

DEPARTMENT OF HOUSING
AND URBAN DEVELOPMENT

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HUD newsletter

U.S. Department of Housing and Urban Development
Washington, D.C. 20410 (202) 755-5499



January 2, 1978

Vol. 9 No. 1

Drywall Scarce... Prices Up

In addition to the shortage and price increases in insulating materials that have been current in recent months... serious shortages and price increases in gypsum wall board have been reported in a number of areas. The *National Association of Home Builders* reports that steady price increases and delivery problems have become common.

The far West, generally... California, Indiana, and Ohio seem to be among the hardest hit... local distributors to those States have been cut from six carloads a week to two. Delays of from 4 to 8 weeks are anticipated in the immediate future. A Baltimore builder... who purchased 24 trailer loads last year... has had his orders refused three times this year. Builders are unable to obtain supplies from their usual sources... and as a result are using retail sources... at prices often 40 to 50 percent above what they had been paying... and facing delays in deliveries at the same time... with delays in housing production occurring in many instances.

According to the *NAHB* report:

It is hard to determine why the situation is what it is. There are no known strikes or plant breakdowns to account for the shortage. It is true that the near-2 million unit rate of production has put a strain on production and delivery schedules... but industry sources cannot explain the critical shortage. Even though they are working around the clock, manufacturers have had to make supplies available on an allocation basis.

Seven gypsum producers... operating 67 plants... produce over 85 percent of U.S. wallboard. The plants are operating at 90 percent of capacity... and are turning out considerably more board than last year.

From 1973 through 1976... wallboard prices increased a third. Just since February of 1977... the rise has been about 15 percent... and the increase was 23 percent from July 1976 to July 1977.



FYI

National Association of Home Builders... Convention and Exposition... Dallas, January 20-26. Details: NAHB Convention and Meetings Department, 15th & M Sts. N.W., Washington, D.C. 20005 (202/452-0420).

New York Management Center... 2-day Seminars: Understanding and Obtaining Federal Grants... New York City, January 25-26; San Francisco, February 6-7; New Orleans, February 15-16; Cleveland, March 6-7; Washington, D.C., April 3-4; Dallas, April 24-25; and Chicago, May 15-16. Details: Registrar, 14th Floor, N.Y. Management Center, 360 Lexington Avenue, New York, N.Y. 10017 (212/953-7262).

HAC Gets New Executive Director

The *Housing Assistance Council* has selected Harold O. Wilson as its new Executive Director... it has been announced by Alvin Hirshen, President.

Wilson, 41, has been the Director of *Rural Housing Improvement, Inc.*, a statewide rural nonprofit housing development organization in Massachusetts. He succeeds Gordon Cavanaugh as Director of HAC. Cavanaugh was appointed in May by President Jimmy Carter as Administrator of the *Farmers Home Administration*.

HAC is a national nonprofit rural housing organization, federally funded to provide predevelopment loans, technical assistance, training, information, and research services to nonprofit and public housing organizations in small towns and rural areas. In addition to its Washington office... HAC maintains field offices in Atlanta, Albuquerque, and Mill Valley, California.



States Received \$154.6 Billion in FY 75

Total State government revenue from all sources increased 9.8 percent in 1975 over Fiscal 1974... to \$154.6 billion. Expenditures increased 18.2 percent to \$156.2 billion in Fiscal 1975... according to the *Census Bureau*. Individual States... according to the report... were affected in varying degrees by the conditions of inflation and recession prevailing during the 1975 Fiscal year.

Taxes provided \$80.2 billion... or 59.5 percent... of the total of State general revenue. State tax revenue was up 8 percent in 1975 from the 1974 total. Included in the tax revenue were general sales and gross receipts taxes which provided \$24.8 billion, followed by the sales tax on motor fuel, \$8.3 billion. Tobacco sales tax collections were \$3.3 billion, taxes on alcoholic beverages totaled \$2.0 billion, and motor vehicle license taxes, \$3.7 billion. The yield from individual income taxes, imposed by 44 States, totaled \$18.8 billion... up 10.2 percent from 1974. Corporation net income taxes amounted to \$6.6 billion in 1975... or 10.4 percent higher than the previous year.

The 50 States continued to spend more for education than for any other function. In 1975, they spent \$54 billion or 15.3 percent more on education than in 1974. Expenditure for public welfare totaled \$25.6 billion, an increase of \$3 billion... and spending on highways rose 10.3 percent to \$17.5 billion. Expenditure for hospitals rose 14.3 percent to total \$7.1 billion in 1975. Benefit payments for State unemployment compensation increased from \$4.7 billion in 1974 to \$9.5 billion in 1975.

Copies of the report, *State Government Finances in 1975, GF75, No. 3*, may be obtained for \$1.40 from the *Subscriber Services Section (Publications)*, *Census Bureau*, Washington, D.C. 20233.



First Housing Authority Gets Minicomputer

The first minicomputer installed in a *Public Housing Authority* in the United States has begun operation in Tampa.

The \$75,000 minicomputer... designed to generate more efficiency in the Agency's rent billing and accounting services... is funded through a \$1 million *Demonstration Project Grant* from HUD. The *Institute for Housing Management Innovations*... a subsidiary of *Kent Watkins & Associates, Inc.*, of Miami... is directing the pilot program for HUD.

Tampa is the first *Local Housing Authority* in the country to provide a central processing unit in the demonstration. Other agencies in California, Illinois, and Washington, D.C. are expected to test the minicomputer in coming months. The computer will be used in the areas of occupancy, tenant information, tenant accounting, general ledger, accounts payable, and maintenance scheduling.

Plight of Cities Not New

A newly-published book...*The History of American City Government, 1775-1870*... states that the problems of American cities... pollution, crime, riots, a lack of planning, inadequate public transportation, and others... are very bad. But they are not new... and they were worse in 'the good old days.'

The book is based on studies by Dr. Charles Adrian, a political science professor at the *University of California (Riverside)* and Ernest Griffith of the *Library of Congress*.

Some of the findings of the two studies... which took 20 years to complete:

- Pollution from automobiles is bad... but there was a lot of pollution from horses and other animals in the 19th century.

- Most cities had their own slaughterhouses a century ago, and they were careless in the way they disposed of animal remains and similar things. Furthermore... there were few or no sewerage disposal facilities. And there were odors.

- Water pollution was a serious problem. They knew that water could be polluted... but they didn't know how it happened... or what to do about it.

While people like to talk about 'the good old days,' many cities were filthier in the 1800's than today. Also... communicable diseases were a major concern. And medical science was not as advanced as today. Smallpox, yellow fever, malaria, cholera, and typhoid were all rampant. And "while people weren't being killed by cars, they were often killed or maimed by runaway horses."

Mugging, as we know it today, was far less common than now... but it did exist... and pickpockets were very skilled.

Also... from the 1830's on... there were a goodly number of summer riots. The reasons were different then than now... not caused by racial difference... but mostly by ethnic differences. Rural residents moved to the cities. They were Anglo-Saxon Protestants, but they encountered largely Catholic immigrants from abroad... and many of the immigrants spoke a foreign language. There was fear that the immigrants would take over control of the cities.

The first race riot in the U.S. occurred in Philadelphia in 1828. There were hassles in the 1840's and 1850's over such things as whether Irish immigrants should be allowed to take certain jobs... including that of policemen. The same thing happened 100 years later with blacks.

Planning of cities and neighborhoods was in the hands of land speculators and real estate developers... who were interested only in profit... not the public interest.

