REQUIREMENTS.—The Secretary shall require the inspection of all intact and nonintact interior and exterior painted surfaces of housing subject to this section for lead-based paint using an approved x-ray fluorescence analyzer or comparable approved sampling or testing technique. A qualified inspector shall certify in writing the precise results of the inspection. If the results equal or exceed a level of 1.0 milligrams per centimeter squared, the results shall be provided to any potential purchaser or tenant of the housing. The Secretary shall periodically review and reduce the level below 1.0 milligram per centimeter squared to the extent that reliable technology makes feasible the detection of a lower level and medical evidence supports the imposition of a lower level. The requirements of this subsection shall apply as provided in subsection (d).

"(d) ABATEMENT REQUIRED.—

"(1) SECTION 8 AND PUBLIC HOUSING.—In the case of housing assisted under section 8 of the United States Housing Act of 1937 and public housing assisted under such Act, the Secretary shall require the inspection described in subsection (c) for—

"(A) each vacant dwelling prior to rerenting;

"(B) a random sample of all occupied dwellings; and

"(C) each dwelling in any housing in which there is a dwelling determined under subparagraph (A) or (B) to have lead-based paint hazards.

The Secretary shall require the inspection of all housing subject to this paragraph prior to the expiration of 5 years from the date of the publication of final regulations pursuant to this subsection. The Secretary shall prioritize, within such 5-year period, inspections on the basis of vacancy, age of housing, or projected modernization or rehabilitation. The Secretary shall require abatement to eliminate the lead-based paint poisoning hazards in housing in which the test results equal or exceed the standard established by or under subsection (c). Final inspection and certification after abatement shall be made by a qualified inspector.

"(2) HUD-OWNED PROPERTIES.—

"(A) ABATEMENT DEMONSTRATION PROGRAM.—In carrying out the requirements of this subsection with respect to single-family and multifamily properties owned by the Department of Housing and Urban Development, the Secretary shall utilize a sufficient variety of abatement methods in a sufficient number of areas and circumstances to demonstrate their relative cost-effectiveness and their applicability to various types of housing.

"(B) REPORT.—Not later than 18 months after the effective date of the regulations issued to carry out this subsection, the Secretary shall transmit to the Congress the findings and recommendations of the Secretary as a result of the demonstration program, including any recommendations of the Secretary for legislation to revise the requirements of this subsection. In preparing such report, the Secretary shall examine—

"(i) the most reliable technology available for detecting lead-based paint;

"(ii) the most efficient and cost-effective methods for abatement;

"(iii) safety considerations in testing;

"(iv) the overall accuracy and reliability of laboratory testing of physical samples, x-ray fluorescence machines, and other available testing procedures;

"(v) availability of qualified samplers and testers; and

"(vi) an estimate of the amount, characteristics, and regional distribution of housing in the United States that contains lead-based paint hazards at differing levels of contamination.

"(3) PRIVATELY OWNED HOUSING.—

"(A) REPORT REQUIRED.—Not later than 9 months after completion of the demonstration required by paragraph (2), the Secretary shall, based on the demonstration, prepare and transmit to the Congress, a comprehensive and workable plan, including any recommendations for changes in legislation, for the prompt and cost effective inspection and abatement of privately owned single family and multifamily housing.

"(B) PRE-SALE INSPECTIONS.—If the report required by subparagraph (A) is not submitted within the period specified in such subparagraph, the Secretary shall require inspection and abatement prior to sale to eliminate lead-based paint poisoning hazards where test results equal or exceed the level established in or under subsection (c) for all housing which is or will be security for a real property loan originated or assigned to a lender. For the purpose of the preceding sentence, the terms 'lender' and 'real property loan' have the meanings given by paragraphs (2) and (3), respectively, of section 341(a) of the Garn-St Germain Depository Institutions Act of 1982. Final inspection and certification after abatement shall be made by a qualified inspector.

"(e) EXCEPTIONS.—The provisions of this section shall not apply to—

"(1) housing for the elderly or handicapped, except for any dwelling in such housing in which any child who is less than 7 years of age resides or is expected to reside;

"(2) any project for which an application for insurance is submitted under section 231, 232, 241, or 242 of the National Housing Act; or

"(3) any 0-bedroom dwelling.

"(f) FUNDING.—The Secretary is expected to continue carrying out the provisions of this section utilizing available Federal funding sources.".

(b) REGULATIONS.—

(1) PROPOSED REGULATIONS.—Not later than the expiration of the 60-day period following the date of the enactment of this Act, the Secretary of Housing and Urban Development shall publish proposed regulations to carry out the amendments made by this section.

(2) FINAL REGULATIONS.—The Secretary shall publish final regulations to carry out the amendments made by this section, which shall become effective not later than the expiration of the 120-day period following the date of the enactment of this Act.

(3) REQUIRED CONSULTATIONS.—Before issuing proposed regulations under this subsection, the Secretary shall consult with—

(A) the National Institute of Building Sciences and the National Bureau of Standards with respect to the most cost-effective methods of detecting and abating lead-based paint poisoning hazards; and

(B) public housing agencies to develop a cost-efficient plan for detecting and abating lead-based paint poisoning hazards in dwelling assisted under section 8 of the United States Housing Act of 1937 and dwellings in public housing assisted under such Act.

SEC. 567. MEDIAN AREA INCOME.

For purposes of calculating the median income for any area that is not within a

metropolitan statistical area (as established by the Office of Management and Budget) for programs under title I of the Housing and Community Development Act of 1974, the United States Housing Act of 1937, the National Housing Act, or title V of the Housing Act of 1949, the Secretary of Housing and Urban Development or the Secretary of Agriculture (as appropriate) shall use whichever of the following is higher:

(1) the median income of the county in which the area is located; or

(2) the median income of the entire nonmetropolitan area of the State.

SEC. 568. SOLAR ENERGY AND ENERGY CONSERVATION BANK.

(a) EXTENSION OF BANK.—Section 505(a) of the Solar Energy and Energy Conservation Bank Act is amended by striking "1987" and inserting "1989".

(b) AUTHORIZATION OF APPROPRIATIONS.—Section 522(a) of the Solar Energy and Energy Conservation Bank Act is amended by striking "fiscal year 1985" and inserting "fiscal years 1988 and 1989".

SEC. 569. MANUFACTURED HOUSING CONSTRUCTION AND SAFETY STANDARDS.

Section 604 of the National Manufactured Housing Construction and Safety Standards Act of 1974 is amended by adding at the end the following new subsection:

"(i)(1) The Federal manufactured home construction and safety standards established by the Secretary under this section shall include preemptive energy conservation standards in accordance with this subsection.

"(2) The energy conservation standards established under this subsection shall be cost-effective energy conservation performance standards designed to ensure the lowest total of construction and operating costs.

"(3) The energy conservation standards established under this subsection shall take into consideration the design and factory construction techniques of manufactured homes and shall provide for alternative practices that result in net estimated energy consumption equal to or less than the specified standards.".

SEC. 570. NULLIFICATION OF RIGHT OF REDEMPTION OF SINGLE-FAMILY MORTGAGORS.

Section 204 of the National Housing Act is amended by adding at the end the following new subsection:

"(l)(1) Whenever the Secretary or a contract mortgagee (pursuant to its contract with the Secretary) forecloses on a Secretary-held single family mortgage in any Federal or State court or pursuant to a power of sale in a mortgage, the purchaser at the foreclosure sale shall be entitled to receive a conveyance of title to, and possession of, the property, subject to the interests senior to the interests of the Secretary or the contract mortgagee, as the case may be. Notwithstanding any State law to the contrary, there shall be no right of redemption (including in all instances any right to possession based upon any right of redemption) in the mortgagor or any other person subsequent to the foreclosure sale in connection with a Secretary-held single family mortgage. The appropriate State official or the trustee, as the case may be, shall execute and deliver a deed or other appropriate instrument conveying title to the purchaser at the foreclosure sale, consistent with applicable procedures in the jurisdiction and without regard to any such right of redemption.

"(2) The following actions shall be taken in order to verify title in the purchaser at the foreclosure sale:

"(A) In the case of a judicial foreclosure in any Federal or State court, there shall be included in the petition and in the judgment of foreclosure a statement that the foreclosure is in accordance with this subsection and that there is no right of redemption in the mortgagor or any other person.

"(B) In the case of a foreclosure pursuant to a power of sale provision in the mortgage, the statement required in subparagraph (A) shall be included in the advertisement of the sale and either in the recitals of the deed or other appropriate instrument conveying title to the purchaser at the foreclosure sale or in an affidavit or addendum to the deed.

"(3) For purposes of this subsection:

"(A) The term 'contract mortgagee' means a person or entity under a contract with the Secretary that provides for the assignment of a single-family mortgage from the Secretary to the person or entity for the purpose of pursuing foreclosure.

"(B) the term 'mortgage' means a deed of trust, mortgage, deed to secure debt, security agreement, or any other form of instrument under which any interest in property, real, personal, or mixed, or any interest in property, including leaseholds, life estates, reversionary interests, and any other estates under applicable State law, is conveyed in trust, mortgaged, encumbered, pledged, or otherwise rendered subject to a lien, for the purpose of securing the payment of money or the performance of an obligation.

"(C) The term 'Secretary-held single family mortgage' means a single-family mortgage held by the Secretary or by a contract mortgagee at the time of initiation of foreclosure that—

"(i) was formerly insured by the Secretary under any section of this title; or

"(ii) was taken by the Secretary as a purchase money mortgage in connection with the sale or other transfer of Secretary-owned property under any section of this title.

"(D) The term 'single-family mortgage' means a mortgage that covers property on which is located a 1-to-4 family residence.".

SEC. 571. MISCELLANEOUS PROGRAMS TECHNICAL AMENDMENTS.

(a) HUD ADMINISTRATIVE PROVISIONS.—

(1) Section 502(a) of the Housing Act of 1948 is amended by striking the fourth sentence.

(2) Section 502(b) of the Housing Act of 1948 is amended—

(A) by striking "United States Housing Authority" each place it appears and inserting "Secretary of Housing and Urban Development"; and

(B) by striking "the Authority" each place it appears and inserting "the Secretary of Housing and Urban Development".

(3) Section 502(c)(2) of the Housing Act of 1948 is amended by adding "and" at the end.

(b) ANNUAL REPORT OF SECRETARY.—Section 802 of the Housing Act of 1954 is amended by inserting the following section heading:

"ANNUAL REPORT OF SECRETARY".

(c) ENERGY CONSERVATION IN NEW BUILDINGS.—Section 303(11) of the Energy Conservation Standards for New Buildings Act of 1976 is amended by striking "Secretary of Housing and Urban Development" and inserting "Secretary of Energy".

(d) WEATHERIZATION ASSISTANCE.—Section 412(9)(G) of the Energy Conservation in Existing Buildings Act of 1976 is amended by striking the first comma after "determine".

(e) SOLAR ENERGY AND ENERGY CONSERVATION BANK.—Sections 506(f)(1), 509(b)(2)(E), 509(c), 515(b)(1)(A)(iii), 515(b)(1)(B), 515(b)(1)(C)(ii), 515(b)(1)(D), and 515(b)(2) of the Solar Energy and Energy Conservation Bank Act are amended—

(1) by striking "section 38" each place it appears and inserting "section 23";

(2) by striking "section 44C" each place it appears and inserting "section 38"; and

(3) by striking "Internal Revenue Code of 1954" each place it appears and inserting "Internal Revenue Code of 1986".

(f) NATIONAL INSTITUTE OF BUILDING SCIENCES.—

(1) Section 809(g)(4) of the Housing and Community Development Act of 1974 is amended by striking "and its" and inserting "of its".

(2) Section 809(h) of the Housing and Community Development Act of 1974 is amended by striking "preceeding" in the last sentence and inserting "preceding".

(g) REAL ESTATE SETTLEMENT PROCEDURES.—Section 8(c)(5) of the Real Estate Settlement Procedures Act of 1974 is amended by striking "clause 4(B)" and inserting "clause (4)(B)".

(h) HOME MORTGAGE DISCLOSURE.—Section 304(a)(1) of the Home Mortgage Disclosure Act of 1975 is amended by striking "at at" and inserting "at".

(i) STEWART B. MCKINNEY HOMELESS ASSISTANCE ACT.—(1) Section 422(1) of the Stewart B. McKinney Homeless Assistance Act is amended by inserting "governmental entity," after "urban county,".

(2) Section 431(1) of such Act is amended by inserting "governmental entity," after "urban county,".

SEC. 572. USE OF AMERICAN MATERIALS AND PRODUCTS.

In the administration of housing assistance programs, the Secretary of Housing and Urban Development shall encourage the use of materials and products mined and produced in the United States.

SEC. 573. STUDY OF VOLUNTARY STANDARDS FOR MODULAR HOMES.

(a) IN GENERAL.—In order to facilitate the construction and delivery of housing, the National Institute of Building Sciences shall prepare and submit to the Congress not later than 6 months after the date of the enactment of this Act a report describing feasible alternative systems for implementing one or more voluntary preemptive national codes for modular housing, including the method for inspecting the structures to ensure compliance with the selected code or set of codes. Such codes may be national model codes and shall provide for periodic upgrading through recognized model code development procedures and the development of modular housing standards for construction, design, and performance that ensure quality, durability, and safety and are in accordance with life-cycle cost-effective energy conservation standards established by the Secretary of Housing and Urban Development and designed to ensure the lowest total construction and operating costs over the estimated life of such housing.

(b) DEFINITION.—For purposes of this section, the term "modular housing" means factory-built single-family and multifamily housing (including closed wall panelized housing) not subject to the requirements of the National Manufactured Housing Construction and Safety Standards Act of 1974.

(c) GRANT.—From amounts appropriated pursuant to section 501 of the Housing and Urban Development Act of 1970, the Secretary of Housing and Urban Development shall make a grant to the National Institute of Building Sciences in an amount not to exceed $50,000 to cover the cost of the report under this section.

TITLE VI—NEHEMIAH HOUSING OPPORTUNITY GRANTS

SEC. 601. STATEMENT OF PURPOSE.

It is the purpose of this title—

(1) to encourage homeownership by families in the United States who are not otherwise able to afford homeownership;

(2) to undertake a concentrated effort to rebuild the depressed areas of the cities of the United States and to create sound and attractive neighborhoods; and

(3) to increase the employment of neighborhood residents.

SEC. 602. DEFINITIONS.

For purposes of this title:

(1) The term "Fund" means the Nehemiah Housing Opportunity Fund established in section 609(a).

(2) The term "home" means any 1- to 4-family dwelling. Such term includes any dwelling unit in a condominium project or cooperative project consisting of not more than 4 dwelling units, any town house, and any manufactured home.

(3) The term "lower income families" has the meaning given such term in section 3(b)(2) of the United States Housing Act of 1937.

(4) The term "metropolitan statistical area" means a metropolitan statistical area as established by the Office of Management and Budget.

(5) The term "nonprofit organization" means a private nonprofit corporation, or other private nonprofit legal entity, that is approved by the Secretary as to financial responsibility.

(6) The term "Secretary" means the Secretary of Housing and Urban Development.

(7) The term "State" means each of the several States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, American Samoa, the Northern Mariana Islands, the Trust Territory of the Pacific Islands, and any other territory or possession of the United States.

(8) The term "substantial rehabilitation" means—

(A) rehabilitation involving costs in excess of 60 percent of the maximum sale price of a home assisted under this title in the market area in which it is located; or

(B) the rehabilitation of a vacant, uninhabitable structure.

(9) The term "unit of general local government" means any borough, city, county, parish, town, township, village, or other general purpose political subdivision of a State.

SEC. 603. ASSISTANCE TO NONPROFIT ORGANIZATIONS.

(a) IN GENERAL.—The Secretary may provide assistance to nonprofit organizations to carry out Nehemiah housing opportunity programs in accordance with the provisions of this title. Such assistance shall be made in the form of grants.

(b) APPLICATIONS.—Applications for assistance under this title shall be made in such form, and in accordance with such procedures, as the Secretary may prescribe.

SEC. 604. USE OF ASSISTANCE.

(a) IN GENERAL.—Any nonprofit organization receiving assistance under this title shall use such assistance to provide loans to families purchasing homes constructed or substantially rehabilitated in accordance with a Nehemiah housing opportunity program approved under this title.

(b) SPECIFIC REQUIREMENTS.—Each loan made to a family under this section shall—

(1) be secured by a second mortgage held by the Secretary on the property involved;

(2) be in an amount not exceeding $15,000;

(3) bear no interest; and

(4) be repayable to the Secretary upon the sale, lease, or other transfer of such property.

SEC. 605. PROGRAM REQUIREMENTS.

(a) IN GENERAL.—Assistance provided under this title may be used only in connection with a Nehemiah housing opportunity program of construction or substantial rehabilitation of homes.

(b) FAMILY NEED.—Each family purchasing a home under this title shall—

(1) have a family income on the date of such purchase that is not more than whichever of the following is higher:

(A) the median income for a family of 4 persons in the metropolitan statistical area involved or, in the case of not more than 30 percent of the families in any project, 115 percent of such median income; or

(B) the national median income for a family of 4 persons; and

(2) not have owned a home during the 3-year period preceding such purchase.

(c) DOWNPAYMENT.—

(1) Each family purchasing a home under this title shall make a downpayment of not less than 10 percent of the sale price of such home unless—

(A) the nonprofit organization determines a higher downpayment to be appropriate; or

(B) the first mortgage on the home is held by a State or unit of general local government under a home loan program of the State or unit of general local government, and the program provides for a lower downpayment.

(2) Any downpayment made under this subsection shall accrue interest from the date on which such downpayment is made through the date of settlement, at a rate not less than the passbook rate. Such interest shall be paid by the nonprofit organization involved to the family purchasing the home for which such downpayment was made.

(d) LEASING PROHIBITION.—No family purchasing a home under this title may lease such home.

SEC. 606. TERMS AND CONDITIONS OF ASSISTANCE.

(a) LOCAL CONSULTATION.—No proposed Nehemiah housing opportunity program may be approved by the Secretary under this title unless the nonprofit organization involved demonstrates to the satisfaction of the Secretary that—

(1) it has consulted with and received the support of residents of the neighborhood in which such program is to be located; and

(2) it has the approval of each unit of general local government in which such program is to be located.

(b) PROGRAM SCHEDULE.—Each nonprofit organization applying for assistance under this title shall submit to the Secretary an estimated schedule for completion of its proposed Nehemiah housing opportunity program, which schedule shall have been agreed to by each unit of general local government in which such program is to be located.

(c) MINIMUM PARTICIPATION.—No nonprofit organization receiving assistance under this title may commence any construction or substantial rehabilitation (except with respect to homes to be constructed or substantially rehabilitated for the purpose of display) until not less than 25 percent of the homes to be constructed or substantially rehabilitated are contracted for sale to purchasers who intend to live in such homes and the required downpayments are made.

(d) FINANCIAL FEASIBILITY.—The Secretary may not provide any assistance under this title to any nonprofit organization unless such nonprofit organization demonstrates the financial feasibility of its proposed Nehemiah housing opportunity program, including the availability of non-Federal public and private funds.

(e) HOME QUALITY AND LOCATION.—A Nehemiah housing opportunity program may be approved under this title only if it provides that—

(1) the number of homes to be constructed or substantially rehabilitated under such program will not be less than whichever of the following is less:

(A) the greater of (i) 50 homes; or (ii) 0.25 percent of the number of existing dwelling units in the unit of general local government that provides the most assistance to such program; or

(B) 250 homes;

except that the Secretary may waive the requirements of this paragraph for any unit of general local government if the Governor of the State or the unit of general local government requests such waiver and certifies with supporting documentation that such requirements will prevent the State or the unit of general local government from being able to use such program effectively;

(2) each home constructed or substantially rehabilitated under such program will comply with—

(A)(i) applicable local building code standards;

(ii) in any case in which there is not an applicable local building code, a nationally recognized model building code mutually agreed upon by the sponsoring nonprofit organization and the Secretary; or

(iii) in the case of a manufactured home, the standards prescribed pursuant to title VI of the Housing and Community Development Act of 1974 and the installation, structural, and site requirements that would apply under title II of the National Housing Act; and

(B) the energy performance requirements established under section 526 of the National Housing Act or, in the case of manufactured housing, the energy conservation requirements prescribed in accordance with section 203(b) of the National Housing Act;

(3) all homes constructed or substantially rehabilitated under such program will be located in census tracts, or identifiable neighborhoods within census tracts, in which the median family income is not more than 80 percent of the median family income of the area in which such program is to be located, as such median family income and area are determined for purposes of assistance under section 8 of the United States Housing Act of 1937;

(4) all homes constructed or substantially rehabilitated under such program will be concentrated in a single neighborhood and located on contiguous parcels of land, except that homes may be constructed or substantially rehabilitated in up to 4 identifiable neighborhoods that each consist of contiguous parcels of land if—

(A) the unit of general local government in which the project is located certifies that land cannot be made available in a single neighborhood for a program of the size required by paragraph (1);

(B) the nonprofit organization submits evidence satisfactory to the Secretary that construction or substantial rehabilitation in more than 1 identifiable neighborhood will result in cost reductions through economies of scale comparable to the cost reductions achieved by other programs eligible for assistance under this title; and

(C) the nonprofit organization submits evidence satisfactory to the Secretary that

the program, by itself or together with improvement efforts that are or will be undertaken in the identifiable neighborhoods by the unit of general local goverment or private entities, will result in a substantial improvement in the overall quality and long-term viability of the neighborhoods; and

(5) sales contracts entered into under such program will contain provisions requiring repayment of any loan made under this title upon the sale or other transfer of the home involved, unless the Secretary approves a transfer of such home without repayment (in which case the second mortgage held by the Secretary on such home shall remain in force until such loan is fully repaid).

SEC. 607. PROGRAM SELECTION CRITERIA.

(a) IN GENERAL.—In selecting Nehemiah housing opportunity programs for assistance under this title from among eligible programs, the Secretary shall make such selection on the basis of the extent to which—

(1) non-Federal public or private entities will contribute land necessary to make each program feasible;

(2) non-Federal public and private financial or other contributions (including tax abatements, waivers of fees related to development, waivers of construction, development, or zoning requirements, and direct financial contributions) will reduce the cost of homes constructed or substantially rehabilitated under each program;

(3) each program will produce the greatest number of units for the least amount of assistance provided under this title, taking into consideration the cost differences among different market areas;

(4) each program is located in a neighborhood of severe physical and economic blight (and, in determining the degree of physical blight, the Secretary shall consider the condition of the housing, other buildings, and infrastructure, in the neighborhood of the proposed program);

(5) each program uses construction methods that will reduce the cost per square foot below the average construction cost in the market area involved; and

(6) each program provides for the involvement of local residents in the planning, and construction or substantial rehabilitation, of homes.

(b) EXCEPTION.—To the extent that non-Federal public entities are prohibited by the law of any State from making any form of contribution described in paragraph (1) or (2) of subsection (a), the Secretary shall not consider such form of contribution in evaluating such program.

SEC. 608. DISTRIBUTION OF ASSISTANCE TO NONPROFIT ORGANIZATIONS.

(a) RESERVATION OF AMOUNTS.—Following the selection of any Nehemiah housing opportunity program for assistance under this title, the Secretary shall reserve sufficient amounts in the Nehemiah Housing Opportunity Fund for such assistance.

(b) DISTRIBUTION OF ASSISTANCE.—Following the sale of any home constructed or substantially rehabilitated under a Nehemiah housing opportunity program selected for assistance under this title, the Secretary shall provide to the sponsoring nonprofit organization an amount equal to the amount of the loan made to the family purchasing such home. Such amount shall be provided not more than 30 days after the sale of such home.

(c) MAXIMUM ASSISTANCE.—The assistance provided to any nonprofit organization under this title may not exceed $15,000 per home.

SEC. 609. NEHEMIAH HOUSING OPPORTUNITY FUND.

(a) ESTABLISHMENT.—There is established in the Treasury of the United States a revolving fund, to be known as the Nehemiah Housing Opportunity Fund. The Fund shall be available to the Secretary, to the extent approved in appropriation Acts, for purposes of providing assistance under section 603.

(b) ASSETS.—The Fund shall consist of—

(1) any amount appropriated under section 612;

(2) any amount received by the Secretary under section 604(b)(4); and

(3) any amount received by the Secretary under subsection (c).

(c) ADMINISTRATION.—Any amount in the Fund determined by the Secretary to be in excess of the amount currently required to carry out the provisions of this title shall be invested by the Secretary in obligations of, or obligations guaranteed as to both principal and interest by, the United States or any agency of the United States.

SEC. 610. ANNUAL REPORT.

The Secretary shall annually prepare and submit to the Congress a comprehensive report setting forth the activities carried out under this title. Such report shall include—

(1) an analysis of the characteristics of the families assisted under this title during the preceding year, including family size, number of children, family income, sources of family income, race, age, and sex;

(2) an analysis of the market value of homes purchased under this title during the preceding year;

(3) an analysis of the non-Federal public and private financial or other contributions made during the preceding year to reduce the cost of homes constructed or substantially rehabilitated under each program;

(4) an analysis of the sales prices of homes under this title during the preceding year;

(5) an analysis of the amounts of the grants made to programs under this title during the preceding year; and

(6) any recommendations of the Secretary for modifications in the program established by this title in order to ensure the effective implementation of such program.

SEC. 611. REGULATIONS.

The Secretary shall issue such regulations as may be necessary to carry out the provisions of this title. Any such regulations shall be issued in accordance with section 553 of title 5, United States Code, notwithstanding the provisions of subsection (a)(2) of such section.

SEC. 612. AUTHORIZATION OF APPROPRIATIONS.

There are authorized to be appropriated to carry out this title such sums as may be necessary for fiscal year 1988 and $150,000,000 for fiscal year 1989. Any amount appropriated under this section shall be deposited in the Nehemiah Housing Opportunity Fund, and shall remain available until expended.

TITLE VII—ENTERPRISE ZONE DEVELOPMENT

SEC. 701. DESIGNATION OF ENTERPRISE ZONES.

(a) DESIGNATION OF ZONES.—

(1) DEFINITION.—For purposes of this section, the term "enterprise zone" means an area that—

(A) is nominated by one or more local governments and the State or States in which it is located for designation as an enterprise zone (in this section referred to as a "nominated area"); and

(B) the Secretary of Housing and Urban Development designates as an enterprise zone, after consultation with—

(i) the Secretaries of Agriculture, Commerce, Labor, and the Treasury, the Director of the Office of Management and Budget, and the Administrator of the Small Business Administration; and

(ii) in the case of an area on an Indian reservation, the Secretary of the Interior.

(2) NUMBER OF DESIGNATIONS.—

(A) IN GENERAL.—The Secretary of Housing and Urban Development may designate not more than 100 nominated areas as enterprise zones.

(B) MINIMUM DESIGNATION IN RURAL AREAS.—Of the areas designated under clause (i), not less than ⅓ shall be areas that—

(i) are within a local government jurisdiction or jurisdictions with a population of less than 50,000 (as determined under the most recent census data available);

(ii) are outside of a metropolitan statistical area (as designated by the Director of the Office of Management and Budget); or

(iii) that are determined by the Secretary, after consultation with the Secretary of Commerce, to be rural areas.

(3) AREAS DESIGNATED BASED SOLELY ON DEGREE OF POVERTY.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the Secretary shall designate the nominated areas with the highest average ranking with respect to the criteria set forth in subparagraphs (C), (D), and (E) of subsection (c)(3). For purposes of the preceding sentence, an area shall be ranked within each such criterion on the basis of the amount by which the area exceeds such criterion, with the area that exceeds such criterion by the greatest amount given the highest ranking.

(B) EXCEPTION WHERE INADEQUATE COURSE OF ACTION, ETC.—An area shall not be designated under subparagraph (A) if the Secretary determines that the course of action with respect to such area is inadequate.

(C) SEPARATE APPLICATION TO RURAL AND OTHER AREAS.—Subparagraph (A) shall be applied separately with respect to areas described in paragraph (2)(B) and to other areas.

(4) LIMITATION ON DESIGNATIONS.—

(A) PUBLICATION OF REGULATIONS.—Before designating any area as an enterprise zone, the Secretary shall prescribe by regulation not later than 4 months following the date of the enactment of this Act, after consultation with the officials described in paragraph (1)(B)—

(i) the procedures for nominating an area under paragraph (1)(A);

(ii) the parameters relating to the size and population characteristics of an enterprise zone; and

(iii) the manner in which nominated areas will be evaluated based on the criteria specified in subsection (d).

(B) TIME LIMITATIONS.—The Secretary shall designate nominated areas as enterprise zones only during the 24-month period beginning on the 1st day of the 1st month following the month in which the effective date of the regulations described in subparagraph (A) occurs.

(C) PROCEDURAL RULES.—The Secretary shall not make any designation under paragraph (1) unless—

(i) the local governments and the State in which the nominated area is located have the authority—

(I) to nominate such area for designation as an enterprise zone;

(II) to make the State and local commitments under subsection (d); and

(III) to provide assurances satisfactory to the Secretary that such commitments will be fulfilled;

(ii) a nomination therefor is submitted in such a manner and in such form, and contains such information, as the Secretary shall by regulation prescribe;

(iii) the Secretary determines that any information furnished is reasonably accurate; and

(iv) the State and local governments certify that no portion of the area nominated is already included in an enterprise zone or in an area otherwise nominated to be an enterprise zone.

(5) NOMINATION PROCESS FOR INDIAN RESERVATIONS.—In the case of a nominated area on an Indian reservation, the reservation governing body (as determined by the Secretary of the Interior) shall be deemed to be both the State and local governments with respect to such area.

(b) PERIOD FOR WHICH DESIGNATION IS IN EFFECT.—

(1) IN GENERAL.—Any designation of an area as an enterprise zone shall remain in effect during the period beginning on the date of the designation and ending on the earliest of—

(A) December 31 of the 24th calendar year following the calendar year in which such date occurs;

(B) the termination date designated by the State and local governments as provided for in their nomination pursuant to subsection (a)(4)(C)(ii); or

(C) the date the Secretary revokes such designation under paragraph (2).

(2) REVOCATION OF DESIGNATION.—The Secretary, after consultation with the officials described in subsection (a)(1)(B) and a hearing on the record involving officials of the State or local government involved, may revoke the designation of an area if the Secretary determines that the local government or the State in which it is located is not complying substantially with the State and local commitments pursuant to subsection (d).

(c) AREA AND ELIGIBILITY REQUIREMENTS.—

(1) IN GENERAL.—The Secretary may make a designation of any nominated area under subsection (a)(1) only if it meets the requirements of paragraphs (2) and (3).

(2) AREA REQUIREMENTS.—A nominated area meets the requirements of this paragraph if—

(A) the area is within the jurisdiction of the local government;

(B) the boundary of the area is continuous; and

(C) the area—

(i) has a population, as determined by the most recent census data available, of not less than—

(I) 4,000 if any portion of such area (other than a rural area described in subsection (a)(2)(B)(i)) is located within a metropolitan statistical area (as designated by the Director of the Office of Management and Budget) with a population of 50,000 or more; or

(II) 1,000 in any other case; or

(ii) is entirely within an Indian reservation (as determined by the Secretary of the Interior).

(3) ELIGIBILITY REQUIREMENTS.—For purposes of paragraph (1), a nominated area meets the requirements of this paragraph if the State and local governments in which it is located certify and the Secretary, after such review of supporting data as he deems appropriate, accepts such certification, that—

(A) the area is one of pervasive poverty, unemployment, and general distress;

(B) the area is located wholly within the jurisdiction of a local government that is eligible for Federal assistance under section 119 of the Housing and Community Development Act of 1974, as in effect on the date of the enactment of this Act;

(C) the unemployment rate, as determined by the appropriate available data, was not less than 1.5 times the national unemployment rate for that period;

(D) the poverty rate (as determined by the most recent census data available) for each populous census tract (or where not tracted, the equivalent county division as defined by the Bureau of the Census for the purpose of defining poverty areas) within the area was not less than 20 percent for the period to which such data relate; and

(E) the area meets at least one of the following criteria:

(i) Not less than 70 percent of the households living in the area have incomes below 80 percent of the median income of households of the local government (determined in the same manner as under section 119(b)(2) of the Housing and Community Development Act of 1974).

(ii) The population of the area decreased by 20 percent or more between 1970 and 1980 (as determined from the most recent census available).

(4) ELIGIBILITY REQUIREMENTS FOR RURAL AREAS.—For purposes of paragraph (1), a nominated area that is a rural area described in subsection (a)(2)(B) meets the requirements of paragraph (3) if the State and local governments in which it is located certify and the Secretary, after such review of supporting data as he deems appropriate, accepts such certification, that the area meets—

(A) the criteria set forth in subparagraphs (A) and (B) of paragraph (3); and

(B) not less than one of the criteria set forth in the other subparagraphs of paragraph (3).

(d) REQUIRED STATE AND LOCAL COMMITMENTS.—

(1) IN GENERAL.—No nominated area shall be designated as an enterprise zone unless the local government and the State in which it is located agree in writing that, during any period during which the area is an enterprise zone, such governments will follow a specified course of action designated to reduce the various burdens borne by employers or employees in such area. A course of action shall not be treated as meeting the requirements of this paragraph unless the course of action include provisions described in not less than 4 of the subparagraphs of paragraph (2).

(2) COURSE OF ACTION.—The course of action under paragraph (1) may be implemented by both such governments and private nongovernmental entities, may be funded from proceeds of any program administered by the Secretary of Housing and Urban Development or of any program administered by the Secretary of Agriculture under title V of the Housing Act of 1949, and may include, but is not limited to—

(A) a reduction of tax rates or fees applying within the enterprise zone;

(B) an increase in the level of public services, or in the efficiency of the delivery of public services, within the enterprise zone;

(C) actions to reduce, remove, simplify, or streamline paperwork requirements within the enterprise zone;

(D) involvement in the program by public authorities or private entities, organizations, neighborhood associations, and community groups, particularly those within the nominated area, including a written commitment to provide jobs and job training for, and technical, financial, or other assistance to, employers, employees, and residents of the nominated area;

(E) the giving of special preference to contractors owned and operated by members of any minority; and

(F) the gift (or sale at below fair market value) of surplus land in the enterprise zone to neighborhood organizations agreeing to operate a business on the land.

(3) RECOGNITION OF PAST EFFORTS.—In evaluating courses of action agreed to by any State or local government, the Secretary shall take into account the past efforts of such State or local government in reducing the various burdens borne by employers and employees in the area involved.

(4) PROHIBITION OF ASSISTANCE FOR BUSINESS RELOCATIONS.—

(A) IN GENERAL.—The course of action implemented under paragraph (1) may not include any action to assist—

(i) any establishment relocating from one area to another area; or

(ii) any subcontractor whose purpose is to divest, or whose economic success is dependent upon divesting, any other contractor or subcontractor of any contract customarily performed by such other contractor or subcontractor.

(B) EXCEPTION.—The limitations established in subparagraph (A) shall not be construed to prohibit assistance for the expansion of an existing business entity through the establishment of a new branch, affiliate, or subsidiary if the Secretary—

(i) finds that the establishment of the new branch, affiliate, or subsidiary will not result in an increase in unemployment in the area of original location or in any other area where the existing business entity conducts business operations; and

(ii) has no reason to believe that the new branch, affiliate, or subsidiary is being established with the intention of closing down the operations of the existing business entity in the area of its original location or in any other area where the existing business entity conducts business operations.

(e) DEFINITIONS.—For purposes of this section:

(1) GOVERNMENT.—If more than one government seeks to nominate an area as an enterprise zone, any reference to, or requirement of, this section shall apply to all such governments.

(2) LOCAL GOVERNMENT.—The term "local government" means—

(A) any county, city, town, township, parish, village, or other general purpose political subdivision of a State;

(B) any combination of political subdivisions described in subparagraph (A) recognized by the Secretary; and

(C) the District of Columbia.

(3) SECRETARY.—The term "Secretary" means the Secretary of Housing and Urban Development.

(4) STATE.—The term "State" includes Puerto Rico, the Virgin Islands, Guam, American Samoa, the Northern Mariana Islands, and any other possession of the United States.

SEC. 702. EVALUATION AND REPORTING REQUIREMENTS.

Not later than the close of the 4th calendar year after the year in which the Secretary of Housing and Urban Development first designates areas as enterprise zones, and at the close of each 4th calendar year thereafter, the Secretary shall prepare and submit to the Congress a report on the effects of such

designation in accomplishing the purposes of this title.

SEC. 703. INTERACTION WITH OTHER FEDERAL PROGRAMS.

(a) COORDINATION WITH RELOCATION ASSISTANCE.—The designation of an enterprise zone under section 701 shall not—

(1) constitute approval of a Federal or federally assisted program or project (within the meaning of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (42 U.S.C. 4601 et seq.)); or

(2) entitle any person displaced from real property located in such zone to any rights or any benefits under such Act.

(b) ENTERPRISE ZONES TREATED AS LABOR SURPLUS AREAS.—Any area that is designated as an enterprise zone under section 701 shall be treated for all purposes under Federal law as a labor surplus area.

SEC. 704. WAIVER OR MODIFICATION OF HOUSING AND COMMUNITY DEVELOPMENT RULES IN ENTERPRISE ZONES.

(a) IN GENERAL.—Upon the written request of the governments that designated and approved an area that has been designated as an enterprise zone under section 701, the Secretary of Housing and Urban Development (or, with respect to any rule issued under title V of the Housing Act of 1949, the Secretary of Agriculture) may, in order to further the job creation, community development, or economic revitalization objectives of the zone, waive or modify all or part of any rule that the Secretary has authority to promulgate, as such rule pertains to the carrying out of projects, activities, or undertakings within the zone.

(b) LIMITATION.—No provision of this section may be construed to authorize the Secretary to waive or modify any rule adopted to carry out a statute or Executive order that prohibits, or the purpose of which is to protect persons against, discrimination on the basis of race, color, religion, sex, marital status, national origin, age, or handicap.

(c) SUBMISSION OF REQUESTS.—A request under subsection (a) shall specify the rule or rules to be waived or modified and the change proposed, and shall briefly describe why the change would promote the achievement of the job creation, community development, or economic revitalization objectives of the enterprise zone. If a request is made to the Secretary of Agriculture, the requesting governments shall send a copy of the request to the Secretary of Housing and Urban Development at the time the request is made.

(d) CONSIDERATION OF REQUESTS.—In considering a request, the Secretary shall weigh the extent to which the proposed change is likely to further job creation, community development, or economic revitalization within the enterprise zone against the effect the change is likely to have on the underlying purposes of applicable statutes in the geographic area that would be affected by the change. The Secretary shall approve the request whenever the Secretary finds, in the discretion of the Secretary, that the public interest that the proposed change would serve in furthering such job creation, community development or economic revitalization outweighs the public interest that continuation of the rule unchanged would serve in furthering such underlying purposes. The Secretary shall not approve any request to waive or modify a rule if that waiver or modification would—

(1) directly violate a statutory requirement; or

(2) be likely to present a significant risk to the public health, including environmental health or safety.

(e) NOTICE OF DISAPPROVAL.—If a request is disapproved, the Secretary shall inform the requesting governments in writing of the reasons therefor and shall, to the maximum extent possible, work with such governments to develop an alternative, consistent with the standards contained in subsection (d).

(f) PERIOD FOR DETERMINATION.—The Secretary shall discharge the responsibilities of the Secretary under this section in an expeditious manner, and shall make a determination on requests not later than 90 days after their receipt.

(g) APPLICABLE PROCEDURES.—A waiver or modification of a rule under subsection (a) shall not be considered to be a rule, rulemaking, or regulation under chapter 5 of title 5, United States Code. To facilitate reaching a decision on any requested waiver or modification, the Secretary may seek the views of interested parties and, if the views are to be sought, determine how they should be obtained and to what extent, if any, they should be taken into account in considering the request. The Secretary shall publish a notice in the Federal Register stating any waiver or modification of a rule under this section.

(h) EFFECT OF SUBSEQUENT AMENDMENT OF RULES.—In the event that the Secretary proposes to amend a rule for which a waiver or modification under this section is in effect, the Secretary shall not change the waiver or modification to impose additional requirements unless the Secretary determines, consistent with standards contained in subsection (d), that such action is necessary.

(i) EXPIRATION OF WAIVERS AND MODIFICATIONS.—No waiver or modification of a rule under this section shall remain in effect for a longer period than the period for which the enterprise zone designation remains in effect for the area in which the waiver or modification applies.

(j) DEFINITIONS.—For purposes of this section:

(1) RULE.—The term "rule" means—

(A) any rule as defined in section 551(4) of title 5, United States Code; or

(B) any rulemaking conducted on the record after opportunity for an agency hearing pursuant to sections 556 and 557 of such title 5.

(2) SECRETARY.—The term "Secretary" means the Secretary of Housing and Urban Development or, with respect to any rule issued under title V of the Housing Act of 1949, the Secretary of Agriculture.

SEC. 705. COORDINATION OF HOUSING AND URBAN DEVELOPMENT PROGRAMS IN ENTERPRISE ZONES.

Section 3 of the Department of Housing and Urban Development Act is amended by adding at the end the following new subsection:

"(d) The Secretary shall—

"(1) promote the coordination of all programs under the jurisdiction of the Secretary that are carried on within an enterprise zone designated pursuant to section 701 of the Housing and Community Development Act of 1987;

"(2) expedite, to the greatest extent possible, the consideration of applications for programs referred to in paragraph (1) through the consolidation of forms or otherwise; and

"(3) provide, whenever possible, for the consolidation of periodic reports required under programs referred to in paragraph (1) into one summary report submitted at such intervals as may be designated by the Secretary.".

SEC. 706. COORDINATION WITH CDBG AND UDAG PROGRAMS.

It is the policy of the Congress that amounts provided under the community development block grant and urban development action grant programs under title I of the Housing and Community Development Act of 1974 shall not be reduced in any fiscal year in which the provisions of this title are in effect.

And the House agree to the same.

That the Senate recede from its disagreement to the amendment of the House to the title of the bill and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the House amendment to the title of the bill insert the following: "An Act to amend and extend certain laws relating to housing, community and neighborhood development and preservation, and related programs, and for other purposes.".

And the House agree to the same.

FERNAND J. ST GERMAIN,
HENRY GONZALEZ,
WALTER FAUNTROY,
MARY ROSE OAKAR,
BRUCE F. VENTO,
ROBERT GARCIA,
CHARLES SCHUMER,
BARNEY FRANK,
RICHARD LEHMAN,
BRUCE A. MORRISON,
MARCY KAPTUR,
BEN ERDREICH,
CHALMERS P. WYLIE,
MARGE ROUKEMA,
GEORGE C. WORTLEY,
DOUG BEREUTER,
JOHN HILER,
TOM RIDGE,
STEVE BARTLETT,
Managers on the Part of the House.

ALAN CRANSTON,
DON RIEGLE,
PAUL SARBANES,
JOHN HEINZ,
ALFONSE M. D'AMATO,
Managers on the Part of the Senate.

JOINT EXPLANATORY STATEMENT OF THE COMMITTEE OF CONFERENCE

The managers on the part of the House and the Senate at the conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 825) to amend and extend certain laws related to housing and for other purposes, submitted the following joint statement to the House and the Senate in explanation of the effect of the action agreed upon by the managers and recommended in the accompanying conference report.

The House amendment to the text of the bill struck out all of the Senate bill after the enacting clause and inserted a substitute text.

The Senate recedes from its disagreement to the amendment of the House with an amendment which is a substitute for the Senate bill and the House amendment. The differences between the Senate bill, the House amendment, and the substitute agreed to in conference are noted below, except for clerical corrections, conforming changes made necessary by agreements reached by the conferees, and minor drafting and clarifying changes.

SHORT TITLE

The Senate bill was entitled the Housing and Community Development Act of 1987. The House amendment was entitled the Housing, Community Development, and

Homelessness Prevention Act of 1987. The conference report contains the Senate title.

FINDINGS AND PURPOSES

Findings.—The House amendment contained a provision that was not contained in the Senate bill which found that the Federal Government has had a leading role in U.S. housing in the past 50 years, that that role has included the development of various programs and policies to enable people to rent or buy affordable housing, that recent reductions in federal housing programs have contributed to a deepening housing crisis for low- and moderate-income families, and that homelessness in communities across the nation demonstrates the lack of affordable residential shelter for people living on the economic margins of society. The conference report contains the House provision.

Purposes.—The House amendment contained a provision that was not contained in the Senate bill which established as the purposes of this legislation the following: to reaffirm that decent and affordable shelter is a basic necessity, and that the general welfare of the nation and the health and living standards of its people require the addition of new housing units to remedy a serious shortage of housing units for all Americans, particularly for persons of low and moderate income; to make the distribution of direct and indirect housing assistance more equitable by providing Federal assistance for the less affluent people of the nation; to provide needed housing assistance for the homeless and for persons of low and moderate income who lack affordable, decent, safe, and sanitary housing; and to reform existing programs to ensure that such assistance is delivered in the most efficient manner possible. The conference report contains the House provision.

BUDGET COMPLIANCE

The House amendment contained a provision that was not contained in the Senate bill to require that funding for FY 1988 provided in the act may not exceed the appropriate aggregate levels established in the FY 1988 Concurrent Budget Act. The House amendment also contained a similar provision in its final title. The conference report contains the first House provision.

TITLE I—HOUSING ASSISTANCE

SUBTITLE A—PROGRAMS UNDER UNITED STATES HOUSING ACT OF 1937

Part I—General provisions

Lower Income Housing Authorization

The Senate bill contained a provision to authorize the appropriation of funds for Lower Income Housing Assistance at $7.51 billion for each of fiscal years 1988 and 1989, and to set a maximum ratio of voucher to Sec. 8 existing assisted units of 2:1. The House amendment contained a provision to authorize the appropriation of $7.9 billion for FY 1988 Section 8 and public housing programs which includes: approximately $481.3 million for public housing grants, $144.7 million of which is set aside for Indian housing; $3.24 billion for Section 8 existing; $401 million for Section 8 moderate rehabilitation; $1.7 billion for Section 8/202 elderly and handicapped; $1.5 billion for comprehensive improvement assistance grants; $315.7 million for Section 8 property disposition; and $195.8 million for Sec. 8 loan management. The conference report contains an authorization of appropriations as follows: an aggregate amount of $7.091 billion for fiscal year 1988 and $7.436 billion for fiscal year 1989 of which $482 million for public and Indian housing development grants for fiscal year 1988 and $504 million for public and Indian housing grants for fiscal year 1989, $1.7 billion for the Comprehensive Improvement Assistance Program (CIAP) for fiscal year 1988 and $1.775 billion for fiscal year 1989 for CIAP grants, $1.681 billion for fiscal year 1988 for Section 8/202 elderly and handicapped and $1.761 billion for fiscal year 1989 for Section 8/202, $400 million for fiscal year 1988 for Section 8 moderate rehabilitation and $419 million for fiscal year 1989 for Section 8 moderate rehabilitation, $2.340 billion for fiscal year 1988 Section 8 existing certificates and vouchers, and $2.444 billion for fiscal year 1989 for Section 8 existing certificates and vouchers, $302 million for fiscal year 1988 for Section 8 property disposition and $329 million for fiscal year 1989 for Section 8 property disposition, and $187 million for fiscal year 1988 for Section 8 loan management and $204 million for fiscal year 1989 for Section 8 loan management.

Tenant Rental Contributions

The House amendment contained several provisions that were not contained in the Senate bill to amend current tenant rental contributions program requirements in public housing.

Economic rent.—The House amendment contained a provision to permit a PHA to establish monthly rents which do not exceed the maximum allowable contribution to rent and is not less than the average monthly debt service and operating expenses attributable to dwelling units of similar size in its public housing projects, and to limit such a ceiling to 5 years per family. The conference report contains the House provision. The conferees expect HUD will establish appropriate approval procedures to ensure that ceiling rents are available to families that are income eligible for public housing, i.e., who have incomes below 80 percent of area median. Once a family has qualified for a ceiling rent for a five-year period, the family may continue to have the benefit of the ceiling rent for the full five-year period even if the family's income increases beyond 80 percent of area median.

Adjusted income.—The House amendment contained a provision to allow working families to take a ten percent deduction in determining adjusted income. The conference report does not contain the House provision. The conferees are concerned that working low-income families who pay income and social security taxes face a reduction in their disposable income with no compensatory reduction in their adjustable income for rent purposes. Therefore, the conferees expect HUD to begin providing incentives through the rent structure that encourage and do not penalize working tenants in federally assisted housing.

Rent phase-in.—The House amendment contained a provision to require the PHA or HUD to increase gradually during a 6-month period rent for residents of public housing who obtain employment which will result in an increase in the rent payable by the family. The conference report contains the House provision with an amendment to exempt PHAs who demonstrate to the Secretary that compliance with this provision will impose an unreasonable administrative burden.

Reduction of rental payments for elderly families.—The House amendment contained a provision to reduce rent for elderly families living in federally-assisted housing to 25 percent of their adjusted income. The conference report contains a substitute provision to permit the Secretary, on a project-by-project basis, to reduce the rent contribution to not less than 25 percent of adjusted income for each elderly family living in an efficiency unit in a public housing project if the Secretary determines that the reductions are likely to result in lower costs to the federal government as a result of minimizing vacancies. The provision will cease to have effect in two years.

Utility allowance.—The House amendment contained a provision to require tenant-paid utilities to be based on the average actual utility consumption for each size and type of dwelling unit. The conference report contains an amendment deleting the House provision and replacing it with a report to be conducted by the Comptroller General and submitted to Congress not later than October 30, 1988, which would assess the utility allowances provided tenants in assisted housing. The report would: describe how public housing authorities are currently calculating utility allowances based on a national survey of actual PHA methods; estimate the number of tenants paying more than 30 percent of income for rent and utilities in master metered, check metered and individually metered units; describe changes needed in current law and regulation and the costs associated with those changes to ensure that utility allowances do not differ merely because of the units' metering system, tenants do not pay more than 30 percent of their income for rent and utilities and tenants have a strong incentive to conserve energy and cut utilities while those who waste substantial amounts of energy are penalized; describe feasible ways utility allowances can reflect differences in the size, location and energy-conserving condition of units and appliances; and be developed in consultation with HUD, DOE, other federal officials and representatives of PHA's local governments, tenants, energy conservation interests and other knowledgeable individuals.

The conferees are concerned that under HUD's prior, present, and proposed regulations, a large number of assisted housing tenants who are not substantially wasteful of utilities are being unfairly penalized by the existing allowances and end up paying more than 30 percent of their adjusted income for shelter and utilities. A number of legal decisions, including the Supreme Court's recent decision in *Wright* v. *Roanoke Redevelopment and Housing Authority,* have established both the inequity of prior and present allowance systems and the ability of tenants to enforce their rights judicially. However, the conferees believe more specific information is needed about the kinds of problems created by HUD's existing regulatory requirements before a precise corrective statutory proposal can be developed. Therefore, the conference agreement includes a provision for a study to determine both the nature of existing practices in setting allowances and the extent of variation between existing practices and standards that would assure tenants pay no more than 30 percent of adjusted income for shelter, all necessary appurtenances equipment and utilities. The conferees expect HUD to continue to ensure prompt allowance adjustments to cover changes in utility rates for both Section 8 and public housing so tenants are not harmed for rate increases beyond their control.

Income Eligibility for Assisted Housing

The Senate bill contained a provision to require the Secretary to establish different

percentage limitations for different assisted housing programs, provided that the percentage limitations, when aggregated achieve the requirement that 95 percent of all housing assistance go to very low-income households, and to waive the 95 percent targeting requirement in cases where such a waiver would prevent or ameliorate the effects of displacement in the rental rehabilitation program. The House amendment contained a provision to increase the percentage of units which may be available under public housing or Sec. 8 to families with incomes between 50 and 80 percent of area median to 25 percent. The conference report contains the Senate provision with an amendment to exempt homeownership projects under the Indian Housing Program from the 95 percent requirement. The conferees intend that for every assisted housing program, the Secretary shall establish an appropriate percentage of families between 50 and 80 percent of median that may be served in each program.

Part II—Public housing

Public Housing Management Simplification

The House amendment contained a provision that was not contained in the Senate bill to encourage efficient and effective administration of public housing by permitting well-managed PHAs to certify compliance with federal requirements. The conference report does not contain the House provision, since the conferees are encouraged that HUD is taking steps to recognize the competence of well-managed PHAs and is simplifying some of the procedures they are required to follow.

The conferees feel strongly that HUD should work to improve the ability of PHAs to manage their projects and to simplify the procedure for complying with federal requirements. In fact, the public housing profession has already developed voluntary professional performance standards which can be used to provide guidance and to certify efficient and well-managed public housing agencies. Therefore, the conferees intend the Secretary to begin establishing a system which will achieve these goals by permitting PHAs which meet the voluntary standards to certify compliance with the standards and with requirements established by the Secretary for receiving operating subsidy and modernization funds. Finally, the conferees expect HUD to continue its deregulatory program for well-managed PHAs and make this a Departmental priority.

Discretionary Preference for Near Elderly Families in Public Housing Projects Designed for the Elderly

The House amendment contained a provision that was not contained in the Senate bill to expand the definition of "family" to include certain single people, to expand the definition of "elderly family", and to give PHAs the discretion to admit near elderly persons, those between 50 and 62 years of age, to elderly public housing projects when there is an insufficient number of elderly persons to fill such units. The conference report contains the House provision with an amendment to delete all of the provision except for the discretionary preference for the near elderly in elderly public housing. The conferees expect HUD, in implementing this provision, to be sure that the demographics are such that this new authority will not deny any otherwise eligible elderly family a dwelling unit.

Grants for Public Housing Development

The House amendment contained a provision that was not contained in the Senate bill to authorize direct capital grants for funding development and modernization of public housing and Indian Housing Authorities. The conference report contains the House provision.

Limitation on Public Housing Development and Assurance of Public Housing Quality Standards

The Senate bill and the House amendment contained similar provisions which restricted the use of public housing development funds and which ensured compliance with Sec. 8 housing quality standards. The Senate provision required that in order to get development funds, the application for modernization be submitted and pending and comply with the comprehensive modernization plan of the PHA. The House provision required that the application be submitted in good faith and that the Secretary determine, in writing, that there is a reasonable expectation that the application will be approved. The conference report contains the House provision.

Limitation on Recapture of Funding Reservations

The House amendment contained a provision that was not contained in the Senate bill to prohibit HUD from recapturing public housing reservation funds for 30 months from the date of reservation, due to the failure of a PHA to complete acquisition and begin construction or rehabilitation, and to suspend 30-month period in the case of HUD-caused delays, environmental requirements or factors beyond the control of the PHA. The conference report contains the House provision.

Indian Public Housing

The House amendment contained a provision that was not contained in the Senate bill to prohibit the Secretary from using as a criterion for distributing public housing development funds an Indian Housing Authority's (IHA) progress in the collection of rents owed by tenants. The conference report contains the House provision with an amendment to require that the Secretary only employ this criterion if it is one of several selection criteria, weighted proportionally, or if an IHA has a pattern of substantial noncompliance with this criterion and to require that the criteria used for the purpose of distributing development funds be set forth in regulation and be subject to public comment.

Location of Acquired Housing

The House amendment contained a provision that was not contained in the Senate bill to authorize HUD to approve public housing new construction in the neighborhood where the PHA determines the housing is needed. The conference report contains the House provision.

Public Housing Evictions Due to Nonpayment of Rent

The House amendment contained a provision that was not contained in the Senate bill to establish income and rent review prior to tenants receiving pretermination notices, and to establish notification requirements, including directing tenants to housing counseling agencies, for eviction of public housing residents for nonpayment of rent. The conference report does not contain the House provision.

Public Housing Grievance Procedures

The House amendment contained a provision that was not contained in the Senate bill to clarify that the mandatory public housing grievance procedure cover a PHA's failure to act, as well as its actions. The conference report does not contain the House provision.

Congress has always intended that the mandatory public housing grievance procedure apply to failures to act, such as failure to maintain housing in decent condition, failure to provide timely subsidy increases when incomes drop, or failure to provide appropriate utility allowances. In fact, the court ruling in *Samuels v. District of Columbia*, 770 F2d 184 (D.C. Cir. 1985) confirmed that PHA omissions or failures to act are grievable. HUD, however, has published proposed regulations which create an artificial distinction between actions and omissions. Therefore, the conferees intend that HUD revise these regulations to be consistent with the ruling in *Samuels*.

Public Housing Child Care Grants

The House amendment contained a provision that was not contained in the Senate bill to authorize $5 million for FY 1988 for a demonstration program to provide grants to PHAs to assist in providing child care services for low-income families residing in public housing. The conference report contains the House provision with an amendment to set aside $5 million for fiscal year 1988 and $5.2 million for fiscal year 1989 from CDBG funds for the demonstration and to reformulate the program as an amendment to the child care demonstration in existing law. This program is in addition to child care funded by communities using their CDBG funds. The conferees expect HUD to amend existing regulations to permit licensed family day care in federally-assisted housing units.

Payments for Operation of Lower Income Housing Projects

Performance funding systems.—The House amendment contained a provision that was not contained in the Senate bill to require the Secretary to utilize a performance funding system (PFS) that establishes standards for costs of operation and reasonable projections of income. The provision required that, under the PFS, (1) the PHA and HUD share cost reductions due to differences between projected and actual utility costs; (2) certain guidelines and requirements be met for energy conservation improvements undertaken by the PHA; (3) there be a formal review process for revising the allowable expense level of a PHA; (4) PHAs be reimbursed for costs incurred beyond their control; (5) the estimate for the next fiscal year rental income of a PHA be based on the actual rent in the 4th, 5th, or 6th month prior to the beginning of the new fiscal year; (6) any revenues which result from rental income or other income, including investment income, which exceed projected revenue from such sources may not be recaptured, used or recomputed to reduce the federal operating subsidy unless the estimate was unreasonable according to regulations in effect when the estimate was made, or was fraudulent or deceptive; and (7) if a PHA redesigns or rehabilitates a project to combine 2 units, the payments not be reduced solely because of the reduction in dwelling units unless fewer individuals reside in the unit than before they were combined.

The conference report contains the House provision with an amendment directing the Secretary to revise PFS by 6/15/88 to reflect accurately the increase in insurance costs incurred by PHAs and to delete the requirements which deal with cost beyond control, estimate of rental income for the

next fiscal year, and limitations on recapture of excess income.

The conferees are concerned that, in the recent past, HUD has attempted, without agreement from Congress, to retroactively impose new standards on the investment and recapture of excess income. These standards have substantially distorted the system Congress and the PHAs have generally endorsed and, being punitive in nature, are not designed to reward improved management and budgetary practices. Therefore, the conferees intend that, absent a clear mandate from Congress, HUD not recapture, use, or recompute to reduce the federal operating subsidy revenues which result from rental income or other income, including investment income, which exceed projected revenues from such sources. The conferees are also aware of the Administration's proposal to change the method by which an annual inflation factor is established and want it understood that such a change would violate the intent of the provision requiring the FPS to be substantially based on the system in effect on the date of enactment.