Concludes Dr. Adrian: "The situations and problems haven't changed much, but Americans can learn from the past, if they will."



Publication Available

Citizen Participation Certification for Community Development: A reader on the citizen participation process. Published by the *National Association of Housing and Redevelopment Officials*. Designed to help localities meet various 'certification' requirements under the community development block grant program. Discusses current trends in citizen participation; the role of citizen participation in attracting financial resources and other forms of support to housing and community development programs, etc. Available from NAHRO, Suite 404, 2600 Virginia Ave., N.W., Washington, D.C. 20037. Price: \$9.50... NAHRO Members: \$6.00. NAHRO Publication No. N583.

HUD Research Redirected

Speaking to the *Conference on Public Service Education of the National Association of Schools of Public Affairs and Education* in Colorado Springs... *HUD Assistant Secretary for Policy Development and Research* Donna E. Shalala announced that *HUD* was redirecting its research program to schools and universities. Hitherto... *HUD's* annual \$50 million research grant program had been concentrated in private, profit-making research organizations. The new direction... Dr. Shalala said... is "expected to blaze new paths through the urban research jungle."

Stating that the state of urban research is not good... and that too much of it has been "a kind of unfocused data processing... with researchers not asking the right questions to make a genuine improvement in urban America," she said, "Most urban research has been less than first class, less than useful, less than appropriately focused... and some downright foolish. Beginning now... *HUD* intends to stimulate focused, high quality, innovative urban research at universities and colleges all across the Nation."

In addition to redirecting its research project... *HUD* will also set up an annual fellowship program for 25 faculty members in political science, economics, and urban affairs. A third initiative will be the creation in Washington of a *Center for Urban Policy Analysis*... with participation by six area universities. The *Center* will be located at *American University*... and five other local universities will be part of a consortium operating it. The *Center* will provide a neutral forum for discussion of Federal housing and urban policy... encourage academic study in these fields... and give *HUD* "a source of quick analysis and evaluation."

The other five universities: *Catholic, Georgetown, Howard, George Washington*, and the *District of Columbia University*.

Supported by a \$300,000 grant from *HUD*, the *Center* will concentrate on urban public finance and economic analysis, community preservation and development, housing assistance, and housing policy. Dr. Shalala called the *Center* "an important step in involving the community in its own growth and development."

The *Center* will operate during the first year of its existence as a pilot program under the supervision of an *Advisory Board*.

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FIRST-CLASS

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HUD newsletter

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More Rural Housing in '78

Farmers Home Administration (FmHA)... which is the *HUD/FHA's* counterpart in rural housing... has made its allocations of funds for fiscal year 1978... setting the ceiling each State may allocate for the coming year. Accompanying the allocations... *FmHA* indicated that last year's emphasis on reducing delinquency rates is to be replaced this year by a new guideline: diligent efforts should be made to assist lower-income applicants to improve their housing.

Instead of setting a monthly ceiling on the amount of *Section 502* funds to be obligated each month by each State... the instructions request local processing officials to make certain the amount of obligations for the first 6 months of the year does not exceed 55 percent of the State's authorization for the full year. In former years... 40 percent was the allocation goal for the first half of a fiscal year. *FmHA* also announced that pooling of unobligated (half-year) funds would be considered half-way through the fiscal year... on March 31... and that all funds not obligated by August 1 would be available for allocation at that time.

Among the largest allocations for *Section 502* insured home loans: North Carolina (\$142 million); Tennessee (\$106 million); New York State (\$93 million); Kentucky (\$88 million); Puerto Rico (\$84 million). For *Section 515* rental housing loan allocations... the five largest States: Texas (\$35.3 million); Iowa (\$29.3 million); California (\$28.6 million); North Carolina (\$26.1 million); and Wisconsin (\$25.7 million).



Second Mortgage Use Rises

The *Commercial Credit Company*... one of the Nation's largest lending organizations... has completed a survey of the uses of second mortgages as collateral for loans. The *Company's* report states that many homeowners are taking advantage of the increased value of their homes by using the 'windfall' increase in equity in their homes to borrow money... using a second mortgage on the home as collateral.

Citing the increase of the median price of a new home since 1971... from \$25,200 to \$44,200... the survey shows that in 1971 about \$4.4 billion in second mortgage paper was outstanding. By 1976... this had risen to \$9 billion... an average annual gain of 16 percent. Only revolving credit debt... which has increased 17 percent... went up as much in the same period.

According to *CCC*... the typical second mortgage is for \$4,000 to \$10,000... maturing in 5 to 10 years. Interest rates range widely... depending on the risk factor lenders perceive, and the State laws governing interest rates. The *Company* concludes the report with the statement that the proceeds of the loans are used for "everything from the kids' education to a trip around the world."

Second mortgages are attractive to lenders because they offer greater security than unsecured signature loans... at the same time attracting borrowers who very often are able to obtain lower interest rates and longer repayment time than would be available on consumer loans.

From the States

By a vote of 35-0... the *Massachusetts Senate* has approved a bill to outlaw 'redlining.' The bill requires that a bank or other lending institution grant a mortgage on the basis of the condition of the property and the credit worthiness of the prospective borrowers, but not on the basis of whether the property is in a poor or changing neighborhood. Enforcement will be by the *Massachusetts Commission Against Discrimination*.

In neighboring Connecticut... a similar law has been enacted. The legislation prohibits banks from refusing mortgages for properties only because they are in declining neighborhoods. The measure requires that banks with assets of more than \$10 million report the mortgage loans they make, and show locations of the loans according to census district so that the *State Banking Commission* would be able to recognize any geographical patterns to mortgage lending. The absence of mortgages in any area would indicate the geographical areas in which the banks are reluctant to lend money. The reports would be made public and individuals who felt discriminated against could sue. The *State* could also bring suit in Superior Court and seek an order forcing the bank to grant the mortgages. The Court would be empowered to impose fines of up to \$5,000.

In New Jersey... Governor Byrne signed into law a bill permitting savings banks to make residential mortgage loans with as little as 5 percent downpayment by the purchaser. The legislation provides that savings banks can loan up to 90 percent of the appraised value of a one- to- four-family home with loans of up to 95 percent authorized if the mortgage is guaranteed or insured. The new law liberalizes the State mortgage lending statutes by extending the low downpayment provisions to older single-family homes, multiple-dwelling units (up to four units), and condominiums. Previously... savings banks had been restricted to making 90 percent loans only for newer houses... usually less than 10 years old... in amounts of \$25,000 or less.

A West Virginia statewide housing study indicated that about 84,000 new housing units will be needed before 1980 for low- and moderate-income families. The prime cause of the new housing demand is economic growth that will create 47,000 new jobs... half of which are in coal mining and related industries. The *Statewide Housing Needs Analysis* was released by the *West Virginia Housing Development Fund*. Leonard Crosby, Executive Director of the *Fund*, said that "this is a pioneer effort in planning in our *State*. Nothing of this scope or magnitude in the field of housing has previously been attempted in West Virginia. We feel that it will be a valuable tool in the development of housing priorities and in the allocation of limited resources." The analysis covers the housing needs of low- and moderate-income families by age, type of housing, and number of bedrooms... and lists needs by county and major urban areas of the *State* for 1970, 1975, 1980, and 1985.

In October... California began enforcing the toughest 'anti redlining' statute in the country. Under the law... California officials have the power to order a bank, *S&L*, or other lending institution to make a mortgage loan in any case where the *State* finds that an applicant for a mortgage has been turned down because of 'redlining' or other form of discrimination.