Authorization.—The Senate bill contained a provision to authorize $1.6 billion for PFS in each of FYs 1988 and 1989. The House amendment contained a similar provision except that it authorized for FY 1988 only. The conference report authorizes $1.5 billion for FY 1988 and $1.563 billion for FY 1989.

Time of payment.—The House amendment contained a provision that was not contained in the Senate bill to require that any PHA which submits its fiscal year budget in a timely manner in accordance with regulations issued by the Secretary receive its operating subsidies in equal monthly or quarterly installments, or as may be agreed upon between the Secretary and the PHA, beginning not later than the first month of that fiscal year. The conference report contains the House provision with an amendment to delete the requirement that the operating subsidies be paid in equal monthly or quarterly installments.

Use of operating subsidies.—The House amendment contained a provision that was not contained in the Senate bill to authorize HUD to arrange an audit if a PHA fails to submit one in a timely manner in accordance with regulations, to charge the cost of this audit to the PHA, and to deduct the cost of the audit from assistance otherwise payable to the agency. The conference report contains the House provision.

Comprehensive Improvement Assistance Program

Findings and purpose.—The Senate bill contained a provision to state congressional findings which necessitate reform in the comprehensive improvement assistance program and to set forth purposes which clarify what such reforms should accomplish. The House amendment contained a provision to set forth similar purposes for this section. The conference report contains the House provision with an amendment to incorporate the Senate purposes.

Authority to provide assistance.—The house amendment contained a provision that was not contained in the Senate bill to authorize the Secretary to make grants for comprehensive improvement assistance to PHAs with conditions in the contract to be effective for 20 years. The conference report contains the House provision.

Comprehensive plan.—The House amendment contained a provision that was not contained in the Senate bill to require the Secretary, prior to awarding the grant, to approve a PHA's 5-year comprehensive plan which includes (1) an assessment of the physical condition of each project, the improvements necessary to rehabilitate each project to the minimum property standards and to life-cycle cost-effective energy standards; the replacement needs of equipment and structural elements during the 5-year comprehensive plan; (2) an assessment of the management improvements needed, including needs relating to (a) the PHA's management, financing and accounting control systems, (b) the qualifications of PHA personnel, (c) the adequacy of tenant programs and services, project security and PHA selection and eviction policies and procedures; (3) an analysis demonstrating that improvements and replacements will ensure long-term viability of each project at a reasonable cost; (4) an action plan establishing priorities for improvements (including repairs for life-threatening conditions) and replacements and upgrading PHA project management and operation during the 5-year plan; (5) a certification by the chief local government or trial official that the comprehensive plan was developed by the PHA in consultation with appropriate local government officials, or Indian tribal officials, public housing tenants, included no less than two public hearings, that the plan is consistent with the community's lower income housing needs and that the local government or Indian tribe will cooperate in providing tenant programs and services; (6) a statement signed by the chief public housing official certifying that the PHA will administer the plan in conformity with the Civil Rights Act of 1964, 1968, and Section 504 of the Rehabilitation Act of 1973; (7) a preliminary estimate of the total cost of the items identified in the comprehensive plan; (8) other information the Secretary may require. The conference report contains the House provision with an amendment to include the changes in Sec. 14; to limit the requirements to PHAs which own or operate 500 or more units, to add a requirement that the project be rehabilitated at least to the modernization standards specified in the HUD Modernization Handbook; to modify the energy conservation requirement to require that the energy conservation standards reduce operating costs over the estimated life of the building, to modify the adequacy requirement to require improved efficacy of the programs and procedures, and to modify the consultation requirement to require one public hearing.

Approval of plan.—The House amendment contained a provision that was not contained in the Senate bill to require that the Secretary approve the plan unless (1) the plan is incomplete; (2) PHA identification of needs is plainly inconsistent with the project facts and data; (3) the PHA action plan is plainly inappropriate to meeting the needs of the plan, the PHA failed to demonstrate that improvements and replacements would reasonably ensure long-term viability, or if the Secretary has any other evidence which substantially challenges the certified comprehensive plan. The conference report contains the House provision with an amendment to modify the completion requirement to clarify that the plan would be approved unless significantly incomplete.

Annual statement.—The House amendment contained a provision that was not contained in the Senate bill to require each PHA receiving comprehensive grant assistance to submit an annual statement of the activities and expenditures to be funded during the immediately following fiscal year of the PHA, including a certification that tenants and other interested parties had the opportunity to review and comment on the Annual Statement and any amendments to the plan; to require the Secretary to approve the annual statement unless it is inconsistent with the comprehensive plan; and to require that the annual statement be approved before the PHA receives any comprehensive grant assistance. The conference report contains the House provision with an amendment to clarify that the PHA would submit an annual statement after being advised of the estimated CIAP funds it will receive, to clarify that the PHA would have full discretion in expending assistance for any activity or work set forth in the annual plan as long as these expenditures are consistent with the approved comprehensive plan, to clarify that only tenants affected by the planned activities would have the opportunity to review and comment on the statement, to give PHAs a limited opportunity to amend its comprehensive plan and annual statement after submission, to delete the requirement that the annual statement be approved prior to giving assistance to the PHA, and to provide that the comprehensive plans shall be taken into account in allocating funds from the regional or area office.

Annual performance reports, reviews and audits.—The House amendment contained a provision that was not contained in the Senate bill to set guidelines and procedures for annual performance reports by PHAs receiving grants, for annual performance reviews of the grant assistance provided by the Secretary, and for audits of grantees. The conference report contains the House provision.

Eligible costs.—The House amendment contained a provision that was not contained in the Senate bill to specify the activities for which the CIAP funds would be used, including up to 20% for operating expenses. The conference report contains the House provision with an amendment to delete the use of not more than 20% of CIAP funds for operating expenses.

Fund allocation and report on alternative allocation system.—The Senate bill contained a provision to require HUD, within one year of enactment, to complete modernization studies which will evaluate present and future rehabilitation and replacement needs; to submit proposed methods for determining relative allocation of funds between existing deficiencies and accrual to meet future needs; to submit to Congress alternatives for allocating funds among PHAs for existing deficiencies, including formulas for distribution to PHAs, to HUD regional and field offices or to states and other allocation methods; to provide Congress an analysis of data used to develop recommendations for measuring existing deficiencies, future needs and emergencies, an analysis comparing the proposed allocation to previous CIAP allocations; to propose criteria to distinguish routine capital replacement from non-routine replacement; to propose alternative methods to allocate funds to meet routine capital replacement expenses and provide unpredictable or extraordinary capital replacement needs through an actuarially based fund administered on a national, regional, state or local level; and to consult at least quarterly with representatives of PHAs, local government and tenants regarding required studies and developing alternatives to improve CIAP. The House amendment contained a provision to require

HUD, within a month of enactment to submit a report: (1) assessing conditions of public housing and need for financial assistance for capital improvements and for establishment of replacement reserves; (2) proposing alternative systems of allocating funds under this section, according to a formula or other allocation method, to determine for each PHA, the amounts necessary to address current needs for capital improvements and future needs through a replacement reserve and the relative needs of public housing agencies of different sizes for those funds; and (3) estimating, for not less than 200 largest PHAs, the amount that will be received annually under each alternative allocation system; and to require that no assistance be provided until HUD Secretary submits required report and Congress by law establishes criteria for a formula or other allocation method to be used by the Secretary in determining for each PHA: the necessary amount to address current needs for capital improvements; the future needs for capital improvements through a replacement reserve; and the relative needs of PHAs of different sizes. The conference report contains the Senate provision with an amendment to incorporate the requirement for estimation of funds to be allocated for at least 200 PHAs.

Annual report.—The House amendment contains a provision that was not contained in the Senate bill to require that the HUD annual report include a description of the allocation, distribution, and use of comprehensive grant assistance on a regional basis and on the basis of PHA size. The conference report contains the House provision with an amendment to require that the report also include a description of the allocation, distribution and use of assistance under this section on a regional basis and a national compilation of the total funds requested in comprehensive plans.

Use of operating assistance.—The House amendment contained a provision that was not contained in the Senate bill to permit a PHA to use available operating subsidy amounts for the comprehensive grant program. The conference report does not contain the House provision.

Applicability.—The Senate bill contained a provision that was not contained in the House amendment to permit the current CIAP program to continue until it is repealed. The conference report does not contain the Senate provision.

Comprehensive Improvement Assistance Special Purpose Needs

The House amendment contained a provision that was not contained in the Senate bill to authorize direct capital grants for FY 1988 to finance comprehensive improvement assistance for PHAs and IHAs and to clarify the types of special improvement needs eligible for emergency and special purpose CIAP funds. The conference report contains the House provision with an amendment to require the Secretary, prior to making special purpose grants, to find that such improvements are necessary and sufficient to extend substantially the life of the structure.

Public Housing Demolition and Disposition

The House amendment contained a provision that was not contained in the Senate bill to prohibit the Secretary from approving a PHA's request for public housing demolition and demolition unless the plan provides for the replacement of each public housing unit if there is a local need for lower income housing or to substitute Sec. 8 project based or alternative project based subsidies and provides relocation expenses for displaced tenants. The conference report contains the House provision with an amendment to require that the plan include a schedule for completion, which would vary in proportion to the size of the proposed demolition, up to a maximum of six years; to require the Secretary, in allocating assistance for public housing development or acquisition or Section 8 moderate rehabilitation, to give consideration to application for housing which replaces demolished or sold public housing; and to make several technical changes.

The conference agreement also contains a provision clarifying that no PHA shall take any steps toward demolition and disposition without having satisfied the statutory criteria. This provision is intended to correct an erroneous interpretation of the existing statute by the United States Court of Appeals for the D.C. Circuit in *Edwards* v. *District of Columbia* and shall be fully enforceable by tenants of and applicants for the housing that is threatened.

Public Housing Resident Management

The Senate bill and the House amendment contained provisions to establish a program of resident management of public housing projects. Differences are noted below.

Purpose.—The Senate bill contained a provision to establish as the purpose of this section the encouragement of increased resident management and to define public housing projects as one or more buildings with an elected resident council and resident management corporation (RMC). The House amendment contained a provision to establish as the purpose of this section establishing a program of resident management and permitting tenants to volunteer labor under existing statutory and contractual obligations of the PHA. The conference report contains the Senate provision.

Resident council.—The Senate bill contained a provision to require that the resident management program not impair the rights of other families in the project and not impair the operation of the project. The House amendment contained a provision to require that the RMC be a nonprofit corporation organized under applicable state law with tenants as sole voting members. The conference report contains both the House and Senate provisions.

Management responsibilities.—The House amendment contained a provision that was not contained in the Senate bill to require that the contract between the RMC and the PHA be consistent with the requirements of the Housing Act of 1937, to allow the contract to govern tenant selection and screening, to require that the contract be consistent with any PHA collective bargaining agreement regarding contracting out, and to require the RMC to submit annually a report to the PHA and HUD setting forth its activities. The conference report contains the House provision with an amendment to delete the stipulation that the contract may govern tenant selection and screening and to delet the reporting requirement.

Comprehensive improvement assistance.—The Senate bill contained a provision to permit projects to receive and PHAs to retain CIAP funds for administrative and other reasons only if provided by contract. The House amendment contained a provision to permit projects managed by RMCs to receive Sec. 14 or 20. CIAP funds. The conference report contains the Senate provision.

Waiver of Federal Requirements.—The House amendment contained a provision that was not contained in the Senate bill to provide guidelines and procedures for the waiver of certain federal requirements by the Secretary for RMCs and PHAs. The conference report contains the House provision.

Retention of excess revenues.—The Senate bill contained a provision to require that income generated by a PHA in excess of the estimated amount used for calculation of operating subsidies not be used in subsequent years in calculating operating subsidies and the funds provided by the PHA to the RMC. The House amendment contained a similar provision except that it permitted excess investment and rental income to be used in calculating subsequent operating subsidies and PHA funds for the RMC. The conference report contains the Senate provision.

Technical assistance.—The Senate bill contained a provision to authorize the Secretary to provide financial and technical assistance RMCs or resident councils and to set aside $1.5 million from Sec. 14 funds for this purpose. The House amendment contained a similar provision except that it limited the assistance to 15 RMCs or resident councils and set aside $2.5 million from Sec. 14 or 20 funds. The conference report contains the Senate provision with an amendment to set aside $2.5 million from Section 14 funds.

Report.—The Senate bill contained a provision to require the Secretary to submit a report within 3 years to assess resident management, particularly its effect on living conditions in public housing. The House amendment contained a provision to require an annual report to evaluate the impact of the RMC on rent collections, maintenance, tenant employment, and operating costs and to summarize the waivers provided and recommend waivers which should be provided for all PHAs. The conference report contains the Senate provision. The conferees intend that the Secretary's report include an evaluation of the impact of resident management on rent collections, maintenance, tenant employment and operating costs.

Public Housing Homeownership and Management Opportunities

The Senate bill and the House amendment contained provisions to permit public housing tenants to purchase the dwelling units in a project through a qualifying RMC. Differences are noted below.

General requirements.—The Senate bill contained a provision to permit the Secretary to provide comprehensive improvement assistance and training, technical and educational assistance to a public housing project in which homeownership activities are being conducted. The House amendment contained a similar provision except that it required the Secretary to provide the assistance. The conference report contains the Senate provision with an amendment to require the Secretary to provide the assistance in instances where he/she has approved the homeownership or management activity for which the assistance is requested.

Replacement of sold units.—The Senate bill contained a provision that was not contained in the House amendment to require the PHA to certify that existing units sold will be replaced with new units or rehabilitated public housing within 30 months if justified by local supply. The conference

report contains the Senate provision with an amendment to clarify that the PHA is responsible for assuring one-for-one replacement but not with rehabilitated vacant public housing units and that the RMC may provide some of this replacement for the PHA through acquisition of non-publicly owned, decent, and affordable lower income housing, and the RMC must operate such housing under the tenant eligibility and rent requirements of public housing.

Conditions of resale by RMC.—The Senate bill contained a provision to require that the dwelling unit only be sold to a lower income family eligible to reside in public housing, that the purchase be made under one of the following arrangements: shared appreciation, cooperative or condominium ownership, or another arrangement determined appropriate by the Secretary, and that if the purchaser sells the property within 5 years, they must pay the PHA a percentage of the excess of the sales price over the purchase price. This required percentage would be 100% for the first two years after the purchase, 75% for the third year, 50% for the fourth year, and 25% for the fifth year. The House amendment contained a similar provision except that the lower income family had to reside in public housing, the purchase arrangement could include fee simple ownership, cooperative ownership had to be limited dividend, and, upon resale, the owner's consideration could not exceed the total of the equity contribution, value of improvements installed by the owner, and the appreciated value due to an agreed-upon inflation allowance. Subsequent owners were bound by the same limitations. The conference report contains the House provision with an amendment to specify the following order of preference for resale: (1) those residing in the project; (2) those residing in other projects in the jurisdiction of the PHA; (3) other families within the jurisdiction of the PHA receiving federal housing assistance; and (4) those on the PHA waiting list (with due consideration given to the ranking order), and to require a notice of eligibility for these eligible families.

Use of proceeds.—The Senate bill contained a provision to require that proceeds from the sale only be used to increase the number of PHA units available for occupany. The House amendment contained a similar provision except that it also allowed proceeds to be used for rehabilitation. The conference report contains the Senate provision.

Financing.—The Senate bill contained a provision to permit the PHA, if alternate financing is not available, to provide a loan at not lower than 70% of the market rate for conventional mortgages. The House amendment contained a similar provision except that it did not require a minimum rate. The conference report contains the Senate provision.

Protection of Non-purchasing families.—The Senate bill contained a provision to require the Secretary to provide nonpurchasing families the assistance necessary to permit them to continue living in the dwelling unit. The House amendment contained a similar provision except that it permitted families to chose Sec. 8 or voucher assistance and be guaranteed such assistance for as long as they lived in the building and permitted the Secretary to adjust the FMR of the certificate to take into account conditions under which the building was purchased. The conference report contains the House provision.

Relocation assistance.—The Senate bill contained a provision to require the Secretary to assist non-purchasing families in relocating to units in another public housing project and to provide assistance to permit family to obtain comparable and affordable alternative housing. The House amendment contained a similar provision except that it also required the Secretary to reimburse the family for relocation expenses and to provide assistance to ensure that the family not pay more than 30% of adjusted income for rent. The conference report contains the House provision.

Additional homeownership and management opportunities.—The Senate bill contained a provision to stipulate that this section would not apply to other homeownership programs. The House amendment contained a provision to stipulate that this section would not apply to other homeownership programs in existence before enactment. The conference report contains the House provision. Any homeownerhship programs in existence prior to enactment may be contained under existing requirements but any expansion would be covered by the new law.

Annual report.—The Senate bill contained a provision to require the Secretary to submit annually a report setting forth: (1) the need for additional public housing units due to resale of units; (2) recommendations for additional budget authority for such units; and (3) recommendations to ensure decent homes and neighborhoods for lower income families. The House amendment contained a provision to require the report to specify: (1) the number, type and cost of sold units; (2) income, race, gender, family size and similar characteristics of purchasing and nonpurchasing families; (3) among and type of financial assistance provided; (4) need for subsidy to ensure continued affordability; and (5) recommendations for statutory and regulatory improvement. The conference report contains both provisions.

Effective date.—The Senate bill contained a provision that was not contained in the House amendment to specify that the provisions dealing with assistance and training for homeownership and conditions for purchase by the RMC not be effective after FY 1990. The conference report contains the Senate provision.

Treatment of Certain PHA Development Funds

The House amendment contained a provision that was not contained in Senate bill to forgive certain interest payments made by the housing authority in Pittsburgh, PA. The conference report contains the House provision.

Energy Efficient Public Housing Demonstration

The House amendment contained a provision that was not contained in the Senate bill to authorize $4.7 million for FY 1988 from public housing development funds for a demonstration program to build and test energy efficient housing designs. The conference report contains the House provision with an amendment to require a report to Congress on the effectiveness of this demonstration.

Public Housing Comprehensive Transition Demonstration

The House amendment contained a provision that was not contained in the Senate bill to establish a 7-year Public Housing Comprehensive Transition Demonstration Program to demonstrate the effectiveness of providing comprehensive services to public housing tenants to ensure their transition to private housing. The conference report contains the House provision amended to clarify the contract with the family is voluntary and specifies the resources available to and the responsibilities of the family; to provide the PHA may assist in establishing an escrow savings account and any tenant whose income increases above 80 percent of median during the demonstration program will no longer qualify for remediation services or reduced rent but may continue to live in public housing until the end of the 7-year period. The conferees expect the PHA to assist families participating in the demonstration by making available adequate child care support which is necessary to facilitiate their employment.

Part III—Section 8 assistance and other programs

Section 8 Assistance For Existing Dwelling Units

The House amendment contained a provision that was not contained in the Senate bill to require that Sec. 8 existing contracts, except those for Sec. 8 vouchers, have a 15-year term and to require each annual contribution contract to provide full funding for a specific number of Sec. 8 certificates or vouchers. The conference report contains the House provision with an amendment to delete the requirement that the term be 15 years and to delete the requirement that the annual contribution contract provide full funding.

Section 8 Fair Market Rentals and Contract Rents

Calculation for certain county.—The House amendment contained a provision that was not contained in the Senate bill to authorize HUD to establish a separate FMR for Westchester County, New York. The conference report contains the House provision.

Consideration of capital improvement costs.—The House amendment contained a provision that was not contained in the Senate bill to require that capital improvement costs be considered in providing Sec. 8 annual adjustments. The conference report does not contain the House provision.

Prohibition of reduction of certain contract rents.—The House amendment contained a provision that was not contained in the Senate bill to prohibit the reduction of certain contact rents for Sec. 8 unless the project debt service has been reduced because of refinancing. The conference report contains the House provision, with a technical amendment to substitute the term "periodic payments" for the term "debt".

Repeal of limit on contract rent increases.—The House amendment contained a provision that was not contained in the Senate bill to eliminate the requirement that Section 8 rent increases be based only on increased operating costs. The conference report contains the House provision.

Comparability.—The House amendment contained a provision that was not contained in the Senate bill to require that rent adjustments not result in material differences between rents for assisted and unassisted units of similar quality and age in the same market area and that automatic annual adjustment factor be used if the Secretary or appropriate State agency fails to submit a comparability study to the project owner 60 days before the anniversary date of the assistance contract. The conference report contains the House provision with an amendment to also require that the maximum monthly rent permitted under Section 8 for assisted units exempt from local rent

control be reasonable in comparison with non-rent controlled units in the market area. This provision is only applicable in areas that have rent controls but, in order to induce owners to provide housing to low-income residents, have exempted such assisted units from local rent control restrictions.

Housing Voucher Program

Use of vouchers with cooperative and mutual housing.—The House amendment contained a provision that was not contained in the Senate bill to permit the use of vouchers without limitation on cooperative or mutual housing. The conference report contains the House provision.

Adjustment Pools.—The Senate bill contained a provision that was not contained in the House amendment to require the Secretary to set aside a portion of voucher funds for an annual adjustment pool which would be used for adjustments to assure continued affordability. Funds were to be distributed at the discretion of the Secretary. The conference report contains the Senate provision with an amendment to delete the stipulation that the funds be distributed at the discretion of the Secretary. The conferees intend that, in situations where the amount of funds needed to make the adjustments exceed the funds available in the pool, the distribution of these funds would be at the discretion of the Secretary.

Administrative Fees for Section 8 Certificate and Housing Voucher Programs

The Senate bill contained a provision to establish an administrative fee for Section 8 existing and voucher programs, to authorize the Secretary to establish a preliminary expense fee for new Section 8 existing and voucher units to establish a hard-to-house fee, and to require a GAO report by 6/30/87 on the fees and on the Section 8 voucher and certificate programs. The House amendment contained a similar provision except that it limited the preliminary expense fee to $275, established a fee to cover extraordinary costs, and did not require the GAO report to cover the Section 8 voucher and certificate programs. The conference report contains the House provision with an amendment to delete the requirement of a GAO report. The conferees intend that GAO issue a report which assesses the fee system, as well as the Section 8 voucher and certificate programs in general, by June 30, 1988.

Portability of Section 8 Certificates and Vouchers

The House amendment contained a provision that was not contained in the Senate bill to provide portability of Section 8 certificates and vouchers to assisted tenants if the dwelling unit is within the same or contiguous metropolitan statistical area as the dwelling unit from which the family moves. The conference report contains the House provision. The conferees intend that once a family is informed of the availability of a voucher or certificate, it may use the assistance in the home to which it moves. In addition, any family receiving voucher or certificate assistance may use that assistance in a new home in the same or a contiguous MSA.

Prohibition of Denial of Section 8 Certificates and Vouchers to Residents of Public Housing

The House amendment contained a provision that was not contained in the Senate bill to prohibit public housing authorities (PHAs) from denying Section 8 certificates and vouchers to residents of public housing. The conference report contains the House provision.

Nondiscrimination Against Section 8 Certificates and Voucher Holders

The House amendment contained a provision that was not contained in the Senate bill to prohibit private owners who have entered into a Section 8 contract for housing assistance payments for tenants in their multifamily housing projects, from refusing to lease available dwelling units at the fair market rent (FMR) to a holder of a Section 8 certificate or voucher. The conference report contains the House provision with an amendment to define multifamily housing project as any residential building containing 5 or more units and to clarify that the provision applies to each project owned by the same owner.

Section 8 Eviction Due to Nonpayment of Rent

The House amendment contained a provision that was not contained in the Senate bill to require owners with Section 8 assistance payments contracts to review a tenant's situation and verify the accuracy of the rent charged and the subsidy provided before terminating the lease of that tenant for nonpayment of rent. The conference report does not contain the House provision.

Project-based Section 8 Assistance

The House amendment contained a provision that was not contained in the Senate bill to permit a PHA to use up to 15% of its Section 8 Existing Certificate for project-based assistance and to require HUD to implement provision permitting Section 8 existing contract to be attached to the building if the owner finances rehabilitation. The conference report contains the House provision.

ABT Associates Report

The Senate bill contained a provision that was not contained in the House amendment to require the Secretary to release the preliminary report on the Voucher Demonstration Program within 90 days of enactment. The conference report does not contain the Senate provision.

Section 8 Assistance for Residents of Rental Rehabilitation Projects

The Senate bill contained a provision that was not contained in the House amendment to require the Secretary to provide voucher assistance payments to lower income families who are physically displaced as a result of rehabilitation activities or whose rent after rehabilitation would exceed 30 percent of their monthly adjusted income. The conference report contains the Senate provision with an amendment to require the Secretary to use vouchers or certificates when tenants are physically displaced and to clarify that the use of vouchers or certificates to address economic displacement would be at the discretion of the local government. The conferees intend the HUD continue to provide one voucher or certificate for every $7,500 in rehabilitation funds or such other allocation which insures that sufficient resources are available to address physical or economic displacement of existing tenants. The conferees have considered and rejected the policy on economic displacement set forth in HUD's proposed rule of August 14, 1987.

Rental Rehabilitation Grants

Authorization of appropriations.—The Senate bill contains a provision to authorize $220 million for rental rehabilitation and $100 million for rental development for each of fiscal years 1988 and 1989. The House amendment contained a provision to authorize $175 million for rental rehabilitation and $99.5 million for rental development for fiscal year 1988. The conference report authorizes $200 million for each of fiscal years 1988 and 1989 for the rental rehabilitation program, and $75 million for fiscal year 1988 and $78 million for fiscal year 1989 for the rental development program.

Rental rehabilitation eligible properties.—The House amendment contained a provision that was not contained in the Senate bill to make properties that will be privately owned after rehabilitation eligible for rental rehabilitation. The conference report contains the House provision.

Rental rehabilitation maximum grant.—The Senate bill increased the maximum grant to $7,500 per unit up to 2 bedrooms and to $8,500 per unit with 3 or more bedrooms. The House amendment contained a provision not to increase the maximum grant to $5,000 per efficiency, $6,500 per one or two bedroom unit, and $7,500 per unit with three or more bedrooms. The conference report contains a provision to increase the maximum grant to $5,000 per efficiency, $6,500 per one bedroom unit, $7,500 per two bedroom unit, and $8,500 per unit with three or more bedrooms.

Rental rehabilitation use of funds.—The House amendment contained a provision that was not contained in the Senate bill to permit all rehabilitation funds to be used to rehabilitate efficiency or one bedroom units in cases where a local law requires rehabilitation to meet seismic standards. The conference report contains the House provision.

Rural areas.—The Senate bill contained a provision that was not contained in the House amendment to permit states to administer the rental rehabilitation program in rural areas. The conference report contains the Senate provision with an amendment to permit the temporary use of rental rehabilitation in rural areas on a limited basis in another section of this report.

Administrative expenses.—The Senate bill contained a provision to permit States to use its small cities CDBG funds to administer Rental Rehabilitation program and to permit the Secretary's CDBG discretionary fund to be used to cover those administrative expenses. The House amendment contained a provision to permit States administering the Rental Rehabilitation program to retain up to 10 percent of the grant for administrative expenses. The conference report contains the House provision with an amendment to require that fees be shared where local governments administer the program in connection with the State and to permit entitlement communities to use up to 10 percent of the grant for administrative expenses.

Rental Development Grants

Rental development area eligibility.—The House amendment contained a provision that was not contained in the Senate bill to make the eligibility requirements for development grants under this section be the requirements in effect on October 17, 1987. The conference report contains the House provision.

When determining areas eligible for assistance, the conferees intend that decent rental housing include units that are decent and suitable for occupancy. Those units that are not habitable shall not be counted when determining the level and duration of rental housing vacancies.

Rental development program requirements.—The House amendment contained a provision that was not contained in the Senate bill to require grantees to commence construction or substantial rehabilitation activities within 36 months of project selection and to require that the owner of each assisted structure agree to comply with the 20% lower income minimum requirement for a 20-year period. The conference report contains the House provision with an amendment to delete the 36-month requirement and insert in lieu thereof the requirement that where judicial or administrative proceedings block or delay the beginning of construction or substantial rehabilitation an additional 6 months be granted during which the activity should begin.

Development cost.—The House amendment contained a provision that was not contained in the Senate bill to allow developers' fees to be included in HODAG development costs for those projects selected before the enactment date if the fee is included in a mortgage secured by the project and the lender is a State housing finance agency. The conference report contains the House provision with an amendment to permit the developers' fees to be included if the development cost of the project is financed by bonds issued by a State housing finance agency or similar local issuer.

Rents.—The Senate bill contained a provision that was not contained in the House amendment to give owners the option of basing their calculations of low income rents in buildings assisted under HODAG on either the most recent estimate of area median income or the estimate that was in effect when the HODAG application was submitted. The conference report does not contain the Senate provision.

SUBTITLE B—OTHER HOUSING ASSISTANCE PROGRAMS

Elderly and Handicapped Housing

Budget authority.—The House amendment increased the borrowing authority for Section 202 by such sums as approved in Appropriations Act for fiscal year (FY) 1988 while the Senate bill changed the aggregate borrowing authority to $595 million in both FYs 1988 and 1989. The conference report includes the House provision with an amendment to include FY 1989.

Loan authority.—The House amendment contained a provision not contained in the Senate bill that authorized $621,701,000 in loans for FY 1988. The conference report contains the House provision amended to provide for $621,701,000 in loan authority in FY 1988 and $651,334,000 in FY 1989.

Interest rates.—The Senate bill contained a provision to base interest rates on HUD loans to sponsors of Section 202 housing projects on the average yield on the most recently issued 30-year marketable obligations of the United States during the three-month period immediately preceding the fiscal year in which the loan is made. The provision also permitted the borrower, at its option, to lock in an interest rate determined at the time a request is submitted to HUD for a conditional or firm loan commitment, based either on the formula rate for that year or a rate based on applying the formula in the month preceding the month in which the commitment request is made. The House amendment used a different method for establishing interest rates.

The conference report contains the Senate provision. The conferees intend that the formula apply to all Section 202 loans that are closed after the enactment date, and that the provisions giving the borrower the option to lock in a rate at the time a commitment request is submitted apply to requests submitted prior to enactment if the loan is closed after the enactment date.

Appeal of cancellation of Section 202 loan authority.—The House amendment contained a provision that was not contained in the Senate bill to require HUD to notify Section 202 project sponsors at least 30 days before cancelling their Section 202 loan and permits sponsor to appeal cancellation. The conference report contains the House provision.

Section 202 priority.—The House amendment contained a provision that was not contained in the Senate bill that provides for priority in HUD's selection of Section 202 projects for applicants providing replacement housing for 100 unit projects or larger owned by a public housing authority (PHA) that was used for elderly families and is to be demolished. The conference report contains the House provision with an amendment to sun-set the provision after September 30, 1988.

Community participation.—The House amendment contained a provision not included in the Senate bill to eliminate the requirement that the governing board of a Section 202 nonprofit sponsor has representatives from the community where the project is located. The conference report does not contain the House provision.

Housing for the Handicapped

Findings.—The House amendment contained a provision not included in the Senate bill stating that cost containment policies applied to handicapped group homes do not reflect design needs of residents or state and local residents. The conference report includes the House provision.

Standards.—The House amendment contained a provision not contained in the Senate bill to require HUD to insure participation by disability community representatives in developing standards to distinguish differences between elderly and handicapped housing. The conference report contains the House provision.

Initial annual assistance contract.—The House amendment provided that the annual contract amount established initially shall include an initial utility and services allowances. The Senate bill did not include services allowance. The conference report includes the Senate provision. However, the conferees intend HUD, in operating the Section 202 handicapped program, to allow reasonable allowances for realty related expenditures.

Cost of services.—The House amendment contained a provision that the Secretary shall approve initial project rentals based on total actual, necessary and reasonable costs of developing and operating the project. The Senate bill contained a similar provision except it explicitly excluded costs of an assured range of supportive services. The conference report contains the Senate provision.

Implementation.—The House amendment contained a provision that requires the Secretary to publish a notice of funds availability to implement the provisions of and amendments made by this section within 120 days of enactment. The Senate bill contained a similar provision. The conference report contains the House provision.

The conferees intend that HUD has the authority to approve realistic fair market rentals and mortgage limits as provided by this section to build Tweemill House (project #012-EH-347/NY36-T831-006), a project for 40 nonelderly low-income handicapped persons in the East Harlem Triangle Urban Renewal Area in New York City. This project is currently being processed by HUD, and thus would be covered by the section which establishes the retroactive application of the revised subsidy mechanism for projects currently being processed by the Department.

The Tweemill House project is being sponsored by an experienced minority organization, the Community Association of the East Harlem Triangle, Inc. In addition, the New York Easter Seal Society has guided the planning of this project in order that handicapped persons—the deaf, the blind and those in wheelchairs—may be provided a safe and decent place of residence. The conferees commend these organizations for their commitment to such a worthy project.

HUD found in early 1987 that the proposal met cost containment requirements. However, even though cost containment requirements were met, the small size of the project and the extra equipment required to insure the safety of the handicapped residents pushed costs beyond the limits of the firm commitment despite strict adherence by the sponsor to HUD's bidding procedures.

The conferees believe that independent living by handicapped persons is an important goal, and therefore intend that adequate project rentals and mortgage funds should be permitted in order that construction of Treemill House can begin immediately.

Section 235 Homeownership

The House amendment contained a provision, similar to the provision in the Senate bill, that mandates recaptured budget authority for Section 235 be used for new contracts for assistance payments. The conference report contains the House provisions.

Congregate Services

The Senate bill contained a provision to require the Secretary to submit a report to Congress which documents the number of elderly living in federally assisted housing, compares alternative congregate service delivery system, and assesses the availability of financial resources to support these services at federal, state and local levels, and to authorize $7 million for FY 1988 and $13 million for FY 1989 for Congregate Housing Services, $2 million of which would be used for the report. The House amendment contained a provision to authorize $13 million for FY 1988, to make Congregate Services a permanent program, and to require HUD to submit a report which outlines the number of individuals living in assisted housing at risk of institutionalization, alternative delivery systems, governmental financial resources for congregate housing, and legislative recommendation is to the feasibility of permitting State housing agencies to participate and operate the program on a matching grant basis. The conference report contains the House provision with an amendment to authorize $10 million for each of fiscal years 1988 and 1989, and to clarify that the report should also study the feasibility of permitting other appropriate State agencies to participate. The conferees also wish to make clear that no specific number of meals is required so long as the meal service provided under the Congregate Housing Services Program meets the nutritional needs of the frail elderly.

Procedures and Policies for Mandatory Meal Programs in Assisted Housing for the Elderly

The House amendment contained a provision that was not contained in the Senate bill to establish four specific exemptions for elderly residents residing in assisted elderly projects with mandatory meal programs, and to require acceptance of food stamps as payment for a meal program. The conference report does not contain the House provision.

Modification of Restriction on use of Assisted Housing by Aliens

The Senate bill contained a provision to exempt from liability state and local governments for the design or implementation of the Federal Alien Verification System if the implementation is in accordance with federal rules and regulations, and to require that the HUD verification system not supercede or affect any consent agreement entered into or court decree order entered prior to enactment. The House amendment contained a provision to permit continued assistance to aliens presently receiving assistance, to make eligible for future assistance aliens undergoing legalization and families in which any member is a citizen, a natural or a legal alien resident; to establish verification, enforcement, transitional certification and documentation procedures; to establish a fair appeals process during which financial assistance would not be denied or terminated, and to authorize HUD to reimburse PHAs for costs incurred in implementing and operating an immigration status verification system. The conference report contains both the House and the Senate provisions with an amendment to permit assistance to previously unassisted families only if the head of the household or their spouse is a citizen or national of legal alien resident, to clarify that the verification determination of the Immigration and Naturalization Status (INS) may be appealed to the INS, and to modify the fair hearing process requirement to require the Secretary to notify individuals of hearing decisions in a timely manner, rather than within 45 days.

Preventing Fraud and Abuse in HUD Programs

The Senate bill contained a provision to permit the Secretary to require applicants and participants in HUD-assisted housing to disclose their social security or employment identification numbers and sign a consent form to authorize release of pertinent salary and wage information, to allow HUD access to wage and employment compensation information contained in state agency records, and to establish strict safeguards to prevent improper use of the information HUD obtains. The House bill contained a provision to authorize the Secretary to require applicants and participants for HUD assistance programs to disclose social security or employer identification numbers for income verification purposes. The conference report contains the House provision.

Though the conference report does not contain the Senate provision, the conferees wish to make clear that they support the approach taken by the Senate because they feel it would help deter fraud and abuse in HUD programs. The conferees agreed to delete the Senate provision, however, after the House Ways and Means Committee, in a letter to the House Banking Committee, asserted its jurisdiction over this provision.

The conferees strongly urge the House Ways and Means Committee to give expeditious consideration to H.R. 1028, a bill introduced on February 5, 1987, which was referred to the Committee on Ways and Means. This legislation is similar in intent to the bill on which a hearing was held on June 25, 1986, but provides additional safeguards to protect the privacy of individuals involved and to prevent any improper use of data generated.

Energy Conservation in Assisted Housing

The House amendment contained a provision that was not contained in the Senate bill to require any housing project, for which development or rehabilitation is assisted to be developed or rehabilitated in accordance with life-cycle cost-effective energy conservation performance standards established by HUD. The conference report does not contain the House provision.

The conferees are concerned that one of the major expenses associated with housing cost is the expense of heating, cooling and lighting the building. It makes no sense for the Federal Government, in administering programs that subsidize the cost of construction, rehabilitation or operation of housing to tolerate the construction or rehabilitation of housing that is not optimally energy efficient.

The energy conserving requirements presently in place for most of the programs covered by this amendment are required by the FHA minimum property standards for multifamily housing and are based on standards established in 1975 by the American Society of Heating, Refrigerating and Air Conditioning Engineers (ASHRAE). Since then, energy costs have escalated dramatically but only minor modification has been made to those standards.

Therefore, the conferees intend that HUD begin developing life-cycle cost-effective energy conservation performance standards for all housing projects assisted under the U.S. Housing Act of 1937 or the Section 202 program for the elderly and handicapped. Such standards, when implemented, will ultimately lower substantially the cost to the Federal Governemnt, as well as lower the shelter costs of the building residents because the energy saved over the life of the building will more than offset any increased construction costs.

Annual Report on Characteristics of Families in Assisted Housing

The House amendment contained a provision that was not contained in the Senate bill to require the Secretary to include in the HUD annual report descriptions of the characteristics of the families assisted under public housing, Section 8, vouchers, and Section 202. The conference report contains the House provision.

Housing Demonstration Project

The House amendment contained a provision that was not contained in the Senate bill to authorize $5 million for FY 1988 for the Housing Demonstration Project. The conference report does not contain the House provision.

The Housing Demonstration Project was reflective of longstanding concerns about the lack of coordination between HUD housing assistance programs and Health and Human Services (HHS) shelter assistance. Therefore, the conferees intend that HUD and HHS investigate this problem, evaluate approaches for coordination between the two Departments, and submit the findings and recommendations to Congress.

Section 236 Rental Housing Program

The House amendment contained a provision that was not contained in the Senate bill to require the Secretary to amend annually contracts with owners of projects assisted under Section 236 and the Rent Supplement Program to provide sufficient payments to cover 100 percent of the necessary rent increases and changes in the income of eligible tenants. The conference report contains the House provision.

Exclusion of Housing Assistance as Income

The House amendment contained a provision that was not contained in the Senate bill to require that federal housing assistance not be regarded as income for the purpose of determining any other federal assistance benefits. The conference report does not contain the House provision.

Counseling to Tenants and Home Owners

Housing counseling.—The House amendment contained a provision that was not contained in the Senate bill to authorize $3,651,000 for the Housing Counseling Program for fiscal year 1988. The conference report contains the House provision with an amendment to authorize $3.651 million for fiscal year 1988 and $3.812 for fiscal year 1989.

Emergency home ownership counseling.—The House amendment contained a provision that was not contained in the Senate bill to authorize $30 million for grants to nonprofit organizations experienced in providing home ownership counseling, to require the Secretary to ensure the availability of counseling from grantees throughout the U.S., particularly in areas with high rates of foreclosures, to establish eligibility requirement for this counseling for homeowners facing foreclosure, and to require a moratorium on foreclosures, in which either the creditor or the loan is federally guaranteed or insured, for 6 months after an eligible homeowner applies for counseling. The conference report contains the House provision with an amendment to incorporate it into Senate 106 of the Housing and Community Development Act of 1968, to delete the foreclosure moratorium and substitute in lieu thereof the requirement that lenders notify homeowners when they become eligible for counseling, to advise the mortgagor of both counseling offered by the creditor and other available counseling programs, to sunset the provision in two years, and to authorize such sums as may be appropriated for FY 1988 and 1989.

Housing Assistance Technical Amendments

The Senate bill and the House amendment contained provisions with housing assistance technical amendments. The conference report contains all the technical amendments contained in both provisions.

SUBTITLE C—MULTIFAMILY MANAGEMENT AND PRESERVATION

Management and Preservation of HUD-Owned Multifamily Housing Projects

The House amendment contained a provision not included in the Senate bill which amended current law governing the management and disposition of projects owned by the Department of Housing and Urban Development. The conference report contains the House provision with amendments as noted.

Goals.—The House provision extended the coverage of current law beyond HUD-owned projects to include projects with mortgages held by HUD that are delinquent, under a work-out agreement, or being foreclosed upon. The House provision also amended the objectives in current law to indicate that preservation of units for low and mod-

erate income persons is the paramount objective. The conference report contains an amendment to clarify that HUD must, in a manner consistent with the revised preservation objectives, manage projects with HUD held mortgages that are being foreclosed upon, and manage and dispose of projects that are owned by HUD. The conference report does not require HUD to provide Section 8 Loan Management Set Aside subsidies or some other form of assistance to projects with HUD-held mortgages that are delinquent simply because of the delinquent status. The conferees do intend, however, that HUD continue to use LMSA as a tool in assisting troubled projects.

Management services.—The House provision clarified HUD's obligation to maintain projects that HUD owns or controls and mandated that HUD require owners of multifamily projects covered by the amended law to carry out these duties. The conference report contains the House provision.

Maintaining of projects.—The House provision clarified HUD's obligation to maintain projects that HUD owns or controls and mandated that HUD require owners of multifamily projects covered by the amended law to carry out these duties. The conference report contains the House provision.

Financial assistance.—The House provision required the Secretary, in carrying out the statutory objectives, to provide project-based Section 8 contracts for at least 15 years and/or provide purchase-money mortgages, reduce the selling price or provide other financial assistance to owners to ensure that rents are affordable for 15 years. The conference report contains the House provision with two amendments. First, the conference report clarifies that the obligation to provide Section 8 project-based assistance is triggered when a project is acquired by a purchaser other than HUD at foreclosure or after sale. Second, the conference report provides State and local governments a right of first refusal to purchase projects. The conferees believe that increasing State and local government ownership of multifamily projects will help create a long-term supply of housing affordable and available to low income families. The conference report requires HUD, upon receiving a bona fide offer to purchase a project, to notify the State and local government of the proposed terms and conditions of the offer, including the assistance that the Secretary plans to make available to the prospective purchaser. The government entities then have 90 days in which to match the offer and purchase the project. The conferees emphasize that HUD must offer assistance to the government entities on terms and conditions at least as favorable as those made available to the prospective purchaser. The conferees intend that HUD, when offering assistance to government entities, take into account that these entities are not eligible for the type of tax benefits which private purchasers often receive. The conferees also note that the inclusion of this amendment does not preclude HUD from negotiated sales with State and local governments. And finally, the conferees do not intend that HUD take the actions required under this section in extreme situations where the construction is substantially incomplete or the project is uninhabitable due to environmental factors beyond the control of the Secretary.

Displacement protection.—The House provision extended tenant displacement protections to multifamily projects controlled as well as owned by HUD and mandated that HUD require owners of multifamily projects covered by the amended law to carry out these requirements. The conference report contains the House provision.

Limitation of certain project, loan and mortgage sales.—The House provision restricted HUD's ability to approve certain project and mortgage sales. The conference report contains the House provision with an amendment to permit HUD to conduct sales on a negotiated basis with agencies of State and local government.

Definitions.—The House provision defined the terms "subsidized project" and "formerly subsidized project". The conference report contains the House provision.

The conferees intend that HUD, in implementing the goals of the revised statute for projects facing foreclosure under the Multifamily Mortgage Foreclosure Act or otherwise, impose restrictions on rents, charges and methods of operation similar to those in effect prior to the foreclosure for the full remaining term of the mortgage, notwithstanding any interpretations of prior law. Such restrictions shall be applicable to any purchaser at the foreclosure sale, including private purchasers.

Acquisition of Insured Multifamily Housing Projects

The House amendment contained a provision not included in the Senate bill which required the Secretary to take into account the objective of preserving the low-income character of projects when determining the government's bids at the foreclosure sale of insured multifamily housing projects. The conference report contains the House provision.

Tenant Participation in Multifamily Housing Projects

The House amendment contained a provision not included in the Senate bill which amended current law governing the ability of tenants to receive notice and comment on various management activities in multifamily housing projects. The provision (a) extended the coverage of current law to include projects developed under Section 202 of the Housing Act of 1959; (b) removed HUD's discretion to deny tenants the right to notice and comment on specified management actions; and (c) added transfers of physical assets, applications for capital improvement loans and mortgage sales to the list of management actions subject to tenant notice and comment. The conference report contains the House provision amended to delete the additional management actions subject to tenant notice.

Multifamily Housing Disposition Partnership

The House amendment contained a provision not included in the Senate bill which established a 3-year demonstration program to test the effectiveness of disposing of distressed multifamily housing projects owned by HUD through a partnership with the Massachusetts Housing Finance Agency. The provision required that not less than 30 days before offering to sell any project that is not located in Massachusetts, HUD shall notify MHFA and provide MHFA the opportunity to provide financing through HUD coinsurance to a purchaser. The provision also required HUD to submit a report to Congress evaluating the effectiveness of the demonstration programs as national model for the disposition of the distressed multifamily housing projects. The conference report contains the House provision with an amendment to delete the specific mention of the Massachusetts Housing Finance Agency and to authorize HUD to select four State housing finance agencies to carry out the demonstration program.

Multifamily Housing Capital Improvements Assistance

The House amendment contained a provision not included in the Senate bill which authorized the Secretary to make direct loans to owners of certain projects in order for the owner to make necessary capital improvements and to maintain the low and moderate income character of the project. The conference report contains the House provision with an amendment to incorporate the House provision into Section 201 of the Housing and Community Development Amendments of 1978 and to make such conforming and technical amendments as necessary. The conference report also made such additional amendments as noted. It is clear that by incorporating this loan program as an amendment to Section 201, that recipients of the loan will be required to maintain the low and moderate income character of the project for the remaining term of the project mortgage.

Flexible subsidy fund.—The House provision established a special revolving fund to carry out the new loan program. The conference report contains the House provision with an amendment to expand the coverage of the Fund to include all assistance made under the Flexible Subsidy statute. The conference report would authorize the Secretary to use no more than $50 million of the Fund in any given fiscal year for the purpose of providing loans for capital improvements.

Amount and conditions of loans.—The House provision stated that the principal amount of a loan for capital improvements would not exceed 80 percent of the sum of the amounts necessary for an owner to make (a) capital improvements, (b) improvements necessary to make cost-effective energy standards, and (c) improvements necessary to comply with Section 504 of the Rehabilitation Act of 1973. Since the Secretary has the authority to allow the owner's contribution to be less than 20 percent of the loan amount, the conference report contains the House provision with an amendment to clarify that the amount of the loan should be the difference between the owner's contribution and the amounts needed to make the improvements specified above. The conferees intend that the rehabilitation work carried out under this program be performed in a manner that minimized disruption to current tenants.

Minimization of rent increases.—The House provision permitted the Secretary to take certain actions to minimize increases in rental payments incurred by residents of a project which has obtained a capital improvement loan as a result of the debt service and other expenses associated with the loan. Such actions could include providing section 8 assistance to the project, reducing the interest rate on the loan to not less than one percent, increasing the term of the loan to not more than the remaining term of the mortgage, increasing the amount of owner assistance up to 30 percent of the total estimated cost of the capital improvements. The conference report contains the House provision with an amendment to limit the applicability of the minimization of rent increases to low income tenants and to provide in the case of projects receiving these loans that are eligible to prepay, that the minimization of rent increases will be gov-

erned by the rent structure established in the prepayment provisions of this title.

Priority for certain projects.—The conference report also contains a provision to give priority for these loans to projects that agree to extend low income affordability restrictions under the FHA prepayment provisions of this title.

Flexible Subsidies

The House amendment contained three provisions not included in the Senate bill which amended current law authorizing the Secretary to provide operating assistance, or flexible subsidies, to owners of troubled multifamily housing projects. The conference report contains the House provision with amendments as noted.

Troubled multifamily housing projects.—The House amendment contained a provision which required an owner of a project receiving flexible subsidies to apply for sufficient Sec. 8 assistance or any other appropriate federal, State or local assistance to ensure the financial soundness and low-income character of the project, and the HUD Secretary must request sufficient funds for this purpose. The House provision also established an exception to the use restriction contained in existing flexible subsidy agreements, providing that such restriction is binding only as long as the project or the families receive subsidies sufficient to permit the owner to maintain the financial soundness of the project. The conference report contains the House provision with an amendment to delete the exception. The conferees wish to clarify a statement contained in the House Committee Report. The conferees fully support this amendment, but recognize that when an owner diligently seeks, but does not have available to him or the residents sufficient federal, State or local housing assistance to permit the owners to maintain the financial soundness of the project, the owner is not bound to a requirement to limit the occupancy of the housing to families whose incomes do not exceed 50 percent of area median. Rather, such owner only has to abide by the income restrictions imposed upon the project at the time that the project's original loan was insured through a Regulatory Agreement entered into with HUD and the agreement to maintain the low and moderate income character of the project made at the time the flexible subsidy funds were provided. The conferees intend that the owner should not discriminate against a family that has shown an ability to pay the rent for a unit or against any family that is the holder of a Section 8 certificate or voucher.

Excess rent authorization.—The House amendment contained a provision which authorized the Secretary, in fiscal year 1988, to use certain excess rental charges from Section 236 projects for the purpose of assisting troubled multifamily housing projects. The conference report contains the House provision amended to extend this provision through fiscal year 1989.

Section 202 extension.—The House amendment contained a provision which expanded the coverage of the Flexible Subsidy program to include Section 202 elderly and handicapped projects provided that such projects received a loan more than 15 years before the flexible subsidy assistance was made available. The conference report contains the House provision.

Use of Funds Recaptured From Refinancing State Finance Projects

The House amendment contained a provision that was not contained in the Senate bill to require that half of the funds recaptured from the refinancing of any State-financed project that was provided a financial adjustment factor under Section 8 be made available to the State housing finance agency to produce new lower income housing. The conference report contains the House provision.

TITLE II—PRESERVATION AND MANAGEMENT OF LOWER INCOME HOUSING

The House amendment contained several provisions not included in the Senate bill to retain privately owned, federally assisted low income housing that will be lost as a result of mortgage prepayment or expiring rental assistance contracts. Separate solutions were provided for housing assisted by the Department of Housing and Urban Development (HUD) and housing assisted by the Farmers Home Administration.

The conference report includes a separate title, which may be cited as the "Emergency Low Income Housing Preservation Act of 1987", that incorporates the House provisions related to rural housing, with amendments as noted below, and a Senate amendment related to HUD assisted housing.

SUBTITLE A—GENERAL PROVISIONS

The House amendment contained a provision establishing that it is the national policy to retain insured or assisted multifamily rental housing as affordable for lower income families. To govern the Secretary's administration of the policy the provision outlined a set of goals: maintenance of the stock in decent, safe and sanitary condition, preserving and revitalizing residential neighborhoods, and minimizing the involuntary displacement of tenants. Finally, the provision directed the Secretary to undertake a comprehensive review of all federal programs and actions that the Secretary has undertaken or recommended, or might undertake or recommend, in administering the policy.

The conference report contains a substitute for the House provision: the "Emergency Low Income Housing Preservation Act of 1987". Findings establish the reasons why legislative action is necessary in this bill. They indicate that almost 950,000 low income housing units could soon be lost through mortgage prepayments and the expiration of Section 8 rental assistance contracts. They note that the timing of the loss would inflict unacceptable harm on current tenants and could precipitate a grave national crisis in the supply of low income housing that was neither anticipated nor intended when contracts for these units were entered into. The findings also establish that the loss of this affordable housing would harm long-established national objectives: the provision of decent, safe and sanitary housing affordable to low income Americans; the provision of low income housing that is accessible to job opportunities; and the expansion of housing opportunities for all Americans, but particularly members of disadvantaged minorities.

The findings note that an adequate supply of low income housing has depended and will continue to depend upon a strong long-term partnership between the public and private sectors that accommodates a fair return on investment. They further note that reductions in the federal housing budget and in the tax benefits previously associated with low income housing have increased the incentives for private industry to withdraw from the production of low income housing. The findings declare that efforts to preserve this housing for low income use must be tailored to the unique financial and market conditions of individual projects.

The findings note that a number of private sector task forces (including those established by the National Corporation for Housing Partnerships, the National Housing Conference and the Advisory Council of HUD Management Agents) as well as state and local organizations have undertaken a major review of alternative responses to the threatened loss of low income housing. The findings conclude that, in the interim period before the recommendations of the various task forces and organizations can be completed, Congress must enact emergency, temporary measures to avoid the irreplaceable loss of low income housing and the irrevocable displacement of current tenants.

The conference report establishes three purposes for the title: to preserve to the maximum extent practicable as housing affordable to low income families or persons those privately-owned housing units that were produced for such purpose with federal assistance; to minimize the involuntary displacement of tenants currently residing in such housing; and, to continue the private/public partnership in the production and operation of housing affordable to low income families or persons.

The conference report establishes a timetable making the requirements of this subtitle effective November 1, 1987, and declares that the provisions of Subtitles B and D shall be repealed two years after the date of enactment. However, any agreements entered into prior to that date will be covered by the provision of this title for the term of the agreement. The conferees intend that a longer term approach to the threatened loss of housing affordable to low income families or persons will be developed and enacted by that date.

SUBTITLE B—PREPAYMENT OF MORTGAGES INSURED UNDER THE NATIONAL HOUSING ACT

The House amendment contained a provision establishing a procedure for notice and negotiation prior to prepayment of mortgages under certain HUD programs. The provision required owners to file a one-year notice of intent to prepay with the HUD Secretary, the State housing finance agency, the local government and the tenants. The notice would have to include detailed project financial information. During that year, defined in the provision as the "prohibited period", the owner could not prepay. The provision established a schedule for negotiations during which HUD, the State and local governments and the tenants could propose financial incentives to persuade the owner to retain the property for low-income use or, alternatively, to sell the property to a tenant cooperative, nonprofit organization or public agency.

The House amendment provided for a one-year "permitted period", to take effect upon expiration of the "prohibited period", during which the owner would be allowed to prepay. The provision enabled the owner to extend the permitted period year by year by notifying HUD 30 days before its termination. The provision also required owners to notify HUD and other interested parties within 90 days of a proposed sale or 60 days of a proposed refinancing and provided a schedule according to which HUD and interested parties could respond with counterproposals. Finally, the provision required the HUD Secretary to publish a monthly listing in the Federal Register of all projects

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that are eligible for prepayment one year from publication.

The conference report contains a substitute for the House provision that implements an interim solution for the prepayment problem. The report establishes that an owner of "eligible low income housing", defined in the Act, may prepay and a mortgagee may accept prepayment only in accordance with a plan of action approved by the Secretary. The report establishes a streamlined procedure for notice and approval of a plan of action.

Notice.—An owner of eligible low-income housing seeking to prepay or initiate other changes in the status or terms of the mortgage or regulatory agreement would file a simple notice of intent with the HUD Secretary and any appropriate State or local government agencies. The term "other changes" refers to changes related to an owner's acceptance of certain incentives in exchange for an agreement to retain the housing for low- and moderate-income use for the remaining term of the mortgage. Incentives which alter the current rent structure, for example, will necessitate amendments to the existing regulatory agreements. The conferees intend with this provision to affect only housing that is likely to prepay and do not intend to alter HUD administration of other regulatory agreements under the affected programs. The mortgages covered by this provision include purchase money mortgages held by the Secretary that were provided to provisions formerly insured under Sections 221(d)(3), 221(d)(3) BMIR, or 236.

Plan of action.—Upon receipt of the notice, the HUD Secretary would be required to provide the owner with such information as the owner needs to prepare a plan of action. The Act outlines the type of information which the plan of action must include. The conferees expect that details of individual plans of action will differ markedly from project to project. An owner seeking to prepay the mortgage and terminate the affordability restrictions would be expected to provide detailed information on the impact of such actions on the current tenants and the local supply of affordable housing during the forseeable future. However, an owner wishing to take advantage of incentives offered by the Federal Government would not be expected to provide such information since the acceptance of incentives obligates the owner to retain the housing for low-and moderate-income use.

The conferees expect that the timing of the submission and approval of plans of action will also differ from project to project depending upon the complexity of individual plans. The conferees intend that procedures for review be flexible, timely and designed to encourage all interested parties to cooperate in finding ways to retain the low income affordability of eligible housing. The conferees expect that, wherever possible, State and local agencies will take a leading role in finding solutions appropriate to a project. The conference report establishes maximum periods for review, and the conferees expect the Secretary to review and decide upon plans of action as quickly as fair deliberation and involvement of all interested parties will allow.

Incentives.—The conference report requires an owner to submit the plan of action to the HUD Secretary and any appropriate State or local government agencies. If an owner demonstrates a willingness to negotiate to keep the housing affordable to low and moderate income families or persons for the remaing term of the mortgage, the Secretary is authorized to offer the owner one or more of the incentives delineated in the Act. These incentives include (a) an increase in the rate of return on equity; (b) revisions in the method of calculating equity; (c) increased access to the resideual receipts accounts or excess replacement reserves; (d) the provision of insurance for a second mortgage to take out equity; (e) the provision of additional Section 8 assistance or an increase in the rents under existing contracts or an extension of any project-based assistance such as Loan Management Set-Aside; (f) the provision of a capital improvement loan; (g) other actions, authorized elsewhere in law, designed to facilitate a transfer or sale of the project to a variety of entities; and (h) other incentives authorized elsewhere in law. In determining which incentives are properly suited to individual projects, the conferees intend that the HUD Secretary take into account local market conditions and the existing tenant population. The conferees intend that any of the specified incentives may be offered in conjunction with the transfer or sale to a nonprofit organization or other organization identified in Section 224(b)(7). The conferees recognize that, for some eligible projects, the provision of incentives under this section are not justified because local market conditions make it very unlikely that the projects will be prepaid or that the low income affordability restrictions would be terminated. The conferees intend that the Secretary will use appropriate care to ensure that incentives provided under this section are used only in those cases where they are needed to avoid the termination of low income affordability and that any agreement to permit increases in rents for new tenants that exceed rents charged existing tenants plus reasonable increases in operating costs should be considered only where the other incentives authorized by this section are insufficient to provide a fair return on investment to owners. In some projects many of the incentives such as increased Section 8 assistance, higher Section 8 Fair Market Rents, access to residual receipts or replacement reserves, local and State tax benefits or subsidies and increases in return on equity related to the provision of these incentives will not require increases in tenant rents beyond those permitted for existing tenants.