California officials stated they have no authority to... and have no plans... to force lenders to make unsound loans. However... based on past experience... the officials believe that the fact they are "looking over the shoulders of the lenders will result in greater numbers of loans in neighborhoods that were previously considered off limits."

The new law also requires lenders to make public their criteria for granting mortgages, to initiate *Affirmative Action Programs*, and to report to the *State* the loans they make. The law imposes these provisions on all lenders within the *State* (except federally-chartered *S&Ls*). Previously... only institutions chartered by the *State of California* were required to make such disclosure. In view of the fact that State-chartered *S&Ls* hold two-thirds of the assets of such associations... it is expected that the result will be a substantial increase in loans to applicants in black and Hispanic neighborhoods.

AIP Announces Planning Awards

The *American Institute of Planners (AIP)* presented five *Planning Awards* during its 60th Anniversary Annual Conference in Kansas City in October. The awards included three individuals, an *AIP* chapter, and a planning project.

The *Distinguished Service Award* for outstanding contributions to the practice of planning was presented to Richard L. Steiner, *AIP*, Planning Assistant to the Chancellor of the *University of Maryland* in Baltimore.

He was director of the *Baltimore City Redevelopment Commission* (from 1946 to 1954) and later served as Commissioner of the *U.S. Urban Renewal Administration*. In 1959, Steiner became director of the *Baltimore Urban Renewal and Housing Agency*, and Executive Director of the *Housing Authority of Baltimore*, and brought housing and urban renewal together in one agency. Later he served as special consultant to the Secretary of *HUD*, and managed the program for *Surplus Land Utilization*.

The *Special Award* was given posthumously to Paul Oppermann, who had been a planning consultant in the firm of *Adams, Howard and Oppermann*, in Cambridge, Massachusetts. He was planning director of the city of *San Francisco* from 1949 to 1958; executive director of the *Northeastern Illinois Metropolitan Planning Commission* from 1958 to 1964; and for 10 years was a consultant in areas that included the State of Maine and the countries of Vietnam and Libya.

The *Chapter Achievement Award*... which recognizes outstanding chapter activities contributing to furthering the planning profession and the objectives of *AIP*... was awarded to the *National Capital Area Chapter*... based in Washington, D.C.

The chapter was cited for its excellent newsletter, the mobile workshops it sponsored in 1976 in conjunction with a national planning conference held in Washington, and for publishing an illustrated walking tour guide book entitled: *Washington on Foot*.

The *Diana Donald Award*... which recognizes an outstanding planner who has made a substantial contribution to women's rights... was awarded to Margaret L. Lotspeich, *AIP*, Assistant Professor of the Graduate Department of Community Planning at the *University of Cincinnati*.

As chairperson of the *Women in Planning Committee* of the *AIP Ohio Chapter*, Lotspeich built a network of communication among women in the Ohio-Kentucky-West Virginia chapter region. She has been effective in encouraging the men in the chapter to include women in programs. In 1977 Lotspeich became the first woman to chair an *AIP* technical department upon her election as chairperson of the *Human Services and Social Planning Department*.

The *Meritorious Program Award* was given to the *Lowell National Cultural Park Plan*, designed by a team of three private firms from the Boston area: *David A. Crane and Partners/DCAP, Inc.*, of Boston; *Gelardin/Bruner/Cott, Inc.*; and *Michael Sand & Associates, Inc.*, both of Cambridge, Massachusetts. The concerted effort establishes a plan to preserve, enhance, interpret, and reuse the historic and cultural resources of Lowell, Massachusetts. The park threads its way through the city and ties together the complete range of buildings, facilities, and artifacts comprising the historic scene which show how the city evolved from its inception to the present.



New Publication

Barrier Free Site Design... an illustrated guide providing a comprehensive resource for designers and administrators interested in the design of an accessible outdoor environment which considers the needs of all citizens, including the handicapped. Graphics depict steps, ramps, curb cuts, benches, railings, lighting, and recreational facilities which can be incorporated into barrier-free site plans. Developed for *HUD* by the *American Society of Landscape Architects Foundation*. Available from the *Superintendent of Documents*, Washington, D.C. 20402, at \$2.30 per copy. (Order No. 023-000-00291-4)

Elderly Population Rises Sharply Since 1970

Six States...Hawaii, Alaska, Nevada, Arizona, New Mexico, and Florida... had estimated increases of greater than 30 percent in the number of persons 65-and-over since the 1970 census was taken... according to the *Census Bureau*.

The changes in the six States were: Hawaii... 36 percent increase in the population 65-and-over since 1970, from 44,000 to 60,000; Alaska... 32 percent, from 7,000 to 9,000; Nevada... 52 percent, from 31,000 to 47,000; Arizona... 46 percent, from 161,000 to 235,000; New Mexico... 34 percent, from 70,000 to 94,000; and Florida... 40 percent, from 985,000 to 1.4 million.

With the exception of Florida... all are Western States. All four regions... Northeast, South, North Central, and West... showed increases in those 65-and-older between 1970 and 1976.

Region	Persons 65 and over		Percentage Increase
	1970	1976	
Northeast	5.2 (in millions)	5.7	9.4
South	6.0	7.3	22.1
North Central	5.7	6.2	9.1
West	3.1	3.7	20.5
Total U.S.	20.0	22.9	14.8

Total elderly population of the U.S. (65-and-over) was 9.8 percent in 1970 and 10.7 percent in 1976.

Copies of the report, *Estimates of the Population of States, by Age: July 1, 1975 and 1976 (Advance Report)*, Series P-25, No. 646 are available for 35 cents from the Superintendent of Documents, Washington, D.C. 20402.

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Current Trends

An increase... from \$42,000 to \$60,000... in the mortgage loan ceiling has been approved by the *Federal Home Loan Mortgage Corporation* on 90 to 95 percent loan-to-value ratio conventional single-family home mortgages. The *Corporation* will now purchase, from approved sellers, such low-down-payment mortgages in values up to \$60,000. The higher limit is for mortgages delivered after December 21... regardless of when the mortgages were made with the lender. These limits were raised to correspond with those earlier approved by the *Federal Home Loan Bank Board* for S&Ls.

The *National Association of REALTORS* has predicted "continuation in 1978 of a brisk level of new home construction" in their annual *Market Outlook*. The *Association* expects 1.95 million private housing starts, with nearly three out of four being single-family homes. That level is slightly over that predicted by other trade groups which is mostly in the 1.8 to 1.9 million range. The *Association* also predicted a price increase of from 8 to 10 percent in 1978 for existing and new single-family homes. The median price... at the end of 1978... is expected to be near \$50,000 for an existing home and \$55,000 for a new home. The rise is slightly less than the 12 percent increase predicted in existing home prices for 1977.

Another optimistic estimate of 1978 housing starts... more than 10 percent higher than the general consensus... came from the *Mortgage Bankers Association*. John Wetmore... chief economist of the *Association*... predicted 2.1 million total starts for the year... with 1.6 million being single-family units. The basis for the estimate is the clear evidence that consumers are continuing to want to upgrade their housing... and strong increases in employment levels and dollar income provide the ability for consumers to translate their desire into actual demand. Wetmore also predicted that residential mortgage activity during the new year will approach a record-breaking \$40 billion.



FHA Insurance Activity Shows Sharp Increase

During November... the *Department* received just under 46,000 *FHA* single-family loan applications... the highest monthly volume in over 6 years and an increase of more than 15 percent above the same month in 1976. The increased interest in *FHA* mortgage insurance is attributed to the recent legislative increases in maximum mortgage amounts.



New Publication

Guide to Hardwood Plywood Stock Panels... published by the *Hardwood Plywood Manufacturers Association*. This 4-page brochure covers *HPMA's* research and development, and quality control activities. The advantages, uses, and applications of hardwood plywood are covered, as well as information on face veneer matching and cores for panels. Stock panel manufacturers are listed with the species they manufacture, and an order checklist is included. Single copies are available free from *HPMA*, P.O. Box 6246, Arlington, VA 22206.

Housing Fund Allocation Revised

HUD has announced a policy change in the way it allocates housing assistance funds. This change enables the *Department* to target its resources to major cities. It also enables *HUD's Field Office Directors*... where practicable... to channel directly to the central city... funds authorized for *Section 8 Low-Income Rental Assistance* and *Public Housing*.

Formerly the funding authority was generally allocated to the *Standard Metropolitan Statistical Area (SMSA)*, of which the central city is a part, and the city had to compete with the suburbs for the available subsidy dollars.

Announcing the change... Secretary Harris said the overall amount available to an *SMSA* will remain unchanged and will include the allotment to the central city. She emphasized that the suburbs and other areas outside the central city will still continue to get their fair share of low-income housing assistance funding authority according to their needs.

The FY 1978 funding authority now assigned to *HUD Field Offices* was computed under a formula for considering the relative needs of different areas and communities as reflected in data on population, poverty, housing overcrowding, housing vacancies, amount of substandard housing and other measurable factors.

More than \$174 million in funding authority has already been earmarked for 23 hard-pressed cities under this approach, and a number of additional cities are expected to get their fair share if their *Housing Assistance Plans (HAPs)* meet criteria for the separate funding. In making their selections, *HUD Field Office Directors* are considering the relative percentages of newly constructed, substantially rehabilitated and existing housing units, and the proportion of elderly, family and large-family units reflected in the cities' 3-year *HAP* goals.

Cities designated to date, and their share of the funding authority are as follows: New York City - \$66,450,000; Chicago - \$19,314,315; Los Angeles - \$13,174,883; Philadelphia - \$8,586,589; Houston - \$2,085,079; Detroit - \$6,568,884; Baltimore - \$4,146,245; Dallas - \$1,292,000; San Antonio - \$3,262,000; Indianapolis - \$2,390,113; Washington, D.C. - \$4,694,400; Honolulu - \$4,443,947; Milwaukee - \$3,480,000; San Francisco - \$5,636,800; Boston - \$6,343,000; Jacksonville - \$1,762,051; Memphis - \$3,509,997; Cleveland - \$3,811,000; Columbus, Ohio - \$2,162,000; St. Louis - \$3,157,864; San Jose, CA - \$2,154,276; Seattle - \$2,975,247; and New Orleans - \$3,140,900.

The purpose of the policy change is to focus the attention of *HUD*, developers, *Community Development Agencies*, and others on the housing needs of central cities and the *HUD* dollars available to help meet them. In practice, the change should encourage builder interest in meeting housing needs of the central city rather than the more diffuse needs of the entire *SMSA*. It will also reduce the competition between city and suburb for subsidy dollars and the attention of housing developers.



HUD/Commerce Coordinate Economic Development Activity

HUD and *EDA* have formed a working group to attempt to develop a single set of planning requirements for economic development activities under *Community Development Block Grants*, *Urban Development Action Grants*, and *EDA* programs. A second group will work toward common standards for *HUD* and *EDA* administrative requirements both to simplify applications and reduce the administrative burdens on applicants. Representatives also exchanged information on their respective programs, and *EDA* agreed in principle to an interagency agreement to provide technical assistance to cities on packaging the economic development and community development programs of *HUD*, *EDA*, and *SBA*. *EDA's* agreement builds on and strengthens a prior commitment of *HUD* and *SBA* to such assistance.



FYI

Community Associations Institute... National Workshop... Washington, D.C., February 2-4. Details: CAI, 1200 18th St., N.W., Washington, D.C. 20016 (202/223-6770).

HUD To Assist Youngstown

In an effort to prevent an economic disaster of major proportions in the industrial urban area of Youngstown, Ohio... *HUD* signed a contract with the *National Center for Economic Alternatives* to develop a practical plan for saving the jobs of 5,000 steel workers faced with a plant shutdown.

Secretary Harris said the contract... not to exceed \$300,000... requires exploration of a full range of possibilities for continuing the operation of the *Cambell Works Plant of the Youngstown Sheet and Tube Company*. The firm has announced it will shut down most of the *Cambell* facility on the outskirts of Youngstown.

The contract with the *National Center* brings together a team of financial and industry experts to work with citizen groups and business leaders of Youngstown. They will study how Federal dollars—perhaps including the innovative features of *HUD's* new *Urban Development Action Grant (UDAG)*—can best be used in the battle to keep Youngstown residents working.

The contract grew out of the determination of the *Ecumenical Coalition of the Mahoning Valley*. . . a group of four major denominations and about 250 churches, to unite for the purpose of providing policy guidance as the troubled urban area marshals its energy and finances to ward off economic crisis.

The *Ecumenical Coalition* has received pledges of active support from the *Mahoning Valley Economic Development Committee*. . . a group of prominent citizens from all segments of the community. The *Economic Development Committee* has pledged to "organize whatever implementation steps become appropriate."

The ideas and plans developed by the *National Center's* study are expected to be relevant to other communities faced with similar major plant shutdowns and loss of jobs.

"With this demonstration grant, we are exploring all the possibilities for the use of block grant funds and *UDAG* money to help communities such as Youngstown help themselves," said Secretary Harris.

A final draft report for the use of block grant technical assistance funds and other major Federal sources of help, due in 24 weeks, will include these major elements:

- Coordination of short- and long-term public policy for the rehabilitation of major steel manufacturing facilities.
- Urban economic development strategies, using the resource base of a large, expert manufacturing work force to maintain and stimulate local development.
- Use of new Federal programs in technology development for increased productivity, energy efficiency, and pollution control in urban economic development strategies.
- Generation of local financial support for urban self-help projects.
- Preliminary development of a strategy for effective use of *Community Development Block Grant Programs*.



Energy Information Packets Available to Homeowners

In early December, *HUD* mailed 150,000 energy conservation information packets to special interest groups, consumer representatives, *HUD* mortgagees, newspapers, radio and television stations, Members of Congress, and *HUD Field Offices*. Cover letters asked for assistance in distributing the information packets, which contain information for homeowners on energy conservation and fuel cost savings and suggested ways to pay for residential retrofitting. Copies are available free from *HUD*, Washington, D.C. 20410... attention: Energy Packet.

Housing Partnership Announces Scholarships

Up to eight scholarships will be awarded to qualified minority applicants for a 1-week intensive course in all aspects of single-family home building March 13-17 in Washington ... *The National Housing Partnership* has announced.

The second *New Ventures School*... sponsored by *Housing Capital Corporation*... a subsidiary of *NHP*... will provide the opportunity for 60 persons selected from applicants from all parts of the country to establish or expand their own building business. Free tuition, text materials, and meals will be provided to all those chosen, while the minority representatives selected for scholarships will receive in addition lodging and transportation to and from Washington.

Graduates may become eligible to joint venture with *HCC* in a single-family sales housing development.