Consultation.—The conference report requires the HUD Secretary to consult with State and local governments in developing a package of incentives to offer an owner. The conferees note that a number of States have already begun to provide resources to ameliorate the prepayment problem. The conferees believe that an array of federal, State and local incentives will be needed to resolve the prepayment problem and urge the HUD Secretary to work with all levels of government, as well as parties, such as tenant organizations, that the Secretary believes could assist in developing an "approvable" plan of action. In addition, State and local governments are required to consult with tenant representatives from the affected projects.

Criteria for approval.—There will essentially be two types of plants: those that request permission to prepay a mortgage and terminate the current affordability restrictions and those that request government or other incentives to preserve the housing as affordable to low income tenants. The conference report, therefore, contains two types of approval criteria. The HUD Secretary may approve a plan of action that merely requests permission to prepay and terminate affordability restrictions only upon finding that the plan satisfies long-established national objectives. Specifically, the Secretary must find that implementation of the plan of action would (a) not create hardship for current tenants or displace them where a comparable and affordable housing is not readily available and (b) would not materially affect the general supply of low income housing in the market area, lessen the ability of low income people to find housing near job opportunities or reduce housing opportunities for minorities. In making these findings, the Secretary must give consideration to the views of appropriate State and local agencies and to tenants who may be affected by the termination of the affordability provisions.

The HUD Secretary may approve a plan of action that includes incentives only upon finding that binding commitments have been made to ensure that: (a) the housing will be retained as housing for low and moderate income residents for the remaining term of the mortgage; (b) operation and maintenance will be adequate; (c) current tenants will not be involuntarily displaced without good cause and may receive rent increases only in accordance with certain limitations; (d) any rent increases for current tenants, except as specified, would phase in over three years; (e) vacant units would have rents approved by the Secretary so that they continue to be available and affordable to very low income, lower income and moderate income families or persons; (f) the package of incentives is needed to provide a fair return on investment; and (g) the package is the least costly alternative that meets the purposes of the Act. The conferees are aware that some tenants who originally met the income occupancy criteria now have incomes higher than moderate income. The conferees intend that such tenants be considered moderate income tenants for the purposes of calculating rents affordable to families with different income proportions under Section 226(b)(6).

The conference report provides guidance for the rent structure of projects that receive incentives. The conferees have included incentives designed to provide owners a fair return on investment while minimizing rent increases for tenants. Some of these incentives involve an increase in project debt which can be serviced, in part, by increases in rents for current tenants, increases in existing federal subsidies and the provision of additional State and local government assistance. Tenants who are now paying less than 30 percent of their income for rent could have their rents increased up to the 30 percent level provided that such increases are necessary to service the project's financial structure and are phased-in in accordance with the Act. Rents for units covered by Section 8 contracts may rise to the maximum permissible fair market rent for existing Section 8 certificates provided that the general rent reasonableness tests are satisfied. Finally, rents for tenants who now pay more than 30 percent of their income for rent will not change as a result of incentives which increase the projects' debt. In all cases, however, the Secretary may approve annually rent increases to cover future reasonable increases in operating expenses that become necessary.

Rents for new tenants.—The conference report provides that rents charged new tenants must be approved by the Secretary and must ensure, to the extent practicable, that the units will be available and affordable to

the same proportions of very low income, lower income and moderate income families as those families residing in the housing as of January 1, 1987. In approving these rents the Secretary shall take into account any financial burden related to incentives provided to persuade owners to extend low income affordability requirements for the remaining term of the mortgage. The conferees recognize that the provision affecting rents for new tenants (in combination with incentives that do not affect tenants rents) is an initial attempt by Congress to balance an improvement in the financial return of the owner of the property with the necessity to preserve housing that is affordable for new low and moderate income tenants by minimizing rent increases. The conferees expect that in approving affordable rents for an individual project, the Secretary will permit rents that are affordable, with 30 percent of adjusted income, to a substantial range of tenants in each of the three defined categories of very low income, low income and moderate income. The conferees expect that the rents established for units occupied by existing tenants will not be reduced when new tenants move into the project and that owners may not discriminate against new tenants on the basis of their income if the tenants have a good rent paying record or if the tenants are holders of Section 8 certificates or vouchers.

Alternative State strategy.—In recognition that some States have already begun to address the problem of expiring low income affordability restrictions in FHA-insured projects and some States may develop creative new solutions to the problem, the conference report provides that as an alternative, the Secretary may approve a plan of action developed under an approved State strategy that meets a number of criteria. The State plan must be a practicable statewide strategy that ensures at a minimum that: current tenants will not be displaced except for good cause; housing opportunities for minorities will not be adversely affected; any rent increases for current tenants will not exceed the lower of 30 percent of the adjusted income of tenants or the existing Section 8 fair market rent; housing will remain affordable to very low income, lower income or moderate income families for not less than the remaining term of the mortgage if used for rental housing or for not less than 40 years if used for homeownership; and expenditures for rehabilitation, maintenance and operation must be at a level to preserve the housing for the specified period.

In addition, the State plan must provide that not less than 80 percent of all of the units statewide that are approved under the State strategy shall be retained as affordable to families meeting the income affordability standards for initial occupancy applying to the housing on January 1, 1987. Not less than 60 percent of the units in any one project shall remain available and affordable to such families and within the total units in the project no less than 20 percent of the units shall remain available and affordable to very low income families.

Any dwelling unit that will no longer be available to low and moderate income tenants as a result of State approval must be replaced in the same market area served by the housing through State-financed newly constructed or rehabilitated rental units that are made available and affordable to such tenants. The State funds or the replacement dwelling units must be made available before the HUD Secretary, according to the requirement of Section 225, approves the plan of action proposed by the project owner. The mortgagee may not approve the prepayment of a mortgage covered by a State plan until the project owner and the State have entered into the necessary binding agreements. Under this alternative the HUD Secretary may enter into agreements that include the incentives authorized elsewhere in this subtitle.

The conferees permit the Secretary to approve an alternative State strategy as a substitute for the criteria for Secretarial approval required under Section 225. The conferees wish to make clear, however, that the criteria listed in the alternative State strategy are minimum criteria and States are encouraged to develop strategies that preserve a greater number of units in ways that are more affordable for low and moderate income tenants.

Timetable.—The conference report contains a streamlined timetable for consideration and review of plans of action. The report requires the Secretary to provide a written assessment of the plan of action within 60 days of receiving the plan. The assessment would outline any deficiencies that prevent the plan from being approved and would describe alternative ways in which the plan could be revised to rectify the deficiencies.

The report requires the Secretary to provide a final determination on approval within 180 days of receiving the plan. If approval is withheld, the determination shall describe the reasons for the disapproval and actions that could be taken to meet the criteria for approval. The Secretary shall give the owner a reasonable opportunity to revise the plan of action and seek approval.

If a plan of action cannot be approved within 300 days, HUD would be required, at the owner's request, to enter into a four-year agreement that, among other things, prevents the involuntary displacement of current tenants except for good cause, extends any expiring project-based assistance for the term of the agreement and permits an increase in the allowable distributions that can be accommodated by modest rent increases. Upon expiration of the four-year term, the housing shall be subject to any law then affecting mortgage prepayments and low income affordability restrictions.

Conversion.—The conferees recognize that more needs to be learned about the nature of the prepayment problem before Congress will be in a position to enact a set of procedures and incentives that will most effectively retain low income affordability in eligible housing. The conferees intend to review recommendations of high-level private sector task forces and to develop a longer term solution within the next two years. For that reason, the conference report requires any agreement to extend the affordability restrictions for the remaining term of the mortgage to provide the owner a four-year option to convert to any new system of incentives and restrictions enacted by Congress.

Moratorium.—The conference report provides that if any provision of Subtitle B is invalidated by any state or federal court, an owner of an eligible low income housing project may not prepay, and a mortgagee may not accept prepayment of a mortgage during the two-year period following the date of such invalidation.

SUBTITLE C—RURAL RENTAL HOUSING DISPLACEMENT PREVENTION

The House amendment contained a provision that was not contained in the Senate bill requiring owners of projects with contracts that were entered into prior to December 21, 1979, that are no longer willing to operate rural rental housing for low income use, to sell their projects, at fair market value, to a nonprofit or public agency. The conference report contains the House provision with an amendment to make the provision effective only after the Secretary offers owners the option to extend the housing's affordability restrictions in exchange for various incentives. The conferees note that the Farmers Home Administration provisions are amendments to permanent law and are not subject to the sunset provision in Subtitle A.

Offer to sell rural rental housing to nonprofit organizations and public agencies.—The House amendment contained a provision not included in the Senate bill which required the Secretary to require the owner requesting prepayment or refinancing of a Section 514 or Section 515 loan that was under contract prior to December 21, 1979, to offer to sell the housing and related facilities to any qualified nonprofit organization or public agency. Such sale would be made at the fair market value as determined by an appraiser chosen by the Secretary and an appraiser chosen by the owner, and if both failed to agree, a third appraiser jointly selected prior to accepting any offer to prepay, or a request to refinace. It permitted the Secretary to accept the owner's offer to prepay, or refinance only if, 90 days after an offer is made, no qualified nonprofit organization or public agency has made a bona fide offer to purchase the housing. The conference report contains the House provision with an amendment to make the provision effective only after the Secretary has made reasonable efforts to enter into agreements with the owner or other parties for the purpose of extending the low income affordability restrictions of the housing for an additional twenty years. The agreements could include one or more of the following incentives: an increase in the rate of return on investment; the provision of a subsequent loan designed to allow the owner to take out equity; a reduction in the interest rate on the existing interest credit agreement to 1 percent; the provision of additional rental assistance to a project or, in projects which already have rental assistance, an increase in the rents provided under the existing contracts; the provision of incremental rental assistance to tenants not currently receiving rental assistance so that the increased debt service associated with an equity loan can be met; or the provision of other incentives authorized elsewhere in law. To facilitate the negotiation process, the Secretary is required, within 30 days of receipt of an offer to prepay, to provide written notice of the offer to the tenants of the housing, interested nonprofit organizations and any appropriate state or local government agencies.

The Secretary may enter into an agreement that includes incentives only upon finding that binding commitments have been made which ensure that: the housing will be retained as affordable housing for no less than twenty years from the date of execution of the agreement; maintenance and operation will be adequate; the existing rental assistance contracts will be extended; rents will be increased only in accordance with regulations; vacancies will be filled only in accordance with regulations; and the package of incentives is needed to provide a fair return on investment. The conferees expect that the package the Secretary

agrees to will be the least costly alternative that meets the purposes of the Act. If, after a reasonable period of time, the Secretary determines that agreements cannot be entered into, then the Secretary will require the owner to offer to sell the project to a nonprofit organization or public agency. The amendment also extends, from 90 days to 120 days after the offer to sell the project is made, the period in which a bona fide offer to purchase may be received from a nonprofit or public agency.

The conferees intend that a bona fide offer be any offer by an applicant which is determined to be qualified by the Secretary. An offer shall be deemed to be bona fide regardless of the availability of funds at the time the application for prepayment is made or the offer to purchase by the nonprofit or public body is made.

Local nonprofit organizations and public agencies—The House amendment contained a provisions not included in the Senate bill which provided that only organizations or agencies determined by the Secretary to be capable of managing the housing (either directly or through contract) for the remaining period of the loan shall be permitted to purchase projects; and allowed the sale to a qualified regional or national nonprofit if not local nonprofit is available or qualified. The conference report contains the House provision. The conferees expect that the Secretary immediately upon enactment of these provisions will take steps to begin to mobilize appropriate local, regional and national nonprofit agencies, as well as State and local public agencies, in order to encourage their effective participation in purchasing such projects as may be offered for sale under this provision. Such efforts should include regional conferences, as well as other appropriate methods utilized for this purpose. The conferees intend that before ownership of housing is transferred to a nonprofit organization or public agency, binding commitments will insure that the housing shall remain available and affordable to low-income families or persons for the remainder of its useful life.

Financing of sale.—The House amendment contained a provision not included in the Senate bill which required the Secretary, in the event of the sale of rural rental housing to a qualified nonprofit organization or public agency, to the extent provided in Appropriations Acts, to make an advance to the organization or agency to cover direct costs (other than the purchase price) incurred in purchasing and assuming responsibility for the housing; to transfer any Sec. 521(a) or Sec. 8 rental assistance payments; and, to provide a grant to the organization or agency to enable them to purchase the housing, and is further required to approve the assumption of the Secs. 514 or 515 loan by the organization or agency. The conference report contains the House provision.

Rent limitation and assistance.—The House amendment contained a provision not included in the Senate bill which required the Secretary, to the extent provided in Appropriations Act, to provide the organization or agency purchasing such housing with financial assistance, through forgiveness of debt or the provision of additional rental assistance payments, necessary to insure that eligible law and very low income tenant rent contribution not exceed 30 percent of adjusted income. The conference report contains the House provision.

Restriction on subsequent transfers.—The House amendment contained a provision not included in the Senate bill which prohibited the transfer of housing and related facilities purchased by a nonprofit organization or public agency during the remaining term of the initial loan unless the Secretary determines that the transfer will further the provision of housing for low income families or persons, or that no need for such housing exists. The conference report contains the House provision.

General restriction on prepayments and refinancing.—The House amendment contained a provision not included in the Senate bill which provided that the Secretary may not accept an offer to prepay or request refinancing of Secs. 514 or 515 loans pursuant to a contract entered into before December 21, 1979, (unless such offer or request is subject to an approved exception) in any fiscal year after the maximum number of units authorized for prepayment is reached or the budget authority available in such year is used, but further provided that this limitation shall not apply if following the date of the offer or request is made or the date of enactment, whichever occurs later, a 12-month period expires during which no funds are available and also required the Secretary to allocate prepayment funds in the order in which prepayment offers or refinancing requests are made. The conference report contains the House provision with an amendment extending the 12 month period to 15 months.

Exception.—The House amendment contained a provision not included in the Senate bill which permitted the owner to prepay or refinance provided that an agreement is signed ensuring the property will continue to be available for low income families for the remaining term of the loan or not to exceed 20 years from the date that the loan was made, or that the Secretary determines tenants will not be displaced or that adequate, affordable, decent and safe housing is available within 25 miles and that sufficient actions are taken to ensure that such housing will be made available to each displaced tenant. The conference report contains the House provision with an amendment to permit an owner to prepay if, when Farmers Home funding is not available to facilitate the transfer of ownership to a nonprofit or public agency, an owner has made an offer to transfer ownership to a nonprofit or public agency and a period of 120 days has passed in which the owner has received no bona fide offer to buy; permit prepayment or refinancing if the Secretary determines that the action would not materially affect the housing opportunities of minorities; that binding commitments have been made to ensure that tenant displacement would not occur as a result of prepayment or refinancing; or there is an adequate supply of safe, decent and affordable rental housing within the market area defined in the market analysis when the loan was initially approved. During the time in which the owner has prepaid but is still under the use restriction, the Secretary shall require an annual report from the owner which certifies that households eligible under Section 515 rules and regulations are living in the project, that rents in the project have not been increased and that involuntary displacement has not occurred. If the owner has not met such standards the Secretary will be expected to void the prepayment agreement and return the project to the Section 515 program.

Funding.—The House amendment contained a provision not included in the Senate bill which prohibited the transfer of more than 5,000 units in any fiscal year and provided that the budget authority in any fiscal year for transfers not exceed amounts necessary for not more than 5,000 units, and provided authority for appropriation to the rural housing insurance fund the sums necessary to reimburse the fund for financial assistance provided under this Section. The conference report contains the House provision with an amendment to authorize in the absence of the appropriation of grant funds such sums as necessary to reimburse the Rural Housing Insurance Fund in order to assure that, to the maximum extent practicable, funds will be available to finance the sale of these units to nonprofit and public agencies or the equity takeout under refinancing.

Definition.—The House amendment contained a provision not included in the Senate bill which defined "nonprofit organization" as a private organization whose earnings do not benefit any member, founder, contributor, or individual, and is approved by the Secretary as to financial responsibility. The conference report contains the House provision.

Regulations.—The House amendment contained a provision not included in the Senate bill which required the Secretary to issue final regulations to carry out this provision within 60 days, and required implementation no more than 45 days later. The conference report contains the House provision.

Notice of possible prepayments and refinancings.—The House amendment contained a provision not included in the Senate bill which (a) required the Secretary to publish, in the Federal Register, a timely notice of the housing and related facilities for which the Secretary is authorized to accept an offer to prepay, or to request refinancing for Secs. 514 or 515 loans, and to publish all offers to prepay or refinance not later than 30 days after the date of enactment for loans made prior to December 21, 1979, and not less than one year before the Secretary is authorized to accept an offer to prepay or to request refinancing and (b) provided that the Secretary shall also provide notice of an offer or request in the Federal Register, to the public, the tenants involved, and qualified nonprofit and public agencies as soon as practicable after receiving same. The conference report contains the House provision with an amendment to delete the general notice provision under (a) and to require that within 30 days of the receipt of an offer to prepay written notice of the offer be made available to the tenants, interested nonprofit organizations and any appropriate state or local government agency.

Use of the rural housing insurance fund.—The House amendment contained a provision not included in the Senate bill which authorized the use of the rural housing insurance fund to provide for advances, financial assistance, and other payments required to carry out this prepayment program. The conference report contains the House provision with an amendment to clarify that the Rural Housing Insurance Fund may also be used for financing incremental rental assistance payments necessary for the purposes of this section.

SUBTITLE D—OTHER HOUSING ASSISTANCE PROVISIONS

The House amendment contained provisions not included in the Senate bill which addressed other issues related to the loss of low income housing. The conference report contains the House provisions with amendments as noted.

Funding recapture.—The House amendment required that any subsidy funds recaptured from the sale of Section 221(d)(3) BMIR loans owned by the Government National Mortgage Association (GNMA) be used to assist other projects. The conference report contains the House provision with amendments to limit the general use of recaptured funds to achieving the purposes of this title.

Early prepayment.—The House provision amended existing law to delete the authorization for the Secretary to approve an early prepayment prior to the expiration of an initial 20-year period where the Secretary determines that the needs of lower income families can be met through other federal housing assistance. The conference report contains the House provision.

Section 8 assistance opt-out notice.—The House provision required owners to notify the HUD Secretary and tenants not less than one year prior to terminating a Section 8 contract and directed the Secretary to review the notice to consider whether the termination was lawful and whether additional actions could be taken to avoid termination. The notice period was reduced to 90 days in the case of Section 8 certificates or vouchers. The conference report contains the House provision.

Loan management.—The House provision required 15-year contract terms for Section 8 Loan Management and an extension of the original contract or a new contract if the owner agreed to continue housing lower income families or persons. The provision also specified that vouchers not be used in the Loan Management program. The conference report contains the House provision.

Direct loans to prevent default by multifamily projects.—The House provision authorized the HUD Secretary to make direct loans (with up to 3-year terms) to prevent defaults on insured multifamily projects. The conference report contains the House provision with an amendment to clarify that the loans be limited to prevent defaults in unsubsidized projects.

Section 515 operating reserve and equity contribution requirements.—The House provision authorized the Secretary to permit the Section 515 initial operating reserve to be in the form of an irrevocable letter of credit, and prohibited the Secretary from requiring that the contribution to equity be more than 3 percent of the project amount. The conference report contains the House provision. The conferees are concerned that, as a result of changes in federal tax laws, builder and developer profit expectations have been so reduced as to discourage their future participation in rural low income housing programs. Therefore, the conferees have acted to reduce the upfront cash requirements as an inducement to their further participation in these much needed low and very low income housing programs.

TITLE III—RURAL HOUSING

Program Authorizations

Insurance and guarantee authority.—The Senate bill contained a provision to insure and guarantee loans in an aggregate amount not to exceed $2,033,093,000 for each of the fiscal years 1988 and 1989 as follows: not to exceed $1,339,800,000 for insured Sec. 502 loans to borrowers receiving assistance under Sec. 521(a)(1); not to exceed $11,335,000 for Sec. 504 very low income repair loans; not to exceed $11,484,000 for Sec. 514 domestic farm labor housing loans; not to exceed $669,900,000 for Sec. 515 rural rental housing loans, and not to exceed $574,000 for Sec. 524 nonprofit housing site loans. The House amendment contained a provision to insure and guarantee loans, to the extent approved in Appropriations Acts, in an aggregate amount not to exceed $1,960,090,000 for Fiscal Year 1988 as follows: $1,109,700,000 for borrowers receiving assistance under Sec. 521(a)(1) or guarantees under Sec. 502(f), $11,340,000 for Sec. 504 very low income repair loans, $11,480,000 for Sec. 514 domestic farm labor housing loans, $826 million for Sec. 515 rural rental housing loans, $1 million for Sec. 523 mutual and self-help housing loans, and $570,000 for Sec. 524 nonprofit housing site loans. The conference report contains an aggregate insurance and loan guarantee authority of $1,775 million for fiscal year 1988 and $1,860 million for fiscal year 1989; $1,104 million for Section 502 for fiscal year 1988 and $1,157 million for fiscal year 1989; $11.3 million for Section 504 loans for fiscal year 1988 and $11.9 million for Section 504 for fiscal year 1989; $11.5 million for Section 514 for fiscal year 1988 and $12 million for Section 514 for fiscal year 1989; $647 million for Section 515 for fiscal year 1988 and $678 million for Section 515 for fiscal year 1989; $1 million for Section 523 for fiscal year 1988 and $1.048 million for Section 523 for fiscal year 1989; $574,000 for Section 524 for fiscal year 1988 and $601,322 for Section 524 for fiscal year 1989.

Authorization of appropriations.—The Senate bill contained a provision which authorized to be appropriated for each of the fiscal years 1988 and 1989 $12.5 million for Sec. 504 very low income housing repair grants, $9,513,000 for Sec. 516 domestic farm labor housing grants, $8 million for Sec. 523 mutual and self-help housing grants, and $19,140,000 for Sec. 533 rural housing preservation grants. The House amendment contained provisions which authorized to be appropriated for fiscal year 1988, $47 million for equity purchase authorized under the Sec. 515 prepayment provisions contained in the House bill, $13,113,000 for Sec. 504 very low income housing repair grants, $9,979,000 for Sec. 516 domestic farm labor housing grants, $8,392,000 for Sec. 523(f) mutual and self-help housing grants, and $20,078,000 for Sec. 533 rural housing preservation grants. The conference report contains the following authorizations: for Sec. 509(c) grants $713,000 for FY 1988 and $747,010 for FY 1989; for equity purchase under the Sec. 515 prepayment provisions $47 million for FY 1988 and $49,021,000 for FY 1989; $13,113,000 for Sec. 504 grants for FY 1988 and $13,096,250 for FY 1989; $9,979,000 for Sec. 516 grants for FY 1988 and $10,454,998 for FY 1989; $8,392,000 for Sec. 523 grants for FY 1988 and $8,792,298 for FY 1989; $20,078,000 for Sec. 533 grants for FY 1988 and $21,035,721 for FY 1989.

Rental assistance payment contracts.—The Senate bill contained a provision which provided to the extent approved in Appropriations Acts $160,310,000 for Sec. 521 rental assistance payment contracts for fiscal years 1988 and 1989. The House amendment contained the same funding level for fiscal year 1988 and authorized rental assistance payments contracts to be used in fiscal year 1988 or in any succeeding fiscal year to fund shortfalls in five-year contracts in addition to renewing expiring contracts and making additional rental assistance contracts. The conference report contains the House provision and authorizes $275,310,000 for fiscal year 1988 and $28,313,516 for fiscal year 1989.

Supplemental rental assistance contracts.—The House amendment contained a provision not included in the Senate bill which authorized, to the extent approved in Apropriations Acts for fiscal year 1988, $26 milion for five-year supplemental rental assistance payments contracts for tenants residing in prepaid projects purchased by public or nonprofit agencies whose contribution to rent is in excess of 30 percent of adjusted median income. The conference report contains $26 million for fiscal year 1988 and $27,534,000 for fiscal year 1989.

Rental housing loan authority.—The House amendment contained a provision not included in the Senate bill which extended authority to make Sec. 515 rural rental housing loans through fiscal year 1988. The conference report contains the House provision amended to include fiscal year 1989.

Mutual and self-help grant and loan authority.—The House amendment contained a provision not included in the Senate bill which extended authority for Sec. 523 mutual and self-help grants and loans through fiscal year 1988. The conference report contains the House provision amended to include fiscal year 1989.

Eligibility Requirements

The House amendment contained a provision not included in the Senate bill which provided that maximum income eligibility levels for the Farmers Home Administration housing programs in the Virgin Islands not be less than the highest level established for other American Trust Territories and provided that this criteria be applicable to applications for assistance made on or after enactment. The conference report contains the House provision.

Definition of Very Low Income Families

The Senate bill contained a provision which defined very low income families or persons, for purposes of receiving Farmers Home Administration Sec. 502 homeownership assistance, as those with incomes which do not exceed the applicable 50 percent of area median income established or 50 percent of area median income established or 50 percent of the statewide nonmetropolitan median income, whichever amount is higher. The House amendment contained a similar provision except it did not limit it to applicants under the Sec. 502 low income homeownership loan program. The conference report does not contain either provision since this has been resolved in Sec. 567 of the conference report. Since the establishment of the Sec. 502 targetting requirements many States have not been able to use their full allocation of Sec. 502 homeowner loans because they contained many areas in which the median income is very low. In such areas the very low income target is difficult to meet because 50 percent of the adjusted income often is simply too low for participation in the Sec. 502 program. This has the effect of denying low income persons having incomes above 50 percent but not more than 80 percent of the adjusted median income from participation in the program. The conferees, therefore, have acted to permit the higher of the area on nonmetropolitan statewide median income to be used in the definition of very low income eligibility levels under the rural housing assistance programs.

Rural Housing Escrow Accounts

The Senate bill contained a provision which required the Secretary, within 60 days of enactment, to establish procedures which allowed any borrower to make periodic payments for the purposes of taxes, insur-

ance, and such other necessary expenses as the Secretary determines to be appropriate, and provided that, notwithstanding any other provision of law, such payments shall not be considered public funds, that the Secretary direct the disbursement of funds at the appropriate time or times for the purposes for which the funds are escrowed, that if the prepayments made by the borrower are not sufficient to pay the amount due, the Secretary may make advances to pay the costs in full, that these advances be charged to the borrowers account, bear interest, and be payable in a timely fashion determined by the Secretary, and that the Secretary notify a borrower in writing when loan payments become delinquent. The House amendment simply required the Secretary, at the option of the borrower, to establish an escrow account. The conference report contains the Senate provision.

Rural Housing Guaranteed Loan Demonstration

The House amendment contained a provision not included in the Senate bill which required that not less than 5 percent nor more than 10 percent of the Sec. 502 homeownership loan authority in fiscal year 1988, or any succeeding fiscal year, may be used for loan guarantees for moderate income borrowers having income up to 115 percent of the area media income, with adjustments for smaller and larger families. The conference report contains the House provision amended to provide that the demonstration will be for four years and funds shall be provided on a State level from the lower 10 percent of the State's 502 homeownership loan authority in the current fiscal year or the average over the previous three-year period of any unexpended loan authority. The Secretary shall report to Congress on the impact of this demonstration.

Requirement of Local Consultation for Domestic Farm Labor Housing

The House amendment contained a provision not included in the Senate bill which required local consultation with the units of general local government for farm labor housing insured under Sec. 514 or assisted under Sec. 516 for every applicant applying for financial assistance after enactment. The conference report does not contain the House provision.

Definition of Domestic Farm Labor

The House amendment contained a provision not included in the Senate bill which expanded the Sec. 514 and 516 definition of domestic farm labor to include any person (and their family) who receives a substantial portion of his or her income from the production of agriculture or aquaculture commodities, or the handling of such commodities in the unprocessed stage provided that such person is a citizen or legal permanent resident and including retired or disabled farm laborers. The conference report contains the House provision amended to include retired and disabled farmworkers, and to require that housing available under this section be utilized first for active farmworkers and only then for retired or disabled farmworkers. The conferees are concerned that farmworkers are assigned tasks in primary production activities or in activities involving handling unprocessed projects not be denied assistance because of narrow interpretation of the definition of a farmworker under existing law and regulations. Furthermore, the conferees wish to make clear that in expanding the definition of farmworkers to include retired or disabled farmworkers the conferees intend to permit such persons and families to be eligible to occupy available assisted housing in places other than where they were employed as farmworkers if their choice of location is necessary to be close to other family members or to return to their home town.

Conformance With Low Income Housing Tax Credit Eligibility Requirements

The House amendment contained a provision which provided that the Secretary may not carry out Sec. 515 in any manner that would cause the project to be ineligible for new tax credits. The Senate bill contained a provision to restrict occupancy in Section 515 projects which have been allocated a low income housing tax credit under section 42 of the Internal Revenue Code of 1986 to families whose incomes do not exceed the qualifying income under the Code, unless the Secretary determines, after a period of not less than six months, that vacancies threaten the financial viability of the project. The conference report contains the Senate provision.

Limitation of Fees on Rural Rental Housing Loans

The House amendment contained a provision not included in the Senate bill which prohibited the Secretary or any other federal agency from imposing a fee on or with respect to Sec. 515 loans made to nonprofit organizations for elderly persons and families in rural areas, unless specified by Congress, but provided that a fee may be imposed by the Secretary of Agriculture in the case of for-profit entities not to exceed the fee imposed by the HUD Secretary for the same type of activity. The conference report contains the House provision with an amendment deleting the provision permitting fees to be charged for for-profit entities.

Rural Area Classification

The House amendment contained a provision which extended the definition of a rural area for fiscal year 1988 and permitted the inclusion of Pajaro, California, as a rural area. The Senate bill only extended the rural area definition for fiscal years 1988 and 1989. The conference report contains the House provision amended to extend the definition through fiscal year 1989.

Procedures for Reduction of Interest Credit

The House amendment contained a provision not included in the Senate bill which required the Secretary to continue interest credit assistance under the Sec. 502 rural homeowners assistance program, to existing borrowers whose income increases above the ceiling for interest credit assistance but who would not be able to reasonably afford the new loan payment without interest credits. The conference report contains the House provision. The conferees are aware that borrowers whose incomes rise above the eligibility levels permitted for interest subsidies may be unable to afford the monthly payments required at the note rate of interest without having to pay an excessive portion of their monthly income. Therefore, the conferees have acted to give the Secretary discretion on a case-by-case basis to continue to provide such borrowers interest subsidies as one necessary to make their monthly payments affordable.

Rental Assistance Tenant Contribution

The House amendment contained a provision not included in the Senate bill which restricted the Secretary from increasing rents in any 12-month period in an assisted unit by any percentage that will result in vacancies in an assisted unit because of the availability of alternative affordable housing in that area. The conference report does not contain the House provision.

Rural Housing Preservation Grant Program

The House amendment contained a provision not included in the Senate bill which required the Farmers Home Administration to implement the Sec. 533 Housing Preservation grant program for rental units within 30 days of enactment of this Act. The conference report contains the House provision with an amendment to permit states, for two years from enactment, which do not use all of their HUD rental rehabilitation funds allocated for use in communities with a population between 20,000 and 50,000 to use these funds in smaller communities. In permitting the use of HUD rental rehabilitation in rural areas for 2 years, the conferees intend that this be a temporary solution to a problem which should never have occurred, and which can only be alleviated when FmHA complies with congressional intent regarding the Section 533 Housing Preservation Grant program. Therefore, the Conferees direct the Secretary to immediately implement the Section 533 program for rental housing as the Congress intended when it established this program. The Administration has attempted to force all rental rehabilitation activities to be carried out under the HUD Section 17 Rental Rehabilitation program. It has persistently withheld the regulations that would implement the rural rental housing rehabilitation program authorized under Section 533. This has caused considerable confusion in many states and has deprived rural areas of much needed funds for low income housing preservation.

Study of Mortgage Credit in Rural Areas

The House amendment contained a provision not included in the Senate bill which required the HUD Secretary to study the availability and use of funds for the purchase and improvements of residential real property in rural areas, particularly in communities that have populations of not more than 2,500 individuals, and to report these findings to Congress by April 1, 1988. The conference report contains the House provision with an amendment to include within the study mortgage financing under the Farmers Home Administration, the Federal Housing Administration and conventional financing programs. This action is taken because in many areas of the nation persons slightly above the income eligibility limits for Section 502 homeowner assistance are unable to obtain HUD/FHA insured loans simply because lenders are unwilling to participate in this program. Moreover, in such areas many lenders are not willing to make conventional loans for home purchase unless the amounts involved are substantially higher than what the moderate income family can be expected to afford. Therefore, unless families in these areas are relatively poor or affluent they have no possible resource for mortgage financing. The conferees believe this study can substantiate the extent of the mortgage credit gap and the reasons why it exists.

Debt Settlement Authority of Secretary

The House amendment contained a provision not included in the Senate bill which clarified that the Department of Agriculture has the authority to forgive the debt of Sec. 502 borrowers whose property had declined in value to less than the remaining principal owed. The conference report con-

tains the House provision. The conferees have taken this action to permit the Secretary to dispose of properties without having to charge the difference to the borrower where the current value of the property is less than the amount owed by the borrowers.

Manufactured Housing

The House amendment contained a provision which required the Secretary to provide a loan term (30 years) for the same period as would be applicable under Sec. 203(b) of the National Housing Act if the manufactured home is on a permanent foundation. The Senate bill contained a similar provision but did not require the manufactured home to be on a permanent foundation. The conference report contains the House provision.

Rural Housing Technical Amendments

The House amendment contained a provision not included in the Senate bill which provided rural housing technical amendments. The conference report contains the House provision.

TITLE IV—MORTGAGE INSURANCE AND SECONDARY MORTGAGE MARKET PROGRAM

FHA—MORTGAGE INSURANCE PROGRAMS

Permanent Insurance Authority for FHA

The House amendment contained a provision that was not contained in the Senate bill to provide permanent insurance authority for the Section 235 Homeownership Assistance Program. The conference report contains the House provision with an amendment to provide insurance authority for 2 years for the Section 235 program.

Limitation on Amount to be Insured Under National Housing Act

The Senate bill contained a provision to limit credit authority to such extent or in such amounts as may be approved in appropriation acts. The House amendment contained a provision to limit FHA insuring authority to such extent and or in such amounts provided in appropriation acts and to insure up to an aggregate principal amount of $100 billion in FY 1988, notwithstanding any other provision in law and subject to absence of qualified insurance requests. The conference report contains the House provision with an amendment to delete the provision that limits the FHA insuring authority to the extent and amounts provided in Appropriations Acts.

Limitation on FHA Insurance Premiums

The Senate bill contained a provision to limit FHA premium charges for insurance on standard, fixed-rate mortgages to 3.8 percent of the principal obligation, to limit premiums for other FHA mortgages to no more than one percent of the principal mortgage obligation, and to require HUD to notify Congress 90 days prior to any increase in fees, which would be allowed solely to meet anticipated insurance claims and administrative expenses. The House amendment contained a provision to limit FHA insurance premiums for mortgages secured by 1- to 4-family dwellings to 3.8 percent of the principal obligation. The House limitation applies to either a single premium charge to cover the total premium obligation or a periodic premium charge over less than the life of the mortgage. The conference report contains the House provision.

Limitation on Use of Single Family Mortgage Insurance by Investors

The House amendment contained a provision that was not contained in the Senate bill to allow FHA to insure mortgages only where the mortgagor will occupy the property as a principal or secondary residence, to apply this occupancy requirement only if the principal obligation of the mortgage exceeds 75 percent of the estimated value of the dwellings; and to repeal the Vacation and Seasonal Home Insurance Program. Investor loans made prior to enactment, or that carry a conditional commitment, or in which the direct endorsement underwriter has signed the appraisal report, would be exempt from the provision. The conference report contains the House provision with an amendment to add an exemption for mortgages insured under Section 203(k).

Actions To Reduce Losses Under Single Family Mortgage Program

The Senate bill contained a provision to direct the Secretary to take appropriate administrative actions to reduce losses under mortgage insurance programs. The House amendment contained a similar provision, except that it did not use the term "administrative". The conference report contains the House provision.

Independent verification.—The House amendment contained a provision that was not contained in the Senate bill to require the Secretary to verify that a certain percentage of the borrowers for which mortgage applications are submitted under certain programs and in specific areas had the ability to pay those mortgages. The conference report does not contain the House provision.

Reports of identifying numbers.—The Senate bill contained a provision that was not contained in the House amendment to require that mortgages and lenders disclose to HUD the taxpayer identification numbers of borrowers under any program under the National Housing Act. In this provision precautions would be taken to insure that taxpayers identifying numbers would be used only to enforce the requirements of this section. While the conference report does not contain the Senate provision, the conferees wish to make clear that they support this provision because they feel that it would help deter fraud and abuse in FHA programs. The conferees agreed to delete the provision, however, after the House Ways and Means Committee, in a letter to the House Banking Committee, asserted its jurisdiction over this provision.

Annual review of defaults.—The Senate bill contained a provision to direct the Secretary to review annually the rates of early serious defaults and claims involving lenders under the National Housing Act and to require lenders experiencing a rate of early defaults and claims that are higher than normal for the geographic area in which the lender does business to submit a report that would (1) explain the reasons for the high rate and (2) set forth a plan and timetable for corrective action. The House amendment contained a similar provision except that the normal rate of defaults or claims was related to the administrative region in which the lender does business. The conference report contains the Senate provision. The conferees intend that in areas where the above normal rate of default is due to economic downturns, a corrective plan of action should not be imposed since the defaults would not be related to a mortgage's practices or procedure.

Verification of credit reports and appraisals.—The House amendment contained two provisions that were not included in the Senate bill to require independent verification of all credit reports in the case of sales of investor-owned properties when the mortgagors have no prior credit history, and of all appraisals involving investor-owned property that is acquired by the investor less than 12 months prior to the date of the mortgage application. The conference report does not contain the House provisions.

The conferees are aware of the severe problems which have occurred in the sale of a number of single-family properties. In many cases, properties have been sold to investors who make little or no home improvements and then have obtained FHA guarantees for unqualified home buyers. The buyers subsequently default on the property, while the lender collects their investment through the FHA guarantee. HUD must then dispose of the property, and the cycle repeats itself. The consequences of such inefficient oversight are unfortunate for the home buyer, the stability and fabric of the neighborhood, and for the FHA single-family insurance program.

Therefore, as a means of reducing potential losses to FHA, the conferees expect HUD to begin independent verification of appraisals involving investor-owned property that is acquired by the investor within a year prior to the date of the mortgage application. The conferees are concerned, however, that the FHA staffing levels are inadequate to take on additional responsibilities including those changes embodied in Mortgage Letter 86-15 which implements HUD's Single Family Task Force recommendations. Therefore, the conferees expect the Secretary to take the necessary actions to increase personnel to carry out many of these new recommendations.

Reviews of credit standing on mortgage assumptions.—The House amendment contained a provision that was not contained in the Senate bill to require the Secretary to review the credit standing of persons seeking to assume a mortgage within the 24-month period following either the date on which the mortgage is endorsed for insurance or the date of a previous assumption of the mortgage. The conference report contains the House provision with an amendment to require that a credit check be performed upon each purchaser assuming an existing FHA mortgage within 12 months of origination for mortgages involving owner-occupied properties and within 24 months of origination for mortgages involving investor-owned properties, and to establish a five-year period of joint and several liability between the initial FHA mortgagor and the purchaser for an assumption transaction in which the mortgagor does not request a release from liability. After the five-year period, the liability for the loan will pass exclusively to the purchaser. This provision shall be applicable to mortgages insured under this section pursuant to an application for a commitment for insurance signed by the applicant on or after December 1, 1986.

The conferees intend that the mandatory credit review not create lengthy delays or prohibitive costs for the processing and approval of either owner-occupied or investor-owned assumption transactions. To that end, the conferees recommend that HUD establish guidelines for the timely processing of the credit review and limit the fees that may be charged. The conferees also intend that, consistent with existing HUD policy, during the five-year period of joint and several liability, the original mortgagor shall be released from liability for the FHA mortgage upon satisfactory completion of a credit check of the purchaser.

Fee Appraisers.—The House amendment contained a provision that was not included in the Senate bill to prohibit the use of fee appraisers to conduct field reviews of appraisals. The conference report does not contain the House provision.

The conferees encourage HUD to continue to use existing legal remedies to protect FHA's interest in combatting fraud, as well as to focus the FHA on reviewing loan quality and working with mortgagees to improve internal quality controls.

Insurance of Graduated Payment Mortgages

The House amendment contained a provision that was not contained in the Senate bill to repeal the authority to insure Section 245(b) graduated payment and index mortgages and loans. The conference report contains the House provision.

Mortgage Insurance For Hospitals, Nursing Homes, Intermediate Care Facilities, and Board and Care Homes.

The House amendment contained a provision that was not included in the Senate bill that provides that State program agency or agencies responsible for small intermediate care facility for mentally retarded developmentally disabled or a board and care home of less than ten individuals may provide the Secretary with a report identifying the need for such facility in lieu of an independent study of market need and feasibility. The conference report contains the House provision.

Mortgage Insurance for Public Hospitals

The House amendment contained a provsion that was not contained in the Senate bill to prohibit the Secretary from disqualifying or imposing additional financial restrictions on publicly-owned or supported hospitals which qualify for the Sec. 242 program, to require that the principal obligation be the amount requested by the mortgagor if the amount does not exceed 90 percent of the estimated replacement cost of the property or project, to permit the cash equity required by the Secretary in excess of the amount of the mortgage to complete the project to be funded by the mortgagor at the option of the mortgagee with a letter of credit, and to require the Secretary to begin immediately to process applications of public facilities for Sec. 242 mortgage insurance in accordance with existing procedures for nonprofit institutions. The conference report contains the House provision.

Increase in Authority To Insure Adjustable Rate Single Family Mortgages

The Senate bill contained a provision to increase the authority of FHA to insure Adjustable Rate Mortgages (ARMS) to 40 percent of the previous year's volume of insurance. The House amendment contained a similar provision to increase the percentage to 20 percent. The conference report contains the Senate provision with an amendment to increase the percentage to 30 percent.

Penalties for Equity Skimming

The House amendment contained a provision that was not contained in the Senate bill to expand the definition of properties covered by penalties for equity skimming to condominiums and cooperatives insured under the National Housing Act, to hold liable purchasers who assume mortgage, deed, or trust payments and willfully fail to make such payments, to raise the penalties for equity skimming to a fine of up to $250,000, and a jail term of up to five years, or both, and to provide similar penalties for any one in control or possession of property insured under the National Housing Act who uses rent, assets, proceeds or income when the mortgage is in default or the project is in a nonsurplus cash position for any purpose other than to meet actual and necessary expenses. The conference report contains the House provision.

Authority for Secretary to Impose Civil Money Penalties

The House amendment contained a provision that was not contained in the Senate bill to allow the Secretary to impose civil money penalties on HUD-approved mortgagees who violate certain program requirements. The conference report does not contain the House provision but the conferees expect HUD to use all legal remedies available to protect FHA from fraudulent practices.

Home Equity Conversion Mortgage Insurance Demonstration

The Senate bill contained a provision to create a demonstration program of mortgage insurance of home equity conversion mortgages for the elderly. The House amendment contained a similar provision with differences noted below.

Insurance authority.—The House amendment contained a provision that was not contained in the Senate bill to make these mortgages eligible for purchase by a secondary market institution. The Senate receded to the House with a technical amendment that the mortgages have a potential for acceptance into the mortgage markets.

Eligibility requirements.—The Senate bill contained a provision to provide for a fixed or variable interest rate or future sharing of the appreciation of the property between the mortgagor and mortgagee. The House amendment contained a provision to provide for a fixed interest rate, as agreed upon by the mortgagor and the mortgagee. The conference report contains the Senate provision.

The conferees make clear that they intend that variable interest should be capped at five points above the original rate, and should only be permitted on Home Equity Conversion mortgages that provide either 1) monthly disbursements that do not diminish for as long as the borrower owns the home as a principal residence, or 2) a line-of-credit in which interest on each disbursement accrues at a fixed rate for the life of the mortgage, but different disbursements may be subject to different fixed rates.

The conferees further intend that the cost of Home Equity Conversion mortgages involving shared appreciation should be limited to protect borrowers against high effective interest rates, that is, the combination of fixed interest plus shared appreciation. Furthermore, insurance benefits on Home Equity Conversion mortgages involving shared appreciation should only be paid to borrowers, and only in cases of lender default. Such mortgages must provide 1) monthly disbursements that do not diminish for as long as the borrower owns the home as a principal residence, 2) loss of all interest and appreciation sharing as a penalty for defaulting lenders, 3) full disclosure of potential "worst case" loan costs involving shared appreciation, and 4) continuing deferral of the borrower's repayment obligation for as long as the borrower owns the home as a principal residence.

Safeguard to prevent displacement.—The Senate bill contained a provision to require that the mortgage defer the homeowner's obligation to satisfy the loan obligation until the death of the homeowner, the sale of the home, or the occurrence of other events specified in regulations of the Secretary. The House amendment contained a similar provision, except that it also required that the Secretary's regulations not contain a provision which would involuntarily displace the homeowner. The conference report contains the Senate provision.

The conferees recognize that there may be extraordinary situations in which involuntary displacement of the homeowner may become necessary. However, the conferees intend that the Secretary clearly delineate such circumstances in regulations, and that any lender action based on such regulation be subject to prior approval by the Secretary. Examples of extraordinary situations may include those in which a borrower donates the property while retaining occupancy, abandons the property and returns during legal proceedings, permits the property to fall into extreme and dangerous disrepair, or contracts a permanent illness that requires institutionalization or serious illness that may cause health and safety problems.

Assurance of Adequate Processing of Applications for Loan and Mortgage Insurance

The House amendment contained a provision not contained in the Senate bill to require the Secretary to maintain not less than one HUD/FHA office in each State. The conference report contains the House provision.

Closing of Any Office Prohibited Before Completion of Certain Studies

The House amendment contained a provision not contained in the Senate bill to prohibit the Secretary, on or after October 1, 1985, from closing any FHA office until at least 30 days after the completion of any investigation, study or review by any other Federal agency or department or any committee of either House of Congress or the Secretary's proposal or determination to close the office. The conference report does not contain the House provision.

Prohibition of Requirement of Minimum Principal Loan Amount

The House amendment contained a provision that was not contained in the Senate bill to prohibit mortgagees or lenders from requiring a minimum principal loan amount or from charging higher interest rates or discount points as a condition of providing a loan or refinancing an existing mortgage than the interest rate or discount points charged on the maximum principal amount permitted for insurance. The conference report contains the House provision with an amendment to delete the prohibition on charging higher interest rates or discount points. The amendment requires that the Secretary complete, within 6 months of enactment, a study of the interest rates and discount points charged for mortgages and loans insured under the National Housing Act. The study will be designed to identify any pattern or practice of charging higher interest rates or discount points for mortgages or loans with less than the maximum principal amounts permitted for insurance under the National Housing Act and the Secretary shall submit a report to Congress setting forth the findings and recommendations made pursuant to the study within 9 months of enactment.

Study of Voluntary Standards for Modular Homes

The House amendment contained a provision that was not contained in the Senate bill to require the Secretary to submit to Congress within 6 months of enactment a report describing feasible alternative systems for implementing one or more voluntary pre-emptive national codes for modular housing. The conference report contains the House provision with an amendment to authorize the National Institute of Building Sciences to conduct the study and to authorize the Secretary to allocate $50,000 from HUD Policy Development and Research for the study.

Double Damages Remedy for Unauthorized Use of Multifamily Housing Project Assets and Income

The House amendment contained a provision that was not contained in the Senate bill to expand the ability of the Secretary to deter the use of the assets and income of multifamily housing projects in violation of the projects regulatory agreement or applicable regulations, by providing a statutory double damages civil recovery remedy. The conference report contains the House provision.

Miscellaneous Mortgage Insurance Provisions

The House amendment contained two provisions that were not included in the Senate bill, one to conform blanket mortgage insurance for multifamily projects to existing amounts established for each bedroom size under existing Section 221(d)(3) mortgage insurance provisions and another to require the Secretary to execute Section 203(q)(1) of the National Housing act by providing mortgage insurance for certain properties within an Indian reservation. The conference report contains the House provisions.

Increase In Maximum Mortgage Amount Under Single-Family Insurance Program

The House amendment contained a provision that was not contained in the Senate bill to require HUD to report to Congress, within 4 months of enactment, on the feasibility of exempting from the maximum mortgage limitation geographic areas which have high prevailing housing sale prices. The conference does not contain the House provision.

The conferees wish to make clear that they are concerned that substantial increases in housing and land costs in high-cost areas currently preclude many moderate income families from utilizing the FHA program to purchase modest homes and feel that an exemption from the maximum mortgage limitation for these high-cost geographic areas might help alleviate this situation.

Therefore, the conferees expect HUD to investigate the possibility of exempting from the maximum mortgage limitation geographic areas which have high prevailing housing sales prices and to advise Congress of the feasibility of this option.

Calculation of Maximum Mortgage Amount Under Single-Family Insurance Program

The House amendment contained a provision that was not contained in the Senate bill to define "area" for purposes of calculating the FHA maximum mortgage amount as either a county or a metropolitan statistical area established by the Office of Management and Budget, whichever results in a higher dollar amount. The conference report contains the House provision.

Approval of Individual Residential Water Purification or Treatment Units

The House amendment contained a provision that was not contained in the Senate bill to permit the use of approved individual residential water purificiation or treatment units if the existing water supply does not meet the HUD minimum property standards, and to establish an approval process for such units in HUD. The conference report contains the House provision.

Direct Loans to Prevent Defaults by Multifamily Projects

The House amendment contained a provision that was not contained in the Senate bill to establish direct loans to prevent defaults on insured multifamily projects. The conference report contains the House provision with an amendment to clarify that only unsubsidized projects are eligible for the loans.

Expirations of Certificates of Reasonable Value

The House amendment contained a provision that was not contained in the Senate bill to allow certificates of reasonable value issued by the VA on an FHA single-family property to expire within 12 months of issuance instead of 9 months as currently required. The conference report does not contain the House provision.

Regulation of Rents in Insured Projects

The House amendment contained a provision that was not contained in the Senate bill to require HUD to continue to regulate rents in insured projects after May 1, 1987, if, since April 19, 1983, there has been no agreement entered into to permit an alternative formula on maximum allowable rents and it is a Section 8 project, other than Section 8 Existing, or a project where at least 50 percent of the units are occupied by lower-income families. The conference report contains the House provision with an amendment to clarify that project owners who have not entered into agreements to change the method of regulatory rents as of October 20, 1987, pursuant to the regulations published by the Secretary on April 19, 1983, or June, 1986, will have their rents controlled by the Secretary as they were controlled prior to April 19, 1983.

Authority for Increased Mortgage Limits for Multifamily Projects in High-Cost Areas

The Senate bill contained a provision to increase the FHA multifamily mortgage limits established in Section 221(d)(3) and 221(d)(4) by 23 percent. The House bill contained a provision to increase the mortgage limits for multifamily projects, as established in Sections 207(c)(3), 213(b)(2), 220(d)(3)(B)(iii), 221(d)(4)(ii), 231(c)(2), and 234(e)(3), from 75 percent to 110 percent of the basic mortgage limits for dwelling units of various sizes and types in high-cost areas and by up to 140 percent where the Secretary determines it necessary on a project-by-project basis. The conference report contains both the House and Senate provisions with an amendment to the Senate provision to increase the FHA limits established in Sec. 207(c)(3), Sec. 213(b)(2), Sec. 220(d)(3)(B)(iii), Sec. 221(d)(3)(ii), Sec. 221(d)(4)(ii), Sec. 231(c)(2), and Sec. 234(e)(3).

The conferees expect that the increase in the high-cost area limitation from 75 to 110 percent will streamline FHA processing by permitting HUD field offices to review and approve higher cost projects within the maximum set by the developers, without the need for oversight of individual projects by the Secretary.

It has been brought to the conferees attention that HUD has not revised Section 202 loan limits each year to reflect construction cost changes in the private sector as required by Section 223(e) of HURRA. The conferees intend the Secretary to raise the mortgage limits for Section 202 projects to levels commensurate with the new limits established in this section for Section 221(d)(3).

Operating Loss Loan Insurance

The House amendment contained a provision not contained in the Senate bill to authorize the Secretary to insure operating loss loans for insured projects, as well as other properties other than those with subsidized projects or 1-4 family dwellings, (1) to cover operating losses which occur within 24 months after completion of the project or (2) to cover not to exceed 80 percent of the owner's unreimbursed cash contributions to a project made on or after March 18, 1987, during any consecutive 24-month period, up to the amount of the operating loss. This second type of loan could be made only within ten years after the expiration of the 24-month period of consecutive cash contributions. The conference report contains the House provision.

Interest Charges on Temporary Mortgage Assistance Payments and Assignment or Other Assistance

The House amendment contained a provision that was not contained in the Senate bill to authorize the Secretary to determine the interest rate on HUD-approved Section 230(a) assistance. The conference report contains the House provision with an amendment to require that the interest rate be equal to the Veteran's Administration rate on the date the assistance is provided.

Mortgage Insurance Technical Amendments

Both the Senate bill and the House amendment contained provisions to provide mortgage insurance technical amendments. The conference report contains a provision to include all technical amendments in the House and Senate provisions.

Release of Pool Funds

The Senate bill contained a provision that was not included in the House amendment to direct HUD to release special funds that have been set aside under written agreements with certain city and State housing authorities under Section 236 of the National Housing Act, to require that these pool funds be used to strengthen the financial feasibility of State-insured mutifamily housing, following agreements entered into between HUD and certain State and local agencies, to grant the affected agencies 18 months to apply for release of their funds, and to rescind amounts remaining after these applications are funded. The conference report contains the Senate provision.

Section 236 Program

The House amendment contained a provision that was not contained in the Senate bill to allow Section 236 insurance to be used in refinancing an existing Section 236 project by a cooperative or nonprofit corporation or association. The conference report contains the House provision.

FHA Title I Regulations

The Senate bill contained a provision that was not included in the House amendment to give applicants for FHA insurance on property improvement or manufactured home loans under Title I of the National

Housing Act the option of complying with either the regulations in effect prior to January 15, 1986, or the new regulations published on October 25, 1985, and to reopen the new rule for public comment and account for the comments received. The conference report does not contain the Senate provision.

SECONDARY MORTGAGE MARKET PROGRAMS

Limitations on Certain Secondary Mortgage Market Fees

The Senate bill contained a provision not contained in the House amendment to limit GNMA fees to 6 basis points on the guarantee of securities backed by 1- to 4-family FHA and VA mortgages, to require that fees on other guarantees be no higher than needed for actuarial soundness, to prohibit fees for commitment and miscellaneous administrative fees, and to freeze fees at September 1985 levels unless an increase is needed solely to cover administrative costs as certified by the Secretary and reported to Congress at least 90 days prior to raising the fees. The conference report does not contain the Senate provision.

FNMA Cumulative Voting

The Senate bill contained a provision to permit the FNMA Board of Directors, with the approval of the holders of a majority of FNMA shares, to eliminate the right of cumulative voting in the election of board members. The provision also contained language to clarify that FNMA would have common stock, without par value, and that each share, under normal circumstances, would equal one vote. The House amendment contained a similar provision, except that it did not contain the clarifying language. The conference report contains the House provision.

Permanent Authority To Purchase Second Mortgages

Both the Senate bill and House amendment included a provision to make permanent the authority of FNMA and FHLMC to deal in second mortgages. FNMA initiated purchases of second mortgages with the approval of HUD in 1981. Congress subsequently endorsed FNMA's authority in 1984 in the Secondary Mortgage Market Enhancement Act, and at the same time extended similar authority to Freddie Mac. In the six years since Fannie Mae, and more recently Freddie Mac, have participated in second mortgage programs, these agencies have enhanced and strengthened the nationwide system of home finance precisely as Congress intended them to perform when it codified this authority in 1984. The benefits afforded by these programs have been ample, significant, and continuous throughout the period of their operation, and the Congress finds no continuing reason to revisit this authority. The conference report therefore codifies without change permanent authorization for these programs.

The Fannie Mae and Freddie Mac second mortgage programs have translated into important gains for lenders, home buyers, and homeowners in the form of enhanced competition, standardization, reduced second mortgage interest rates, and assured access to second mortgages in all types of economic and interest rate environments. The presence of Fannie Mae and Freddie Mac has generated competition in the second mortgage marketplace that has dramatically reduced the cost of financing for consumers. The spread on interest rates between second mortgages and first mortgages has dropped sharply. In 1981, the interest charge on second mortgages cost homeowners 5 to 6 percentage points more than the interest rate charged on first mortgages. Today, the difference is less than 2 percentage points.

Fannie Mae and Freddie Mac second mortgage programs also have promoted standardization of second mortgages, minimizing consumer confusion and inhibiting loan abuses.

The continued presence of Fannie Mae and Freddie Mac in the market throughout the housing cycle is also important to provide stability and liquidity which are crucial to lenders and consumers. When rates are high, second lien financing often provides the only practical way for many prospective home buyers to afford to purchase a home. The presence of Fannie Mae and Freddie Mac in the second mortgage market encourages more lenders to offer second lien financing because they can rely on the critical option of selling their second mortgages to these agencies, if the need arises. As a result, consumers can always depend on the availability of second mortgages, even in periods of high or volatile interest rates.

By permanently codifying the second mortgage authority of Fannie Mae and Freddie Mac without change, the conference report assures that these agencies will continue to set the standard for such loans and ensure the continued ability of lenders to extend inexpensive consumer credit.

Period for Approval of Actions of FNMA

The House amendment contained a provision that was not contained in the Senate bill to require the Secretary to act on a request by FNMA of approval of actions within a 45-calendar-day period, with a 15-day extension to be granted if necessary, and to allow FNMA to proceed with the action if HUD has not acted on their request for approval within the required time period. The conference report contains the House provision.

Prohibition of Limitation on FHLMC Mortgage Operations

The House amendment contained a provision that was not contained in the Senate bill to prohibit the FHLMC Board of Directors from imposing any annual limitation on the maximum aggregate principal amount of mortgages that FHLMC may purchase. The conference report contains the House provision.

Limitation on GNMA Guarantees of Mortgage-backed Securities

The House amendment contained a provision that was not contained in the Senate bill to authorize a $150 billion ceiling on GNMA guarantees of mortgage-backed securities for fiscal year 1988. The conference report contains the House provision amended to authorize $156 billion for FY 1989.

TITLE V—COMMUNITY DEVELOPMENT AND MISCELLANEOUS PROGRAMS

COMMUNITY AND NEIGHBORHOOD DEVELOPMENT AND PRESERVATION

Community Development Authorizations

Authorization.—The Senate bill contained a provision to authorize $3 billion for Community Development Block Grants (CDBGs) for each of the fiscal years 1987, 1988, and 1989. The House amendment contained a similar provision except that it authorized for fiscal year 1988 only. The conference report contains an authorization of $3 billion for each fiscal year 1988 and 1989 for the CDBG program.