The success of the first *New Ventures School* last spring, which filled the gaps in knowledge for 31 builders and potential builders and enabled them to expand their operations, has stimulated *HCC* to repeat the intensive course on how to become an operative home builder, but for a larger class of 60.

Those desiring to attend should write to the *Department of Corporate Affairs, The National Housing Partnership*, 1133 15th Street, N.W., Washington, D.C. 20005, requesting a brochure providing more information and the official application blank.



HUD Explores Energy Conservation Technology

The *Department's* representative on the technical committee of the *American Society of Heating, Refrigerating and Air Conditioning Engineers* has reviewed technical papers on methods of determining air leakage. Based on these technical papers... *FHA's Minimum Property Standards* are being upgraded to reduce air leakage. It is expected that the new requirements will reduce energy consumption by up to 20 percent when they become effective.

HUD newsletter

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FIRST-CLASS

HUD NEWSLETTER
January 16, 1978



HUD newsletter

U.S. Department of Housing and Urban Development
Washington, D.C. 20410 (202) 755-5499



January 23, 1978

Vol. 9 No. 4

Current Trends

The Census Bureau reported new construction put in place in November 1977 was unchanged from October. The seasonally-adjusted annual rate of all new construction in November was \$178.0 billion. Private construction led public construction with a 1 percent gain over October... and residential buildings gained 2 percent over October. Single-unit structures showed a 3 percent gain and structures with two-or-more units a 2 percent loss. Compared to November 1976... private construction was up 19 percent... residential buildings were up 26 percent. Single-unit structures gained 35 percent and multiple-units were up 27 percent.

Long-term delinquency rates for home mortgage payments as of September 30 were slightly lower than those reported at the end of the previous quarter... according to the Mortgage Bankers Association of America. The seasonally-adjusted 90-day delinquency rate for all types of loans at the end of the quarter was 0.53 percent... compared to the 0.54 percent level reported June 30. This includes all loans 3 or more months in arrears. Of those... loans guaranteed by VA slipped from 0.55 percent to 0.54 percent; unsubsidized loans insured by FHA dropped from 0.61 to 0.60 percent. Conventionally-financed loans were unchanged at 0.31 percent. "This is the fifth consecutive quarter in which delinquency rates have been unchanged or slightly lower," said John Wetmore, chief economist for MBA. "It is particularly encouraging to note that for the first time since March 1973, the rates for long-term delinquencies in the Northeast section of the country dropped for all types of loans."

The Fed has increased its rediscount rate from 6 to 6½ percent... and leading banks have raised their prime rate to 8 percent. Both these actions have a direct impact on short-term borrowing... but frequently have an indirect effect on the long-term money supply... including home mortgages... as well. While analysts are not anticipating an immediate upward move in mortgage interest rates... it cannot be ruled out in the near future... with most experts expecting a rise by Spring.

According to the Daily Bond Buyer... the sale of tax-exempt municipal bonds broke all records... reaching \$44.9 billion... a third higher than the previous high of \$33.8 billion marketed in 1976. The trade paper expects that 1978 will reach an even higher volume of issuances. The 1977 bonds were for the financing of virtually every activity local governments are involved in... with the largest single purpose being gas and electric facilities... 12 percent... schools... 11.4 percent... water and sewer... 10.2 percent... and pollution-control equipment... 8.5 percent.

New Publication

Citizen Committees: A Guide to Their Use in Local Government. Designed for mayors and other public officials and citizen leaders who are responsible for creating committees and for citizens who serve on them. Defines and classifies types of citizen committees according to primary functions, and identifies benefits and detriments related to their use. 128 pp... \$10.00 from Ballinger Publishing Co., 17 Dunster St., Cambridge, Mass. 02138.

First Credit Union Approved As Authorized Lender

HUD has approved the *Navy Federal Credit Union* of Washington, D.C. as the first fully authorized *FHA*-insured mortgage lender under the provisions of the 1977 legislation, broadening the powers of such institutions.

"The potential for new funding of home purchases from this source is estimated to be in the billions," Secretary Harris said.

Under the 1977 *Congressional Act*, *Federal Credit Unions* are now authorized to make loans for up to 30 years. The old law limited loans to 12 years. The new law enables borrowers to make substantially reduced monthly payments over the term of the loan.

For those who get their *Federal Credit Union* loans insured by *FHA* or guaranteed by the *Veteran's Administration*... interest will be charged at the prevailing rate, currently 8½ percent.

The *Navy* organization has some 43,000 members and estimates that it can make home loans totaling some \$165 million. This sum can be greatly increased when loans are sold in the secondary market to investors.

There are some 13,000 *Federal Credit Unions* which potentially could be expected to participate. Their assets total \$27 billion.

The *Navy Union* is now prepared to make *FHA*-insured home loans, once regulations of the *National Credit Union Administration (NCUA)* become final.

Among the principal provisions of the new legislation:

- Loans may be made to an organization's members only, or to other credit unions.
- Loans may not exceed 150 percent of the median sales price of homes sold in the area of the property, and may not exceed the mortgage limits set by *FHA* or the *Veterans Administration* when underwritten by them.
- Besides *FHA* and *VA* loans, *Credit Unions* may make conventional loans of up to 80 percent of the value of property, or up to 95 percent where private mortgage insurance is used to cover the differences between 80 and 95 percent of value.

Under proposed *NCUA* regulations... a *Credit Union* must have at least \$2 million in assets to make 30-year loans. In addition... an organization would be limited to making long term loans of not more than 25 percent of its total loan dollars outstanding.



FHLBB Creates Urban Office

The *Federal Home Loan Bank Board* has appointed Alvin Hirshen as Director of a newly established office within the *Board* which will have the responsibility of implementing the *Board's* urban lending initiatives. "The work of this Office will be a major priority of the *Bank Board* under my Chairmanship," said Chairman Robert H. McKinney.

Most recently... Hirshen was a consultant to: *HUD*; the *Ford Foundation*, *Division of National Affairs*; Director, *California Job Creations Program Board*. Prior to that he was Director of the *National Housing Law Project* for the *Earl Warren Legal Institute* at the *University of California* at Berkeley. The Project was responsible for developing a methodology for attacking housing problems. Hirshen has also taught law at the *University of California Law School* at Berkeley, was a trial attorney with the *U.S. Department of Justice*, *Civil Rights Division*, and was a law clerk in the *U.S. District Court for the Southern District of New York*.

Hirshen holds an A.B. degree from the *College of the City of New York* and a J.D. degree from the *University of Chicago Law School*.

Significant Decisions

Skilken and Company, et al. v. City of Toledo, et al., U.S. Supreme Court, No. 77-443. The *Supreme Court* has refused to grant a writ of *certiorari* to review the decision by the *Sixth Circuit* overturning a *District Court* ruling that the *City of Toledo* engaged in acts of discrimination and denied plaintiffs' civil rights secured by the Constitution and *Federal Civil Rights Statutes* when it refused to approve the plats for three proposed sites for low-rent Public Housing and to rezone one of those sites. The *Department* was not a party to the litigation, but recommended that the *Department of Justice* participate as *amicus curiae* in support of plaintiffs' appeal on the ground that the *Sixth Circuit* erred in failing to find unconstitutional racial discrimination on behalf of the *City* and in failing to distinguish between the standards of proof applicable to allegations of constitutional violations and to allegations of discriminatory housing practices under *Title VIII of the Civil Rights Act of 1968*. The *Solicitor General* decided to participate as *amicus curiae* if the *Court* granted *certiorari*.