Discretionary fund.—The House amendment contained a provision that was not contained in the Senate bill to set aside $60 million of the total amount appropriated for CDBG for the Secretary's Discretionary fund. The conference report contains the House provision.

Work study program.—The House amendment contained a provision that was not contained in the Senate bill to require the Secretary, to the extent approved in Appropriation Acts, to set aside $2.5 million in grants from the Secretary's Discretionary Fund to institutions of higher education to continue to assist economically disadvantaged and minority students, and to require that these grants be made only to fiscal year 1984 program grantees. The conference report contains the House provision with an amendment to raise the set-aside to $3 million and to delete the requirement that grants be made only to fiscal year 1984 grantees.

Urban Development Action Grants (UDAG).—The Senate bill contained a provision to authorize $225 million for UDAG for both fiscal years 1988 and 1989. The House amendment contained a similar provision except that it authorized for fiscal year 1988 only. The conference report contains the Senate provision.

Congressional policy.—The House amendment contained a provision that was not contained in the Senate bill to declare that it is the policy of Congress that amounts appropriated for each succeeding fiscal year for CDBG and UDAG should be not less than the amounts appropriated for fiscal year 1987 CDBG and UDAG. The conference report does not contain the House provision.

Targeting of Benefits to Persons of Low and Moderate Income

The House amendment contained a provision that was not contained in the Senate bill to require that not less than 75 percent of the total appropriated amount for the CDBG program be used for the support of activities that benefit persons of low and moderate income, to require CDBG grantees to certify to the Secretary that the projected use of CDBG funds meet these criteria, and to delete from the CDBG program objectives the specific objective "to attract persons of higher income". The conference report contains the House provision with an amendment to change the required percentage of funds which must be used for the support of activities that benefit persons of low and moderate income to 60 percent.

The conferees intend that the 60 percent requirement apply to the aggregate total received by each state or entitlement community, rather than to individual activities. The conferees further intend that requirement applies to the average spent over a 1-, 2-, or 3-year period, whichever period the grantee state or entitlement community selects for planning purposes.

City and County Classifications

Metropolitan city classification.—The Senate bill contained a provision to extend entitlement eligibility through fiscal year 1989; to permit after 1989 metropolitan cities which lose such classification in a subsequent fiscal year to retain the classification and receive full funding in the first year and 50 percent of such funds in the second year; and to permit any unit of general local government which becomes eligible to be classified as a metropolitan city to defer such classification if it elects to have its population included in an urban county, except that a city may elect not to retain its classification as a metropolitan city for fiscal year 1988 or 1989. The House amendment contained a similar provision except

that it extended entitlement eligibility only through fiscal year 1988 and the transition provision applied to cities losing their metropolitan classification in any year after 1988. The conference report contains the Senate provision amended to permit a city not to retain its classification for fiscal year 1989.

Definition of urban county.—The House amendment contained a provision that was not contained in the Senate bill to permit a county to qualify as an urban county if the total population, excluding metropolitan cities located in the county, is at least 200,000 and the combined population of the communities that are covered by cooperation agreements is at least 50,000. The conference report contains the House provision with an amendment to require that the combined population of the communities covered by cooperation agreements be at least 100,000 and that the communities which comprise this 100,000 be those communities in the county that have the highest percentage of low- and moderate-income people.

Special counties.—The Senate bill contained a provision to permit a county to be considered an entitlement community if it has a current population in excess of 175,000 with more than 50 percent of the housing units in the area unsewered and contributing to the degradation of an aquifer designated before March 1, 1987 a sole source aquifer by the Environmental Protection Agency, and to require the amount of the grant to be deducted from the state non-entitlement allocation. The House amendment contained a similar provision except that it required that the current population be in excess of 177,000 (exclusive of all metropolitan cities within) and did not require that the aquifer be declared sole source prior to March 1, 1987, or that the amount of the grant be deducted from the state non-entitlement allocation. The conference report contains the Senate provision with an amendment to delete the requirement that the amount of the grant be deducted from the state non-entitlement allocation, and to delete a requirement that the aquifer be declared sole source prior to March 1, 1987.

The House amendment contained a provision that was not contained in the Senate bill to make Knox County, Tennessee, and Beaver County, Pennsylvania, CDBG eligible counties. The conference report contains a substitute provision to grant CDBG eligibility, for not more than six years, to a county that has taken steps, including at least one public referendum, to consolidate substantial public services with an adjoining metropolitan city and, in the opinion if the Secretary, has consolidated these services with the city in an effort that is expected to result in the unification if the two governments within 6 years; and to grant CDBG eligibility to a county which had a population between 180,000 and 200,000 on October 1, 1987, was eligible for assistance under Section 119 of the Housing and Community Development Act of 1974 in FY 1986, and contains no metropolitan cities. The House amendment contained an additional provision that was not contained in the Senate bill to designate any city within a metropolitan area a metropolitan city if it 1.) was entitled to a hold-harmless Sec. 106(h) grant; 2.) had, according to the 1980 census, a population of 36,957; and 3.) received a preliminary approval, on March 8, 1984, for a UDAG, and to provide guidelines for CDBG eligibility for metropolitan cities in fiscal year 1987. The conference report does not contain the House provision.

Loss of urban county classification.—The Senate bill contained a provision to permit any county which loses urban county population by reason of population loss but was deemed to be eligible for Title I assistance for fiscal year 1983 or 1984 to retain its urban county classification through September 30, 1989. The House amendment contained a similar provision except that it extended urban county classification through September 30, 1988. The conference report contains the Senate provision.

Inclusion of units of general local government in urban counties.—The House amendment contained a provision that was not contained in the Senate bill to allow the population of a unit of local government not included in that of the urban county for the first year of any three year program to be eligible for such inclusion in the second or third program year. The conference report contains the House provision.

Definition of urban county for purposes of allocation.—The House amendment contained a provision that was not contained in the Senate bill to amend the allocation formula for urban counties to include the population of urban counties covered by cooperation agreements. The conference report contains the House provision.

Consideration of certain counties as cities under UDAG.—The Senate bill contained a provision that was not contained in the House amendment to classify Kauai, Maui, and Hawaii in the State of Hawaii as eligible cities under the UDAG program. The conference report contains the Senate provision.

Eligible Activities

Eligible activities.—The Senate bill contained a provision that was not contained in the House amendment to expand CDBG eligible activities to include, in addition to grants, loans and other forms of assistance. The conference report contains the Senate provision. The conferees also intend that the CDBG funds may be expended for projects which anticipate a future use of property or facilities, especially with regard to economic development projects. For example, site development of an industrial park, including road work, water lines and drainage, is a permissible use of CDBG funds.

Energy use strategies.—The Senate bill contained a provision that was not contained in the House amendment to streamline and update the detailed description of an energy use strategy that is eligible for CDBG funding. The conference report contains the Senate provision.

Calculation of Median Income for Nonentitlement Areas

The Senate bill contained a provision to define the area involved as the entire nonmetropolitan area of the state in the case of funds distributed to units of general local government in non-entitlement areas. The House amendment contained a provision to require the Secretary to determine the median income for non-entitlement areas on the basis of the median income of the area, or of all nonentitlement areas in the State, whichever is higher. The conference report does not contain either provision since this issue has been resolved in an amendment included in Section 567 of the conference report.

Statement of Activities and Review

The House amendment contained a provision that was not contained in the Senate bill to repeal the requirement that the CDBG recipient include in their Statement of Activities and Review a final statement of the projected use of funds. The conference report contains the House provision.

Alleviation of Lakefront Flooding and Erosion

The House amendment contained a provision that was not contained in the Senate bill to permit CDBG recipients to use CDBG funds under urgent needs for Great Lakes flooding and erosion control. The conference report contains the House provision with an amendment to clarify that such use may be considered an urgent need but must also principally benefit low- and moderate-income families.

Activities to Preserve and Expand Lower Income Housing

Grantee certification.—The House amendment contained a provision that was not included in the Senate bill to require CDBG recipients to certify that they will preserve or expand the availability of housing for low- and moderate-income persons, to minimize displacement, and to provide relocation assistance when such displacement is unavoidable, and to develop separate provisions for low- and moderate-income persons. The conference report does not contain the House provision.

Housing assistance plan.—The House amendment contained a provision that was not contained in the Senate bill to require CDBG entitlement communities to provide within their Housing Assistance Plans (HAPs) specific activities to preserve and expand annually housing availability for low- and moderate-income persons, such as the preservation of single room occupancy housing (SROs), and the development of vacant IN-REM properties by public and private nonprofit groups. The conference report contains the House provision. The conferees direct the Secretary to take actions that will encourage communities to take steps to utilize as additional resources for housing for low- and moderate-income families (including the homeless) vacant properties that are available as a result of In-Rem proceedings. The conferees believe that such properties are currently underutilized and could be a significant added low income housing resource if rehabilitated and made available.

Housing Assistance Plans

The House amendment contained a provision that was not contained in the Senate bill to require CDBG entitlement recipients to include in their Housing Assistance Plans (HAPs) the housing assistance needs of the homeless and to conform the term "low- and moderate-income persons" with the term as it is used throughout Title I of the 1974 Act. The conference report contains the House provision with an amendment to require only those cities not covered by the 1987 Homeless Assistance Act to include the housing assistance needs of the homeless in their HAP, and to make Public Housing Authorities (PHAs) eligible for some programs established in the 1987 Homeless Assistance Act.

Economic Development Strategy

The House amendment contained a provision that was not contained in the Senate bill to require CDBG entitlement recipients to certify that they are following a detailed economic development strategy regarding the economic development activities to be carried out with the CDBG grant. The con-

ference report does not contain the House provision.

Citizen Participation Plan

The House amendment contained a provision that was not contained in the Senate bill to require CDBG grantees to certify that they are following a detailed citizen participation plan which includes neighborhood participation, reasonable and timely access to citizens of meetings and information citizens, continuity for citizen involvement in all stages, technical assistance to low-income groups, a sufficient number of public hearings, and responses to complaints and grievances within 15 days. The conference report contains the House provision with an amendment to delete the requirement of continuity for citizen involvement in all stages of the community development program, to clarify that the technical assistance to low-income groups should be the level and type determined appropriate by the applicant, and to substitute in lieu of the 15 day response requirement the requirement that grantees provide a timely, written answer to written complaints and the grantee should make every reasonable effort to respond to these complaints within 15 days.

Conserving Neighborhoods and Housing by Prohibiting Displacement

The House amendment contained a provision that was not contained in the Senate bill to require CDBG and UDAG grantees to certify that they are following a residential antidisplacement and relocation assistance plan which would permit the involuntary displacement of low- and moderate-income persons due to CDBG and UDAG assisted activities only if unavoidable and in the best interest of the households and communities affected, and would provide, in the event of displacement:

(1) one-for-one replacement of all low- and moderate-income units demolished;

(2) a guarantee that such housing is designed to remain affordable to low- and moderate-income people for 20 years;

(3) relocation benefits for all displaced persons including reimbursement for all moving-related expenses, including interim living costs, compensation to insure that, for 10 years after relocation, displaced low- and moderate-income households shall not pay more than 30 percent of their adjusted income for rent, and compensation to permit displaced low- and moderate-income households to participate in housing cooperative or mutual housing association;

(4) comparable replacement housing that is decent, safe and sanitary, adequate in size to accommodate the occupants, functionally equivalent, in an area not subject to unreasonable adverse environmental conditions and located in an area approved by the displaced person;

and permit displaced persons to elect to receive benefits under the Uniform Relocation Assistance Act.

The conference report contains the House provision with an amendment to modify the replacement requirement: to provide that housing demolished as a result of CDBG funded code enforcement activities does not have to be replaced; to require that only occupied housing which is demolished or converted to a use other than low and moderate income housing must be replaced, that the replacement housing be affordable for 10 years and be sufficient to house the same number of people as the converted or demolished housing, and to clarify that replacement housing could include existing housing assisted with project-based subsidies, such as 15-year Section 8 moderate rehabilitation or Section 8 existing attached to a rehabilitated project; to limit rental assistance benefits to 5 years for low and moderate income persons directly displaced as a result of demolition or conversion of housing to a different use, and for indirectly displaced persons who, within 18 months of the expenditure of the CDBG or UDAG funds for market rate or luxury residential, commercial or industrial activity, have been or are about to be displaced as a result of increases in residential rents (1) that are significantly higher and more rapid than increases in comparable sections of the city, and (2) of which the project is a proximate cause, and to limit rental assistance for indirectly displaced tenants to amounts available, after good faith efforts of the grantee, under Section 8 certificates or vouchers, public housing and loan repayments from the projects; to limit to low and moderate income persons the reimbursement for actual and reasonable expenses; to provide that where a claim related to displacement is denied by a grantee, the claimant may appeal to the Secretary of HUD in the case of CDBG entitlement community or UDAG project and to the appropriate State official in the case of a CDBG small cities program and the decision of the HUD Secretary or the state official shall be final unless a court determines the decision was arbitrary and capricious, and to provide that relocated tenants would not have authority to veto grantees' choice of the location or type of replacement housing for them; and to delay the effective date of the provision until October 1, 1987.

The conferees intend that vacant and unoccupiable housing not be subject to the replacement requirement of this section unless the housing was vacated within the CDBG or UDAG project site after the developer or the city began preparations for the project or less than one year before the grant was approved. Applicants must certify that tenants were not forced out under either of these conditions. Replacement housing need not be replaced exactly one unit for one unit; however, the replacement housing would have to be sufficient to house the same number of people who had lived in the housing prior to demolition. Large family units, for instance, could not be replaced with studio apartments.

The conferees further intend that relocation benefits for persons indirectly displaced as a result of residential rent increases would not apply if the CDBG or UDAG funds were used for general public improvements, such as street repairs or parks. Rather, the conferees intend that the residential, commercial, or industrial activity for which the relocation benefits would apply involve direct assistance which enhances commercial, industrial and residential revitalization undertaken by private businesses. A rental project triggering assistance for indirectly displaced persons would have rents equivalent or greater than 120 percent of the fair market rent for Section 8 existing housing. If the local unit of local government did not have sufficient Section 8 or public housing assistance available immediately to assist indirectly displaced families, a good faith effort must be made to secure such assistance.

The appeals process is a limitation on the process indirect displacees must follow in appealing any denial of assistance. The provision is not intended to limit the rights direct displacees have under administrative or judicial process to appeal a denial of benefits.

The conference report provides that those persons eligible for benefits under the Uniform Relocation Act have the option to select either those benefits or those provided under this section.

CDBG Public Service Activities

The House amendment contained a provision to permit CDBG recipients to use more than 15% of its annual grant for public service activities but not more than the highest percentage permitted by another local government in the same metropolitan area, to support a local government's proposed community development activities. The conference report does not contain the House provision.

Limited New Construction of Housing Under CDBG Program

The House amendment contained a provision that was not contained in the Senate bill to expand CDBG eligible activities to include limited new construction or substantial rehabilitation of existing housing in instances in which low- and moderate-income people own homes that the grantee determines are not suitable for renovation. The conference report contains the House provision with an amendment to permit substantial reconstruction of units owned and occupied by low- or moderate-income people only and to require that the reconstruction be part of a concentrated neighborhood rehabilitation effort, that the grantee demonstrate to the satisfaction of the Secretary that the cost of reconstruction is significantly less than the cost of new construction, and that funds allocated for the reconstruction not exceed the estimated fair market value of the property after reconstruction.

The conferees intend that the cost of reconstruction be considered significantly less than the cost of new construction if the reconstruction cost is determined to be at least 20 percent less than the cost of new construction.

CDBG Assistance for Telephone Number Systems

The Senate bill contained a provision not included in the House amendment which would permit CDBG funds to be used for the development and operation for up to two years of a uniform emergency telephone number system. The conference report includes the Senate provision amended to provide that the percentage of funds used for such purposes that are considered to benefit low- and moderate-income persons living in the community shall be the percentage of low-and moderate-income persons living in the area served by the telephone service.

Multiyear and Multipurpose Distributions for Nonentitlement Areas

The House amendment contained a provision that was not contained in the Senate bill to allow States to commit CDBG funds to small cities on a multiyear basis. The conference report does not contain the House provision because under existing law States may, subject to the availability of future appropriations, make such commitments.

CDBG Loan Guarantees

The House amendment contained a provision that was not contained in the Senate bill to authorize a guarantee limit of $150 million for FY 1988 for the Sec. 108 Loan Guarantee Program, to prohibit the Secretary or any other federal agency from

charging a fee with respect to the guarantee, and to expand the eligible uses of loan guarantees to housing rehabilitation and certain economic development activities. The conference report contains the House provision amended to authorize $156,150,000 for fiscal year 1989.

UDAG Selection Criteria

Project quality criteria.—The Senate bill contained a provision to award two points if the community has not received preliminary UDAG grant approval in the preceding two years and to provide that, if a community has more than one application pending, additional consideration for failure to receive a UDAG within the prior one or two years will be awarded only to the project with the highest project merit points. The House amendment contained a provision to award two points if the community has not received a preliminary grant approval on or after December 21, 1983, and to award one point if the project will utilize one or more small business concerns owned and controlled by socially and economically disadvantaged individuals. The conference report contains the Senate provision.

Number of competitions and amount of funds.—The Senate bill contained a provision to require the Secretary to announce, within 30 days of the start of the fiscal year, the number of UDAG competitions which will be held in that year, to require at least 2 competitions each for large and small cities, and to require that each competition include approximately the amount of funds available for the fiscal year divided by the number of competitions. The House amendment contained a provision to require 3 competitions each for large and small cities and to require that each competition include approximately one-third of the funds available for the fiscal year. The conference report contains the Senate provision with an amendment to limit UDAG rounds to at least 2 but no more than 3 per fiscal year.

Urban county competitions.—The House amendment contained a provision that was not contained in the Senate bill to require that applications for grants for urban counties be compared only with other urban county grant applications. The conference report contains the House provision with an amendment to allow an urban county to use data that reflect the distress conditions of the Census tracts within a radius of 15 miles of the proposed project and to require that if any data reflecting conditions in a metropolitan city of 100,000 or more are included, then data reflecting conditions in any metropolitan city with a population of 75,000 or more may be used only with the consent of that metropolitan city.

Reports.—The Senate bill contained a provision to require the Comptroller General to submit to Congress a comprehensive report evaluating UDAG eligibility standards and selection criteria within six months of enactment. The House amendment contained a similar provision except that it required the report within one year of enactment. The conference report contains the House provision.

Applicability.—The Senate bill contained two provisions that were not contained in the House amendment to make the project quality criteria amendments which involve failure to receive preliminary approval, the number of points for each criteria, and the 65/35 fund split effective on the date of enactment, and to make other amendments made by this section applicable to those grants awarded after the effective date of enactment. The conference report contains the Senate provision.

Limitation of grant amounts.—The Senate bill contained a provision that was not contained in the House amendment to limit pocket of poverty grants to $6,000,000, and to limit entitlement grants to $6,000,000 for fiscal years 1988 and 1989, except for projects where the average cost for each new permanent job and each permanent job retained that would otherwise be lost does not exceed $8,000. The conference report contains the Senate provision with an amendment to raise both limits to $10,000,00 and make them applicable for fiscal years 1988 and 1989 and to delete the exception for the average cost of new and retained jobs.

Prohibition on Use of UDAG for Business Relocations

The Senate bill contained a provision to prohibit the Secretary from funding any UDAG projects that would facilitate a relocation from one distressed city to another and to provide for a 90-day appeals process for non-speculative projects. The House amendment contained a similar provision except that it required the Secretary to issue regulations within 60 days of enactment and provided a 90-day appeals process for speculative projects. The conference report contains the House provision with an amendment to provide a 90-day appeal process for speculative and non-speculative projects.

State Administration of CDBG Program in Non-entitlement Areas

The House amendment contained a provision that was not contained in the Senate bill to allow CDBG funds for units of general local government located in non-entitlement areas to be administered by the State. The conference report does not contain the House provision.

Prohibition on Use of CDBG and UDAG Funds to Increase Market Share of Nondomestic Corporations

The House amendment contained a provision to prevent UDAG or community development funds from being used after the enactment date to increase the market share of nondomestic corporations. The conference report does not contain the House provision.

The primary intent of the House provision was to deny federal community development assistance to non-domestic corporations unless the Secretary determined that the presence of the non-domestic entity would not have a harmful effect on any United States plan, equipment, market share, facility, employment opportunity, production capacity or product line.

The conferees on the part of the Senate were concerned that the provision might dissuade non-domestic corporations from expanding their operations within the United States. Thus, potential American jobs would be lost. The conferees on the part of the House, however, were concerned that any compromise which accommodated this concern would sanction the provision of federal community development funds to non-domestic entities at the expense of domestic entities. Therefore, the House conferees agreed to delete the provision.

Urban Homesteading

Both the Senate bill and the House amendment contained provisions to expand the use of urban homesteading to meet the needs of low income families and other properties. Differences are noted below.

Conveyances of property by state and local governments for consideration.—The Senate bill contained a provision to give priority for occupancy to lower income families, to allow localities to determine a family's ability to afford homeownership before including the family in a selection lottery. The House amendment contained a provision to allow governmental entities to charge non-lower income persons an agreed upon amount for homesteading properties, to give priority for occupancy to qualified lower income persons, to prohibit the governmental entity from charging persons given priority for the property if the charges would prevent them from occupying the property, to require that amounts which governmental entities collect from these charges be deposited in a revolving fund. The conference report contains the Senate provision.

Purchase of tax delinquent properties.—The Senate bill contained a provision to extend through FY 1989 the program for states and local governments to purchase single family homes, including tax foreclosed properties. The House amendment contained a provision to permit the purchase of tax delinquent properties. The conference report contains the Senate provision.

Increased assistance for communities having high rates of foreclosures.—The House amendment contained a provision that was not contained in the Senate bill to permit local governments which have had a 20% foreclosure rate on FHA insured single-family homes in the last year to apply to the Secretary for an increase in their urban homesteading assistance, and to limit such increases to 50% of the localities' original program application request. The conference report does not contain the House provision.

Transfer to qualified community organizations.—The Senate bill contained a provision to permit state or local governments to transfer property to qualified community organizations that agree to accept title to the property and to convey the property to homesteaders. The House amendment contained a similar provision except that it specified that the organization should accept title from the relevant federal agency and should convey the property directly to homesteaders. The conference report contains the House provision.

Extension of multifamily homesteading demonstration and evaluations.—The Senate bill contained a provision that was not contained in the House amendment to extend through FY 1989 the multifamily homesteading demonstration and to extend the deadline for the HUD report on the multifamily and single family tax delinquent properties programs to December 31, 1989. The conference report contains the Senate provision with an amendment to require the report by December 31, 1987.

Authorization of appropriations.—The Senate bill contained a provision to authorize $12 million for urban homesteading for FYs 1988 and 1989. The House amendment contained a similar provision except that it authorized only for FY 1988. The conference report contains an authorization of $12 million for fiscal year 1988 and $12,576,000 for fiscal year 1989.

State administrative expenses.—The Senate bill contained a provision that was not contained in the House amendment to permit states taking title to federally-owned properties in the Urban Homesteading Program to use a portion of the State administrative CDBG funds for the administration

of homesteading in non-metropolitan areas. The conference report contains the Senate provision.

Selection procedure and priorities.—The Senate bill contained a provision that was not contained in the House amendment to delete the existing priorities for families who live in substandard housing, who pay more than 30% of their income for rent and who have little prospect for obtaining housing without the homesteading program and to substitute in lieu thereof a priority for lower income families and to delete from the selection procedure special consideration to recipient's need for housing and capacity to make the required repairs and substitute in lieu thereof the requirement that the selection procedure take into account the applicant's capacity to make the required repairs. The conference report contains the Senate provision.

Section 312 Rehabilitation Loans

Extension of loan authority.—The Senate bill contained a provision to extend Sec. 312 rehabilitation loan authority through FY 1989. The House amendment contained a similar provision to extend loan authority through FY 1988. The conference report contains the Senate provision.

Prohibition of loan sales.—The House amendment contained a provision that was not contained in the Senate bill to prohibit the Secretary from selling Sec. 312 loans. The conference report contains the House provision.

Prohibition of fees.—The Senate bill contained a provision to prohibit the imposition of risk premiums or loan fees under the Sec. 312 Rehabilitation Loan Program. The House amendment contained a similar provision except that it specified that the prohibition would take effect on the date of enactment. The conference report contains the House provision.

Loan cancellation.—The Senate bill contained a provision not included in the House amendment that cancels the indebtedness of a particular Section 312 loan. The conference report contains the Senate provision.

Neighborhood Reinvestment Corporation (NRC)

The Senate bill contained a provision to authorize $19 million for the NRC for each of FYs 1988 and 1989 and to change the NRC Board to include the chairman or a designated member of the Home Loan Bank Board, Federal Reserve Board, Federal Deposit Insurance Corporation and National Credit Union Administration. The House amendment contained a provision to authorize $19 million for the NRC for FY 1988 and to permit NRC Board members to designate substitutes. The conference report contains an authorization of $18.3 million for each fiscal year 1988 and 1989.

Neighborhood Development Demonstration Program (NDDP)

The Senate bill contained a provision to authorize such sums as may be necessary for the NDDP for each of FYs 1988 and 1989. The House amendment contained a provision to authorize $2 million for the NDDP for FY 1988, to permit housing to be developed for the homeless through matching program funds, and to expand selection criteria to include consideration of monetary support neighborhood development organizations receive from individuals, businesses or other organizations in the metropolitan area. The conference report contains the Senate provision with an amendment to authorize $2 million for each fiscal year 1988 and 1989 fron the CDBG program funding level.

Park Central New Community Project

The House amendment contained a provision that was not contained in the Senate bill to provide a set-aside of sufficient funds for Sec. 8 existing certificates on behalf of 500 lower income families in the closed-out new community project for FY 1988, and requires that $5 million be made available from the Secretary's CDBG Discretionary Fund for the Park Central New Community Project. The conference report contains the House provision.

Limitations on Recapture of Certain Reservations of Assistance

The House amendment contained a provision that was not contained in the Senate bill to prohibit the Secretary from recapturing any previously reserved assistance under the Sec. 312 Rehabilitation Loan Program or the Sec. 810 Urban Homesteading Program within 12 months of receipt of the funds. The conference report does not contain the House provision. The conferees wish to make clear however that they are aware that, in the past, the Secretary has recaptured reserved assistance under these programs before sufficient time has elapsed for the funds to be utilized. This practice runs counter to the intent of the Congress and undermines the viability of the programs. The conferees feel that one year is sufficient time for the person or government entity for whom the assistance has been reserved to utilize it. Therefore, the conferees intend that the Secretary establish a policy that funds reserved for each community under the Sec. 312 Rehabilitation Loan Program or the Sec. 810 Urban Homesteading Program not be recaptured for at least one year after assistance is given.

Urban Renewal Land Disposition Proceeds

The Senate bill contained a provision to authorize Hartford, Conn. and Lebanon, PA to retain land disposition proceeds from the specified closed-out urban renewal projects and to use the proceeds for eligible CDBG activities. The House amendment contained a similar provision except that it also gave authority to Richmond, VA, Milwaukee, Wis., East Stroudsburgh, PA, and Northfield Village, Illinois, and authorized Naticoke, PA to retain categorical settlement grant funds that remain from a project closeout. The conference report contains the House provision with an amendment to delete this authority for Northfield Village, Illinois.

Regulations To Implement CDBG Provisions of HURRA of 1983

The House amendment contained a provision that was not contained in the Senate bill to require the Secretary to issue regulations to implement provisions in the 1983 HURRA Act (P.L. 98-181), within 30 days of enactment. The conference report does not contain the House provision.

The conferees wish to make clear their extreme displeasure that HUD has still not issued final regulations to implement the significant changes to the CDBG program which were included in the Housing and Urban Rural Recovery Act of 1983. This act became law in November of 1983 and, since then, the program has been run according to memoranda and notices. It is intolerable that these regulations have not been issued and that communities, States and individual beneficiaries do not have clear and consistent guidance as to how the changes will be administered. The conferees understand that the major impediment to the issuance of the regulations is the Department of Justice, which is trying to weaken the guidance provided for compliance with the Civil Rights laws. The conferees feel that it is time the Administration resolve its internal conflicts and publish final rules which implement all the statutory changes. Therefore, the conferees intend that the Secretary issue regulations to implement the applicable provisions in the 1983 HURRA Act (P.L. 98-181) within 30 days of enactment of this act.

Community Development Projects Labor Standards

The House amendment contained a provision that was not contained in the Senate bill to require that labor standards be applied to rehabilitation of residential property containing 8 or more units. The conference report contains the House provision.

Community Development Technical Amendments

The Senate bill contained a provision to amend Sec. 106(d)(3)(A) of the 1974 Housing and Community Development Act. The House amendment contained a provision to amend Sec. 123(e)(3) of the 1983 HURRA. The conference report does not contain either provision.

FLOOD AND CRIME INSURANCE PROGRAMS

Extension of Flood Insurance Authority

The House amendment contained a provision which extended the National Flood Insurance program, the emergency implementation portion of the National Flood Insurance Act, and the authority to establish Flood risk zones through fiscal year 1988. The Senate bill contained similar provisions but extended these authorities for each fiscal year 1988 and 1989. The conference report contains the Senate provision.

Limitation on Flood Insurance Premiums

The House amendment contained a provision which limited increases in flood insurance premium rates to 5 percent annually for fiscal year 1988. The Senate bill contained a similar provision except premium increases were limited to 10 percent annually for each fiscal year 1988 and 1989. The conference report contains the Senate provision.