Jeanette Silva, et al. v. East Providence Housing Authority, HUD, et al., U.S.C.A., 1st Cir., No. 77-1087. The *First Circuit* has held that *HUD* has the authority to insert in a Public Housing contract with a *Local Housing Authority* a provision giving *HUD* the right to terminate the contract for lack of diligent prosecution... but then remanded the case to the *District Court* to determine the propriety of *HUD's* termination action for the 70 units of low-income family housing in East Providence. As support for its contract provision holding the *Court* cited 42 U.S.C. 3535(i)(6), which provides for the *Secretary's* including in any contract "such other covenants, conditions or provisions as he may deem necessary." The *First Circuit* indicated that the proper standard for reviewing the propriety of *HUD's* termination action was not, as the *District Court* had concluded, "reasonableness," but rather whether *HUD's* action was "arbitrary and capricious." Referring to a *HUD Handbook* which provides that termination should only be a last resort, the *Court* cited three possible alternative courses of action which *HUD* might conceivably have pursued: (1) suspension; (2) a Federal takeover of the project; and (3) a lawsuit or the threat of one. The *Court* stated that it wanted to give *HUD* the opportunity to show what consideration had been given to these alternatives, or whether *HUD* policies or procedures indicate their inappropriateness. In the event that the *District Court* is unsatisfied with *HUD's* response, it has been directed to send the case back to *HUD*, for a review of the termination decisions in light of presently prevailing circumstances.



California Has Most Households

California leads all 50 States in the number of households with an estimated total of 7.8 million in 1976. This was an increase of 19 percent over 1970... according to the *Census Bureau*. New York was second with 6.4 million households... an increase since 1970 of 8 percent... and Texas was third with 4.2 million, up 21 percent. Alaska had the lowest estimated 1976 total, 109,000.

Though California... the Nation's most populous State... had the largest numerical household increase between 1970 and 1976... Arizona had the largest percentage increase... 41 percent... or an average annual rate of change of about 6 percent. The Nation as a whole registered an increase from 63 to 73 million households between 1970 and 1976... a 16 percent gain.

On a regional basis... the South had the largest number of households with 23.1 million in 1976... a 20 percent increase from 1970; the North Central States followed with a total of 19.5 million... up 11 percent; the Northeastern States reported 17.0 million... plus 10 percent; and the West was 13.6 million... and had the highest percent increase... 22 percent.

Copies of the report, *Estimates of the Number of Households for States: July 1, 1975 and 1976, Series P-25, No. 710*, are available for 35 cents from the *Superintendent of Documents*, Washington, D.C. 20402.

FYI

The Energy Bureau... Conference—The Solar Energy Business: Opportunities and Outlook. Phoenix, February 2-3. Details: Robert W. Nash, **The Energy Bureau, Inc.**, 101 Park Ave., New York, New York 10017 (212/889-0199).

Solar Industries Association. National Solar Heating and Cooling Workshops and Solar Products Exhibition. Phoenix, February 4-8. Details: **Solar Industries Association**, 1001 Connecticut Ave., N.W., Suite 800, Washington, D.C. (202/293-1000).

Remodeling Contractors Association. Annual Trade Show and Convention. Hartford, February 19-21. Details: Dan Miller, **RCA**, 11 Old Meadow Road, West Hartford, Connecticut (203/233-7442).

Mortgage Bankers Association. First National Mortgage Banking Conference. Detroit, February 16-17. Details: Ann Cohen, **MBA**, 1125 15th St., N.W., Washington, D.C. 20005 (202/785-8333).

National Roofing Contractors Association. Annual Convention and Exposition. Las Vegas, February 20-23. Details: Gary Van Ryzin, **NRCA**, 1515 N. Harlem Ave., Oak Park, Illinois 60302 (312/383-9513).

National Home Improvement Council. Annual Convention. Atlanta, March 9-11. Details: Irwin Rosenberg, **NHIC**, 11 E. 44th St., New York, New York 10019.

Advanced Management Research. Seminar/Workshop. Project Management. Washington, D.C., March 7-10. Chicago, March 28-31. New York, April 4-7. Details: **AMR, Inc.**, 1370 Avenue of the Americas, New York, New York 10019 (212/765-6400).

Association of Government Accountants and Federal ADP Users Group. Conference. Zero Base Budgeting Automation: Applying Recent Implementation Experience. Washington, D.C., March 13-14. Details: **Association of Government Accountants**, 727 South Twenty Third St., Arlington, VA 22202.

HUD newsletter

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HUD-401



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January 23, 1978

Copies of the report, *Estimates of the Number of Households in the United States, 1970-1976*, are available for 35 cents from the Superintendent of Documents, Washington, D.C. 20402.

HUD newsletter

U.S. Department of Housing and Urban Development
Washington, D.C. 20410 (202) 755-5499



January 30, 1978

Vol. 9 No. 5

Current Trends

The *Census Bureau* report of housing starts in December showed a seasonally-adjusted annual rate of 2.295 million units... 3 percent higher than the November rate of 2.121 million units. The increase for the month in single-family houses was 3 percent... in 2 to 4-family units it was 24.3 percent... and in over-5 units the rise was 17.9 percent. Permits for future construction issued during the month totaled 1.858 million units... a drop of 1.8 percent below November. Actual starts for the year 1977 reached 1.986 million units... 29 percent higher than for 1976.

Completions of privately-financed housing units in November 1977 were at the seasonally-adjusted annual rate of 1.789 million... according to a joint *HUD-Census Bureau* report. This was 10 percent higher than the October rate... and 28 percent above the comparable month in 1976. The single-family rate was 1.266 million units... compared with 1.212 million in October. The report also estimated that completions during the first 11 months of 1977 reached over 1.5 million units. In the same period of 1976... completions totaled 1.23 million.

Following the record-breaking 1977 volume of mortgage lending... reaching \$100 billion... *S&Ls* are anticipating a lesser volume in 1978. During 1977... the level of mortgage activity was such that *S&Ls* exceeded the entire 1976 volume of \$78.8 billion at the end of the third quarter. It reached \$79.4 billion on September 30. There is likely to be a drop in this level in 1978 in view of the fact that new savings inflows into *S&Ls* have dropped sharply in recent months. *Mutual Savings Banks* have also experienced the same trend. Since September... *S&Ls* have had declines in new savings from year-earlier rates... with December having the sharpest drop. The rate of increase in savings over the comparable month of 1976 declined 67 percent in December; 44 percent in November; 32.5 percent in October; and 24.3 percent in September. For example... in December the inflow was \$20 billion... compared to \$39 billion in 1976. The net result was a reduction in net savings for 1977 of \$31.5 billion... in contrast to the \$34.4 billion the previous year. *Mutual Savings Banks* had a like experience... declining to \$3.1 billion in net inflow from the \$5.3 billion in 1976. Competition from other savings vehicles is the major reason. One example... *Treasury* bills... paid 6½ percent at their last sale.

The euphoria resulting from a substantial drop in lumber and plywood prices that occurred last Fall was short-lived. In December... lumber and wood products rose at 5 times the rate of the wholesale price of all commodities... and finished the year 13.2 percent above the December 1976 level. The increase was highest for plywood... which showed a 6 percent increase for the month of December.

Other building materials rose moderately... with concrete block, brick, asphalt and gypsum products averaging a .4 percent upward move... while glass rose 2.6 percent in December over the November level. Hardware, plumbing fixtures, heating equipment, and fabricated structural products all showed increases of about ½ of 1 percent.

The interest rate for the \$768.8 million of *Public Housing Project* notes sold by *HUD* in mid-January reached the highest level since October 1975. The short-term notes (8.9 months average) brought an average rate of 3.822 percent... up from the 3.474 percent rate in December 1977.

Flood Insurance Management Contract Signed

HUD has entered into a contract with the *EDS Federal Corporation*. . . a Bethesda, Md.-based computer operations firm. . . to handle the insurance aspects of *HUD's National Flood Insurance Program*. The amount of the contract is \$11.9 million for 1978. Since 1969. . . the contract had been with the *National Flood Insurers Association (NFIA)*. It is estimated that the new contractual arrangement will result in a saving to the Government of between \$14 and \$15 million for the year.

Flooding is the leading cause of major disasters in the Nation. . . and the cost from flood damage now averages \$1.25 billion a year. There are 20,000 communities in the country considered to be flood-prone. Because of the difficulty in obtaining flood insurance by property owners. . . and its high cost. . . *Congress* in 1968 created the *National Flood Insurance Program*. . . which is administered by *HUD's Federal Insurance Administration (FIA)*. About 1.2 million policies are currently in force. . . in almost 16,000 communities. . . with more than 150,000 of the policies covering business properties. Total coverage is almost \$38 billion. . . and the average policy insures against \$30,000 in flood damage.

The *Program* operates through local insurance agents. . . who sell the policies to property owners in those communities which participate. Eligibility results from local actions to manage flood-plain areas. . . thus entitling property in a community enrolled in the *Programs* to be insured by *FIA*.

EDS Federal will be responsible for maintaining all records on policy holders and funds, working with insurance agents, assigning claim adjusters when losses occur, and supplying *HUD's FIA* with statistical and financial data on the *Program*.

A new question and answer booklet on the *National Flood Insurance Program*, covering the insurance aspects. . . as well as the community participation aspects. . . has been issued. Among other items, the *Q & A* covers the new insurance limits enacted in the *Housing and Urban Development Act of 1977*, lists toll-free telephone numbers for specific information, and gives methods of appeal for communities and areas designated as flood prone.

Copies of the *Q and A* may be obtained free from *Federal Insurance Administration, Office of Flood Insurance*, Room 5268, Washington, D.C. 20410.

HUD is also involved in efforts to determine methods of flood plain management and measures to prevent and reduce flood losses. This program is conducted jointly with the *Geological Survey of the Interior Department*. A new publication. . . *Flood-Prone Areas and Land-Use Planning* has recently been issued jointly by the two *Agencies*.

This practical guide uses the experience of the San Francisco Bay Region. . . and is designed to help elected officials, administrators, planners, scientists, engineers, and developers concerned with the effective and wise management and use of flood-plains. The approaches and problems of flood-loss reduction efforts reported in the 9-county San Francisco area apply nationally.

The publication. . . *Flood-Prone Areas and Land-Use Planning*. . . *U.S.G.S. Professional Paper 942*. . . is available for \$2.20 from either the *Superintendent of Documents*, Washington, D.C. 20401. . . or *Distribution Branch, U.S.G.S.*, 1200 South Eads Street, Arlington, Virginia 22202.



Significant Decision

Ortiz, et al, v. HUD et al. U.S.D.C., for Puerto Rico, No. 75-1188 The District Court has rejected the contention of tenants receiving *Rent Supplement* payments in subsidized housing that the entire amount of educational benefits received from the *Veterans Administration* should be excluded from the computation of income for purposes of determining monthly rental payments, and has granted the motion for summary judgment filed on behalf of the *Secretary of HUD*. Acknowledging that inclusion of all *VA* educational benefits would not be consistent with *Departmental* policy, the *Court* accepted *HUD's* contention that all benefits not actually expended on educational costs could. . . consistent with the purpose of the statute creating such benefits. . . be included in the computation of tenant income.

HUD Looks At Rural Problems

A new task force has been announced by Secretary Harris to explore ways to respond more effectively to the housing and development needs of rural areas and the country's smaller communities. This is part of the new directions *HUD* is taking to carry out the *Carter Administration's* goals of revitalizing the cities and supplying decent housing for all Americans.

Although *HUD* has been targeting resources to distressed cities and their poor... Mrs. Harris said... the *Department* also has a mandate to deal with the needs of rural areas through the *Housing and Community Development Programs* allocated for non-metropolitan areas under 50,000 population.

The *Internal Task Force on Rural Areas* was assigned to recommend concrete steps to improve *HUD's* delivery of program services to these areas.

Accenting her "continuing concern" over this phase of the *Department's* activities, Secretary Harris set a deadline of March 1 for the recommendations. Among other things, they will cover these specific questions:

- All cities... large and small... are required to submit *Housing Assistance Plans (HAPS)* for low- and moderate-income people and other criteria in their applications for *Community Block Grant Funds*. The group is to determine whether the costs and burdens of these requirements are excessive for smaller communities that have few available resources.

- An analysis to decide whether alternative delivery mechanisms may be more effective for delivering housing services to rural areas.

- A comparison of *HUD's* relevant programs with those of the *Farmers Home Administration* to determine what steps may be taken to eliminate duplication.

- Recommendations... if needed... to improve the level of technical and planning assistance for the purpose of creating broader understanding of available *HUD* programs, and for developing rational land use and growth management plans.

- A further assessment of rural needs to determine whether adequate funds have been allocated for housing and community development purposes.

Joseph Burstein, Counselor to the Secretary, is chairman of the *Task Force*, with A. Russell Marane, Administrator of *HUD's Atlanta Regional Office*... as vice chairman. Members will be designated by *HUD's* Assistant Secretaries.

Reflecting on the new era at *HUD*, Secretary Harris said that in addition to rehabilitating the cities and providing decent, safe and sanitary housing, the *Department* must continue to offer freedom of choice in housing and look after the special needs of the elderly and handicapped.



New Publications

Neighborhood Conservation: Lessons from Three Cities... by Phyllis Myer and Gordon Binder. Examines six neighborhood-revitalization efforts in three American cities: Mount Adams, Mount Auburn, and Over-the-Rhine in Cincinnati; Pioneer Square and Pike Place Market in Seattle; and Historic Annapolis in Annapolis. Each of these communities, unique in its approach to renewal, offers valuable lessons for other areas and for the design of strategies to help our cities. 125 pages... paper. Order from the *Conservation Foundation*, 1717 Massachusetts Ave., N.W., Washington, D.C. 20036. \$4.00 plus 10 percent for postage and handling, prepaid.

Neighborhood Reinvestment: A Citizen's Compendium for Programs and Strategies... reviews neighborhood revitalization strategies used by various groups and individuals involved in neighborhood reinvestment. \$4.00 from the *National Center for Urban Ethnic Affairs Resource Center*, 1521 16th St., N.W., Washington, D.C. 20036.

Financial Management Guide Issued

A *Financial Management Guide* for HUD Community Development Block Grant (CDBG) recipients has been prepared under a HUD Innovative Projects Grant. The *Guide* was produced by the *Municipal Finance Officers Association (MFOA)*. The publication focuses mainly on local management of HUD funds... but it also is intended to apply to local management efforts to "bring Federal financial resources into the overall local government budgetary and financial management decision-making process." CDBG, *Revenue Sharing*, and other flexible Federal programs call for local governments to consider an integrated grants management approach.