Postponement of Implementation of Regulations

The Senate contained a provision which provided that the revised Federal Emergency Management Administration (FEMA) regulations relating to flood plain management standards for mobile homes and mobile home subdivisions (51 FR 30290, 8-25-86) be suspended for 60 days, and that during this period, the FEMA Director shall solicit and receive public comment, and submit to Congress a study of the regulations' impact on small business. The House amendment contained a similar provision, except provided for a 6-month moratorium on regulations beginning on the date of enactment. The conference report does not contain the House or the Senate provision.

Extension of Crime Insurance Authority and Limitation on Premiums

The House amendment contained provisions not included in the Senate bill which extended crime insurance through fiscal year 1989, provided continuation of existing crime insurance contracts through fiscal year 1990 and limited premium increases on crime insurance to no more than a prorated

annual rate of 5 percent for fiscal year 1988. The conference report contains the House provision.

Flood Insurance Studies

The House amendment contained provisions which authorized to be appropriated for flood insurance studies and surveys $37,773,000 for fiscal year 1988 and provided that all funds appropriated remain available until extended. The Senate bill contained provisions which authorized such sums as may be necessary for fiscal years 1986 and 1987, and authorized not to exceed $37 million for each fiscal year 1988 and 1989. The conference report contains an authorization of $36,670,000 for flood insurance studies and surveys for FY 1988 and such sums as may be necessary for FY 1989.

Flood Insurance for Structures on Land Subject to Imminent Collapse

The House amendment contained provisions not included in the Senate bill which provided eligibility for federal flood insurance payments for structures covered by flood insurance that are located along the shore of a lake or other body of water which are subject to imminent collapse as a result of erosion or undermining caused by waves or water levels exceeding cyclical levels, and which are condemned by local government officials. The House provision would provide flood insurance payments following condemnation amounting to 40 percent of the value of the structure, and that, following demolition, the payment would be 60 percent of the structure's value or the cost of demolition, whichever is less. The House provision provided that if the owner of the structure chose to relocate, payments would be either the lesser of 40 percent of the structure's value, half paid before relocation and half paid afterwards, or the cost of relocation. The House provision provided eligibility for up to 40 percent of the value of the structure if the structure collapses or subsidies, after being certified for demolition or relocation, and after the owner has had a reasonable period to demolish or relocate the structure. The House provision provided that for purposes of paying flood insurance, the value of the structure shall be determined as the lower of (1) the fair market value of a comparable structure not subject to imminent collapse or subsidence, (2) the price paid for the structure, adjusted for inflation, or (3) the insured value of the structure. The House provision restricted applicability of these provisions to flood insurance policies effective on or entered into after the enactment of this Act and to structures covered by insurance on the date of certification. The House provision additionally provided that the structure must be covered by insurance on or before June 1, 1988, 2 years prior to certification, or for the term of ownership if less than 2 years. The House provision prohibited insurance of structures constructed or relocated, to a point seaward of the 30-year erosion setback on land on which a structure was certified. The House provision also authorized the Secretary to promulgate regulations and guidelines necessary to carry out these provisions and made these provisions effective on enactment of this Act or October 1, 1987, whichever occurs later.

The Conference Report incorporates the House provision with an amendment. These provisions authorize the Federal Emergency Management Administration (FEMA) to provide advance insurance coverage under the National Flood Insurance Program (NFIP) for structures which are subject to imminent collapse due to erosion.

According to a 1971 study conducted by the U.S. Army Corps of Engineers, approximately one quarter of the nation's 84,000 miles of Atlantic, Pacific, Gulf of Mexico and Great Lakes shoreline could be categorized as "seriously eroding". Subsequent studies have confirmed that nearly all U.S. shorelines are receding, with a national average rate of 0.4 meters per year. Both gradual and storm generated erosion continue to result in flood related claims under the NFIP. Since it is possible to identify structures which have been placed in flood risk due to erosional forces, it is possible to take preventative action to avoid collapse of the structure.

This provision amends section 1306 of the National Flood Insurance Act of 1968 by adding a new subsection. The new subsection applies to any structure which is covered by a contract for flood insurance under the NFIP and is along the shore of a lake or other body of water.

Effective implementation of this provision will depend on the accurate and timely identification of structures which are subject to imminent collapse. The Federal Emergency Management Administration will be responsible for developing regulations outlining uniform standards and procedures for making such determinations. In developing these regulations, FEMA should consult widely with coastal geologists and other scientists, with other federal agencies, and with officials at the state and local level who have experience in the management of erosion hazards.

This provision is not intended to expand the scope of coverage under the NFIP. The provisions will be triggered only when the Director determines that a structure is subject to imminent collapse. Therefore, these provisions will apply to those structures which, with a high degree of certainty, are likely to collapse within the near future. Such a determination will have to incorporate many technical considerations, including regional geology, expected erosion rates, and storm periodicity and severity. Through advance identification of imminently threatened structures, structural collapse and total loss claims under the NFIP can be avoided. Thus, the conferees do not expect this provision will result in a net increase of claims under the NFIP, nor in significantly increased costs to the taxpayer.

To the contrary, this process of advance identification is expected to reduce the value and number of NFIP claims over the long-term. In addition, the value of claims can be significantly reduced by encouraging relocation of threatened structures. Moreover, the total number of claims should decline as highly exposed structures are relocated beyond the erosion setbacks required under paragraph (5), thereby mitigating the potential for future repetitive claims.

In order to ensure timely consideration of potentially threatened structures, the provision provides a role for state or local authorities in the identification process. Using standards and procedures developed by the Director, a state or local government may certify, to the Director, that a structure is subject to imminent collapse. This local level involvement will help speed the identification process and will provide the Director with information needed in making a final determination.

Once a final determination has been made, the homeowner will have the responsibility to demolish or relocate the structure. The conferees expect that the majority of homeowners will choose to relocate, and thus the provision will reduce the value of claims under the NFIP. Paragraph (2) requires the homeowner to take reasonable and prudent action to relocate or demolish the structure before it collapses. Failure to take such action will result in a limitation of benefits under the NFIP.

Advance identification of threatened structures provides a unique opportunity to mitigate future erosion-related damages. One of the most effective approaches for managing coastal erosion hazards is the requirement that new buildings be placed at a specified distance from the shoreline based on the expected rate of erosion. These so-called erosion setback lines are being used increasingly at the state and local level.

Redevelopment setbacks are a crucial feature of this provision. A certification under these provisions is a recognition that the subject parcel of land is subject to high rates of erosion. Therefore, it is reasonable to place certain restrictions on redevelopment of that parcel, such as the requirement to relocate or rebuild beyond the expected extent of erosion in order to qualify for further NFIP coverage. Minimum setbacks are established in paragraph (5) based on dwelling units or less must be placed landward of the 30-year erosion setback, while a structure containing more than 4 dwelling units must be placed landward of the 60-year erosion setback. These minimum setbacks are expected to help channel redevelopment into areas which are reasonably safe from damage over the expected life of the structure.

Failure to comply with these minimum setback standards will result in the ineligibility of that structure for further flood insurance coverage and certain disaster assistance. These restrictions should encourage voluntary compliance with the erosion setbacks.

In order to effectively implement the erosion setback requirement, FEMA will be required to develop and publish tables of annual erosion rates for the calculation of erosion setbacks. The conferees believe that such studies can be conducted under authority of section 1361 of the National Flood Insurance Act of 1968.

Coastal erosion is a burgeoning national problem and is the root cause of millions of dollars in flood insurance claims annually. The provisions of this section are an important first step in coming to grips with the management of this problem. However, it is the expectation of the conferees that the Federal Emergency Management Administration will take actions to fully utilize its existing authorities to address this issue on a broader scale. For instance, FEMA has authority under section 1315 of the National Flood Insurance Act of 1968 to require adequate land use management controls as a precondition for community participation in the flood insurance program. This authority could be used more effectively to encourage local governments to conduct erosion hazard management planning and to institute sound erosion management practices such as setback requirements.

The erosion rate data developed for the implementation of these provisions can also be used to improve administration of the insurance program. While the 30- and 60-year erosion setbacks have been established as minimum requirements, beyond which no coverage may be obtained, insurance rates landward of the setback can be set to reflect the actuarial risk based on the rate of erosion over the expected life of the structure. Thus, new flood insurance policies will more

accurately reflects the long-term threat posed by erosion and increasing exposure to flood hazards.

Flood and Crime Insurance Technical Amendments

The House amendment contained provisions not included in the Senate bill which provided technical amendments. The conference report contains the House provision.

MISCELLANEOUS PROGRAMS

Fair Housing Initiatives Program (FHIP)

The House amendment contained a provision which authorized to be appropriated $5 million for the FHIP program for fiscal year 1988. The Senate bill contained a provision which authorized to be appropriated $5 million for the FHIP program for each fiscal year 1988 and 1989. The conference report contains the Senate provision.

Both the House and Senate bills included a Fair Housing Initiatives Program demonstration of methods to expand housing opportunities for all Americans through public education and enforcement of Title VIII of the Civil Rights Act of 1968. The conferees take note of the fact that the Secretary has publicly announced a set of guidelines for funding of testing that the Department intends to employ and evaluate during the demonstration period. Such guidelines are intended (1) to ensure that such testing is objective, reliable and controlled, (2) to guarantee the credibility and probative value of testing evidence, and (3) to preclude the misuse of the funds under the program without infringing on rights and remedies provided by federal fair housing laws. The conferees intend that these guidelines be applied only to activities funded directly under the Fair Housing Initiatives Program. The conferees expect that the Secretary's evaluation of the testing program will give particular consideration to the comments and suggestions both of housing industry members (including those that have been the subjects of testing or otherwise involved in the testing process) and of private and public agencies that have practical experience in the use of testing as an instrument for securing rights under fair housing laws. The Secretary should accord special weight and due deference to relevant court decisions involving the admissibility of evidence adduced through testing.

Collection of Certain Data

The House amendment contained provisions which required each of the Departments of Housing and Urban Development and Agriculture to collect certain racial and ethnic data in order to assess the extent of compliance with federal fair housing requirements. The Senate bill contained similar provisions, except that the provisions did not refer to fair housing laws and the provisions required that a summary and evaluation of the data be included in annual reports to Congress. The conference report contains the Senate provision with an amendment to incorporate the collection of data to assess the extent of compliance with fair housing laws. The conferees intend the Secretary of HUD, not the Director of the Office of Management and Budget, to determine whether building by building data needs to be collected in order to make such assessments. In some cases where a project has multiple buildings, some of which may be on a single site and others on a scattered site, project data may be insufficient to assess the extent of compliance with federal fair housing requirements.

Regulatory Authority

The House amendment contained a provision not included in the Senate bill which required each of the Departments of Housing and Urban Development (HUD) and Agriculture, on a quarterly basis, to send both the House and Senate Banking Committees each notice or handbook issued at least 15 days before the date of its issuance and to include a detailed summary of all changes required by the Office of Management and Budget (OMB) that would affect a rule or regulation in whole or part. The conference report contains the House provision with an amendment to delete the requirement that the Departments send each notice or handbook at least 15 days before the issuance date. The conferees strongly express their objection to changing federal policy through notices, handbooks and mortgage letters which may be initiated by the Departments themselves or OMB. Changes in federal policy should be exposed to the federal rulemaking process for public review and comment.

Timely Payment of Subcontractors

The House amendment contained a provision not included in the Senate bill which provided that it is the policy of the United States that each HUD prime contractor should establish procedures to ensure the timely payment of subcontractors. The conference report does not contain the House provision; however, the conferees expect that all subcontractors should receive timely payment by each prime contractor engaged under the Department of Housing and Urban Development. Failing to follow such a course of action is egregious and not within the intent of federal housing law and standards.

Research and Development

Authorization.—The House amendment contained a provision which authorized to be appropriated $17 million for fiscal year 1988 for the Department of Housing and Urban Development (HUD) Research and Development program. The Senate bill contained a provision which authorized to be appropriated $17 million for the program for each fiscal year 1988 and 1989. The conference report contains the Senate provision amended to provide $50,000 of the appropriated funds to NIBS to conduct a study of the feasibility of a national voluntary preemptive code for modular housing and an authorization of $17 million for HUD Research and Development for FY 1988 and $17,918,000 for FY 1989.

Public housing energy improvements.—The House amendment contained a provision not included in the Senate bill which required HUD to develop a system that may be used by public housing authorities to monitor energy use in public housing projects and to identify energy conservation improvements that are cost-effective. The conference report does not contain the House provision because the conferees understand HUD has already agreed to fund such research. The conferees emphasize the importance of the Department developing a prototype system and develop cost-effective energy conservation improvements which can be used by public housing authorities around the country. Such efforts by the Department will represent fiscal responsiveness and have the potential for reducing the amounts of federal operating assistance used for energy used by public housing authorities.

Lower cost building technologies.—The House amendment contained a provision not included in the Senate bill which required the Secretary to conduct research on new building technologies that are designed to lower the cost of construction of single and multifamily housing. The conference report does not contain the House provision; however, the conferees urge the Department to conduct such research which has the potential of lowering the cost of housing for low income families as well as reducing federal subsidies.

Home Mortgage Disclosure Act (HMDA)

Availability to mortgage banking affiliates.—The House amendment contained a provision not included in the Senate bill which extended HMDA to mortgage banking subsidiaries of a bank holding company or savings and loan holding company, or savings and loan service corporation, that originates or purchases mortgage loans applicable to calendar years beginning after December 31, 1986. The conference report contains the House provision.

Certain mortgage loan records.—The House amendment contained a provision not included in the Senate bill which required that records on mortgage loans secured by property outside metropolitan statistical areas be reported on a state-by-state basis. The conference report does not contain the House provision.

Conventional mortgage loan records.—The House amendment contained a provision not included in the Senate bill which required that the applicable institutions report the number and dollar amount of conventional mortgage loans secured by 1-4 family dwellings and report whether such loans are insured or uninsured. The conference report does not contain the House provision.

Availability of disclosure statements.—The House amendment contained a provision not included in the Senate bill which required that disclosure statements be publicly available by June 1 of the year following the calendar year on which the statements are based. The conference report does not contain the House provision. However, the conferees are concerned that there is a need to take steps to make the aggregate HMDA data available at central depositories earlier than has been the case in recent years. The Federal Financial Institutions Examination Council (FFIEC), which is responsible for providing the data to central depositories, has agreed to report to the Congress, within two months after enactment of the bill, on modifications that could be made to the present data handling procedures to facilitate earlier data availability. The conferees expect the report to describe various options for modifications, along with the expected improvement in availability dates as well as possible adverse consequences that modifications would entail. The report should also enumerate the steps being taken by the bank regulatory agencies to provide earlier availability, and suggest, if any, needed legislative modifications to the Home Mortgage Disclosure Act to improve the reporting process.

Study of data collection requirement.—The House amendment contained provisions not included in the Senate bill which required the Federal Financial Institutions Examination Council to assess the cost to institutions who comply with HMDA, to estimate the usage of the data, to determine any obstacles to the usage of the data by the public and how these obstacles may be eliminated, and to submit the report within 36 months following enactment. The confer-

ence report does not contain the House provision.

The conferees are aware that under the present HMDA reporting requirements the category of loan types reported includes "other" or conventional loans. The conferees strongly urge the expansion of the requirements under "other" to simply report if these loans carry conventional mortgage insurance or do not have mortgage insurance coverage. The change should not be a burden on lenders who are subject to the reporting requirement since lenders will continue to report "other" loans by number and dollar amount only adding a subcategory of insured or uninsured. This information is not presently available and will be very useful in analyzing the role of the conventional mortgage insurance industry in serving borrowers in specific markets, neighborhoods and geographic regions as well as assisting Congress in its focus on the role served now and in the future by the FHA, VA and FmHA loan programs.

Lead-Based Paint Poisoning Prevention

The House amendment contained a provision that was not contained in the Senate bill to require HUD to eliminate lead-based paint on interior and exterior surfaces of assisted housing, to make a periodic determination of whether housing constructed during or after 1950 presents hazards of lead-based paint, to require the Secretary to take actions necessary to ensure that PHAs comply with the established procedures for insured multifamily dwellings and other federally assisted dwellings, to permit lead paint abatement under the flexible subsidy fund and allow up to 5% of CDBG funds to be used by localities with lead-based paint problems, to require inspection for treatment of defective paint for FHA-insured single family dwellings, to authorize the National Institute of Building Sciences (NIBS) to report to HUD within 18 months of the enactment date on the lead-based paint problem and to require the Secretary to issue regulations within 90 days of enactment.

The conference report contains a substitute provision: to expand the detection and abatement procedures in existing law to housing constructed or substantially rehabilitated prior to 1978 with interior and exterior intact and non-intact painted surfaces that may contain lead in which any child 7 years old or younger resides; to require HUD to develop a consumer warning brochure on lead-based paint, in consultation with NIBS; to require that HUD measurement criteria be based on the condition of the housing rather than on the health of the residents; to establish inspection procedures; and to require notification of potential tenants and purchasers if the test results exceed 1.0 milligram per centimeter squared, as well as a requirement that the Secretary reduce the level below 1.0 milligram per centimeter squared if technology is available and medical evidence supports the imposition of the lower level. The Secretary would be required to inspect all vacant Section 8 and public housing units, as well as a random sample of occupied Section 8 and public housing dwellings, within 5 years of enactment, and abate those units which exceed the levels for lead-based established in the provision.

The Secretary would be required to carry out an 18-month abatement demonstration program, in consultation with the National Bureau of Standards, on HUD-owned single and multifamily housing. This demonstration shall be used to develop the most practical and cost-efficient methods and procedures for testing and abatement. Not later than 18 months after the effective date, the Secretary shall transmit to Congress the findings and recommendations of the abatement demonstration, including any legislative recommendations to revise the requirements of this subsection. Within 9 months after the report, the Secretary, based on the results of the demonstration, would submit a workable plan to Congress for the legislative actions needed for prompt and cost-effective inspection and abatement of privately-owned and federally-insured single family and multifamily housing. If the report required is not submitted within the period specified, the Secretary shall require the elimination in all single and multifamily housing of lead-based paint poisoning hazards where test results equal or exceed the level established for single and multifamily housing. The Secretary is expected to continue carrying out the provisions of this section utilizing available federal funding sources. The provision would not apply to elderly or handicapped housing; efficiency units; or Secs. 231, 232, 241, and 242 insured dwellings.

The conferees expect the Secretary of HUD to establish a program and plan of action which utilizes available funding resources from the Comprehensive Improvement Assistance Program, Public Housing Operating Subsidies, Section 312 Rehab Loans, Section 108 Loan Guarantees, Community Development Block Grant funds, cooperative agreements for matching funds set asides from State and local governments and any other appropriate resources for the testing, inspecting, and removal of the lead-based paint hazards in public housing projects. These recommended funding resources may also be made available as a priority for lead-based paint abatement, where necessary, and applicable for housing assistance under the Section 8 program. In addition, the Section 8 Housing Assistance payments contracts, including project reserve accounts, may also be increased or made available to Section 8 project owners for the abatement of lead-based paint hazards.

The conferees expect the Secretary to demonstrate and carry out the requirements of this section in an expedited manner. It will no longer suffice to delay this urgent mandate by pleading that it is not practicable to commit funds for this purpose. The health care costs to taxpayers and society in general are greater than the cost for removing this highly preventable health hazard of lead-poisoning of young children.

Median Area Income

The House amendment contained a provision not included in the Senate bill which required that in calculating the median income for any area that is not within a metropolitan statistical area, the Secretaries of HUD or Agriculture shall use the higher of the median income of the county in which the area is located or the median income of the entire nonmetropolitan area of the state. The conference report contains the House provision with an amendment to use the higher of the median income of the area, in the case of Farmers Home Administration rural areas, or the median income of the nonmetropolitan portion of the State.

Interstate Land Sales

The House amendment contained a provision not included in the Senate bill which permitted HUD to establish a reasonable filing fee in the Interstate Land Sales Registration. The conference report does not contain the House provision.

Solar Bank

The House amendment contained provisions which extended the Solar Energy and Energy Conservation Bank through fiscal year 1988 and authorized the appropriation of such sums as may be necessary for fiscal year 1988. The Senate bill contained a similar provision except that it extended the Solar Bank for each fiscal year 1988 and 1989. The conference report contains the Senate provision and authorizes such sums as may be necessary for each fiscal year 1988 and 1989.

Innovative Housing and Neighborhood Development by Nonprofits

The House amendment contained provisions not included in the Senate bill which required the Secretary to include within the HUD Annual Report a section on innovative housing, neighborhood and community development initiatives for low and moderate income persons, including specific data requirements and analyses, and make the specific data generated within the report in an appropriate format in order to facilitate specific project inquiries. The conference report does not contain the House provisions; however the conferees direct the Department to include all the provisions outlined in the House amendment within the HUD Annual Report.

Employment Opportunities Report

The House amendment contained a provision not included in the Senate bill which required the Secretary to provide to Congress a detailed report which assesses the impact of HUD-assisted activities on enhancing the employment opportunities for lower income persons and the use of businesses located in the area of the assisted projects. The conference report does not contain the House provision; however, the conferees expect the report outlined in the House provision to be completed and made available to the public within one year of enactment of this Act.

Manufactured Homes Energy Conservation Standards

The House amendment contained a provision not included in the Senate bill that would require HUD to establish energy conservation standards for manufactured homes that are equivalent in energy performance to those required for FHA-insured single family homes. The conference report includes a substitute provision that would require HUD to issue pre-emptive cost-effective energy conservation standards that: 1) are designed to ensure the lowest total of construction and operating costs; 2) take into consideration the design and factory construction techniques of manufactured homes; and 3) provide for alternative practices that result in net estimated energy consumption equal or less than the specified standard.

The conferees agreed that the present energy conservation standards applicable to manufactured homes are inadequate and the Department's efforts to delegate these standards to a multitude of conflicting State energy codes defeats the requirement of a pre-emptive national code for manufactured housing. The conferees also recognize that the application of a standard equivalent in energy performance to the FHA Minimum Property Standards in some southern areas of the country would result in decreasing the energy efficiency of these homes, not creating the most cost-effective energy standards as the agreement would require.

The provision would require the Department to develop a standard that results in the lowest total costs to manufactured home owners. Such a goal can be achieved by establishing a standard that assures the combination of construction costs and estimated value of energy saved through the operation of the energy-efficient home over its estimated useful life will result in the lowest possible total cost taking into consideration downpayment, financing, construction and energy costs to the manufactured home owner.

Since the manufactured home standards generally is a performance standard, the energy conservation standard will also be a performance standard and it is expected that HUD will establish separate maximum transmission heat loss coefficients for the overall envelope area for single-wide and double-wide manufactured homes in a number of climatic zones.

In developing these standards, HUD should assume reasonable levels of air infiltration, heating and cooling equipment efficiencies and solar heat gain through glazing and should assure a minimum effect on the overall costs of homeownership. In addition, any design claiming, through generally accepted engineering practices, energy performance equal or better than the specified performance standard should be allowed to benefit from improvements to those components.

It is expected that the Department will rely on currently available research in order to develop cost-effective energy standards and make them effective within one year from enactment.

American Materials and Products

The House amendment contained a provision not included in the Senate bill which prohibited the use of any funding under this act to purchase materials or products used in the construction or rehabilitation of any structure unless they are mined or produced in the United States, except that this shall not apply if the materials or products are not of a satisfactory quality or available in sufficient and reasonable available quantities. The conference report contains the House provision with an amendment requiring the Secretary to encourage the use of American materials and products in construction and rehabilitation of structures.

Foreclosure Procedures for HUD-Held Single Family Homes

The House amendment contained a provision not included in the Senate bill which amended the Multifamily Foreclosure Act of 1981 to permit the foreclosure procedures to be applied to HUD-held single family properties. The conference report replaces the House provision with an amendment that nullifies the right of redemption in a foreclosure sale in connection with a Secretary held single-family mortgage.

Miscellaneous Technical Amendments

The House amendment contained provisions not included in the Senate bill which provided technical amendments for miscellaneous programs. The conference report contains the House provision.

TITLE VI—NEHEMIAH HOUSING OPPORTUNITY GRANTS

Family Need

The Senate bill contained a provision requiring participating families to have an income for a family of four of no more than the higher of the area median income of the applicable MSA or the national median income. The House amendment contained a provision which required participating families to have an income for a family of four of no more than the higher of 115 percent of the area median income of the applicable metropolitan statistical area (MSA) or the national median income. The conference report contains the House provision with an amendment to require that in cases where 115 percent of the area median income exceeds the national median income, no more than 30 percent of the families within the project may have incomes between 100 and 115 percent of the area median income.

Downpayment

The Senate bill contained a provision requiring participating families to make a downpayment of not less than 10 percent of the sales price of the home. The House amendment contained a provision which required participating families to make a downpayment of not less than 5 percent of the sales price of the home. The conference report contains the Senate provision with an amendment to exempt the family from the 10 percent downpayment requirement if the first mortgage on the home is held by a State or unit of general local government under a home loan program of the State or unit of local government, and the program provides for a lower downpayment.

Number of Homes Requirement

The House amendment contained a provision not included in the Senate bill which permitted the Secretary to waive the number of homes requirement for particular areas of the States if the Governor requests the waiver and certifies with supporting documentation that this requirement prevents the State from using the program effectively. The conference report contains the House provision amended to permit the waiver to be requested by the governor or by the unit of local government where the project will be located.

Manufactured Housing Standards

The House amendment contained a provision not included in the House amendment which required manufactured homes provided under the Nehemiah program to meet applicable building standards prescribed under Title VI of the 1974 Housing and Community Development Act and the applicable installation, structural and site requirements under Title II of the National Housing Act, and required manufactured homes to meet applicable energy conservation requirements prescribed in accordance with Sec. 203(b) of the National Housing Act. The conference report contains the Senate provision.

Neighborhood Requirement

The House amendment contained a provision which allowed homes to be constructed in up to four identifiable neighborhoods. The Senate bill contained a similar provision but allowed homes to be constructed in a single indentifiable neighborhood if the program provides for construction or substantial rehabilitation on not less than 20 percent of the lots in the neighborhood. The conference report contains the House provision amended to clarify that homes may be constructed in up to four separate locations, each consisting of contiguous parcels of land, in identifiable neighborhoods where the applicant submits evidence to the satisfaction of the Secretary that: construction in more than one identifiable neighborhood will result in cost-reductions through economies of scale comparable to those achieved by other projects eligible for funding; and the project by itself or together with improvement efforts that are or will be undertaken in the identifiable neighborhoods by the local government or private entities will result in a substantial improvement in the overall quality and long-term viability of the neighborhoods.

Housing Priority and Affirmative Marketing

The House amendment contained a provision not included in the Senate bill which required project sponsors to give priority in selecting program participants to assisted housing tenants in federal and comparable State and local housing programs and required sponsors to submit an affirmative marketing plan. The conference report does not contain the House provision.

Authorization of Appropriations

The House amendment contained a provision which authorized to be appropriated $100 million for fiscal year 1988 to carry out the Nehemiah program. The Senate bill contained a provision which authorized to be appropriated such sums as may be necessary for each fiscal year 1988 and 1989 to carry out the program. The conference report authorizes such sums as may be necessary for fiscal year 1988 and $150 million for fiscal year 1989.

TITLE VII—ENTERPRISE ZONE DEVELOPMENT

Definition and Number of Designations

The House amendment contained provisions not included in the Senate bill which defined enterprise zones and provided requirements for the designation of 100 enterprise zones, with a minimum of 33 or one-third of the designations in rural areas. The conference report contains the House provision.

Areas Based on Degree of Poverty

The House amendment contained provisions not included in the Senate bill which required the Secretary to select nominated areas with the highest average ranking based on degree of poverty criteria; but required a separate ranking for rural areas and allowed for exceptions. The conference report contains the House provision.

Designation Limitations

The House amendment contained provisions not included in the Senate bill which required the publication of regulations for designating enterprise zones, provided a time limitation of two years to designate zones, provided procedural rules for designating zones, and included Indian Reservation Nominations. The conference report contains the House provision.

Designation Period

The House amendment contained provisions not included in the Senate bill which provided an effective period for zone designation and authorized the Secretary to revoke zone designation. The conference report contains the House provision.

Area and Eligibility Requirements

The House amendment contained provisions not included in the Senate bill which provided area requirements based on location and population size and eligibility requirements based on specific criteria of economic distress. The conference report contains the House provision.

Required State and Local Commitments

The House amendment contained provisions not included in the Senate bill which required State and local governments to follow a course of action, which can be funded through HUD or FmHA program funds, to reduce burdens borne by employ-

ers or employees within a designated zone; but prohibited assistance from being used for business relocations within the zone. The conference report contains the House provision.

Definitions and Reporting Requirements

The House amendment contained provisions not included in the Senate bill which defined terms for purposes of establishing enterprise zones and required the Secretary to submit to Congress a program report every four years. The conference report contains the House provision.

Interaction With Other Federal Programs

The House amendment contained provisions not included in the Senate bill which provided that zone designations did not constitute approval or entitle persons to receive Uniform Relocation Assistance; but allowed zones to be treated as labor surplus areas. The conference report contains the House provision.

Waiver Authority

The House amendment contained provisions not included in the Senate bill which required the Secretary of HUD or Agriculture, upon local or State request, to waive or modify any rule, except those relating to antidisplacement, to further job creation, community development or economic revitalization in the zone, and established procedures for consideration of requests. The conference report contains the House provision.

Coordination of HUD Programs in Enterprise Zones

The House amendment contained provisions not included in the Senate bill which required the HUD Secretary to coordinate HUD programs, consolidate HUD program applications and reports into one summary report for designated zones. The conference report contains the House provision.

Coordination With CDBG and UDAG Programs

The House amendment contained provisions not included in the Senate bill which established Congressional policy that prohibited Community Development Block Grant and Urban Development Action Grant Program funds from being reduced in any fiscal year in which enterprise zones are in effect. The conference report contains the House provision.

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