The *Guide* covers the entire spectrum of financial management including: *Program Planning, Budgeting, Accounting, Monitoring, and Performance Evaluation*. . . presenting basic and advanced approaches to integrating the management of *Block Grant Funds* into overall local government financial management systems and procedures. The approaches recommended go beyond the minimum requirements and standards specified in the *Community Development Act* and HUD regulations.

The publication was developed following an extensive national survey of grants management practices and approaches of several hundred CDBG recipients. Eight cities. . . in conjunction with MFOA. . . then developed plans for implementing improvements in various areas of the CDBG financial management process. Workshops were held in each of the cities to disseminate information assembled in the survey and to obtain feedback and suggestions on their particular grants management improvement project. . . and the *Guide* was the subject of a local government users workshop in Atlanta at the 1977 MFOA National Conference. The final version of the *Guide* represents a thoroughly tested and accurate document which could be useful to many local governments. . . although some smaller *Discretionary* communities may not find the *Guide* as useful as others because they deal with only one particular *Block Grant*.

Availability and cost information may be obtained from MFOA, 1730 Rhode Island Avenue, N.W., Washington, D.C. 20036.

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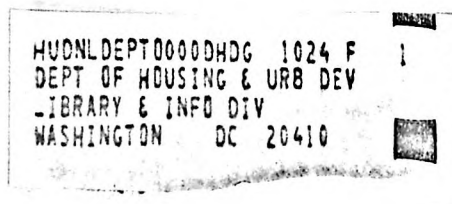
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February 6, 1978

Vol. 9 No. 6

HIGHLIGHTS OF HUD'S PROPOSED 1979 BUDGET....see page 2

Current Trends

Savings inflows continue their downward trend. In December... according to the *National Association of Mutual Savings Banks*... member banks showed an outflow of \$75 million. The *U.S. League of Savings Associations*... reporting on member association inflows... showed a substantial decline in December from a year earlier. Net increase in savings for the month dropped to almost half the dollar rise in December 1976... as other savings facilities are becoming more attractive to investors.

The decrease in new money coming into *Mutual Savings Banks* and *S&Ls* has prompted spokesmen for the groups to raise serious questions about the continuation of the volume of residential mortgages savings banks and *S&Ls* have placed in recent months. "There is no doubt that the steady rise in open-market interest rates in December contributed to this deterioration in our industry's deposit experience," Saul B. Klamman, President of the *National Association of Mutual Savings Banks*, said. While Norman Strunk, *Executive Vice President of the U.S. League of Savings Associations*, said: "Because there will be increased competition for savings funds... the decline in savings growth of the last quarter of 1977 may continue for several more months... and mean some tightening in the supply of mortgage funds."

Despite the decline in the rate of new savings inflow into *S&Ls*... preliminary totals for the year show that mortgage lending reached \$107 billion in 1977... compared to \$79 billion in 1976... a 36 percent rise.

In its mid-January *Free Market System* auction... *FNMA* set four new records. Total offers bid and total offers accepted were at new highs: \$1.7 billion in bids were received and \$798.1 million were accepted. The previous record for offers bid was set in March of 1974... with \$1.3 billion in offers. The latest level of acceptances surpassed the previous record of \$760.2 million set at the end of last year. New highs were also reached in the *FHA/VA* auction... both for bids received and bids accepted... totaling \$1.249 billion... exceeding the previous record of \$1.154 billion set in March of 1974. Accepted bids were \$605.3 million... as compared to the previous high of \$569.7 million set in the immediately proceeding auction.



Land Fraud Conviction

In *U.S. v. William D. Morgan, Criminal Case No. 77-94, U.S. District Court for the Middle District of Pennsylvania*, a jury has found the defendant guilty of 21 counts of mail fraud. Morgan was sentenced to serve 4 years on each count (to run concurrently) and also fined \$350 on each count.

Morgan... who had been indicted last summer... was manager of *Thornhurst Lake Estates* in the Pocono Mountain area of Pennsylvania. He was found guilty of including false information in his property reports and misleading purchasers about land they are buying. Evidence at the trial showed he failed to give buyers completion dates for a sewage disposal plant, a swimming pool, tennis courts, and paved roads. Additional evidence revealed he used the U.S. mails to send out letters deceiving the public about the planned facilities at the *Thornhurst* properties.

1979 Budget Submitted

President Carter has submitted his proposed Fiscal Year 1979 Budget to the Congress. Secretary Harris... commenting on the *HUD* portion of the submission... said it would help restore America's major urban areas without sacrificing the needs of small cities and rural America.

"Our commitment is to provide adequate shelter and improve the quality of life for all Americans, no matter where they choose to live," she said. "This budget reflects our determination to accomplish this double goal."

"This first complete *Housing and Community Development* budget of the *Carter Administration* sounds the death knell for the 'moratoriums' of the previous *Administration* which came close to denying Americans their right to safe housing in a decent environment," the Secretary said.

The budget proposes rental assistance for 400,000 housing units. It also projects nearly 300,000 subsidized housing starts... compared to 181,000 in 1978... 130,000 in 1977... and 51,000 in 1976.

Providing the thrust for the 300,000 starts is the proposed use in both 1978 and 1979 of \$1.5 billion in low-interest mortgage money (*GNMA 'Tandem' Purchase Authority*) to attract builders and developers to construct new apartments for low- and moderate-income tenants under the *Section 8 Program*.

"This reflects our commitment to halt the numbers game of the past when money was reserved for *Assisted Housing* which never became available. This *Administration* is concentrating on actually putting people into housing," said the Secretary.

The budget also targets '*Tandem*' money to revitalize the cities by making available in 1978 and 1979 a half billion dollars in low-interest money for financing mortgages for apartment houses for moderate-income people. This will attract middle-income families to the cities.

In a major shift to rehabilitation as a key strategy for revitalizing cities and neighborhoods... the budget creates and expands mechanisms for renewing rundown, often old, properties that now blight the Nation's urban areas and rural neighborhoods.

For instance, a major tool for renewing property... *Section 312 Rehabilitation* (which the previous *Administration* had attempted to discard)... is proposed as a permanent program in the 1979 budget... with \$125 million in loans... a record for the *Program*.

In addition... the budget projects a sharp increase in substantial rehabilitation activity with 70,000 units proposed for 1979 for the *Rental Assistance (Section 8) Program*.

A new, "moderate rehab" program is created for the *Rental Assistance (Section 8) Housing Program*. This innovative use of the existing housing program will preserve up to 39,000 dwelling units that require less than substantial repairs.

In recognition of the growing community planning and development needs of cities and towns, the Secretary noted that the new budget projects using the full \$3.750 billion in *Block Grants* authorized by the Congress for 1979... an increase of \$150 million over 1978.

Another \$400 million is budgeted for the innovative *Urban Development Action Grants Program*... which is designed to help communities battle economic blight and unemployment through public and private financial initiatives and reinvestment.

"We will be unrelenting in our determination to come to the aid of the cities and neighborhoods that demonstrate the will power to help themselves," the Secretary said.

(continued)

1979 Budget (Cont'd)

The Secretary announced that to help communities help themselves, the budget recommends legislation to create an *Urban Extension Service*... funded at \$10 million. The *Program* is designed to enable communities to share their experience with Federal programs and thus utilize Federal funds more effectively and creatively.

Other budget highlights:

- \$729 million for *Public Housing* operating subsidies... up \$44 million over 1978... and including an appeals fund of \$12 million.

- \$800 million providing an estimated 25,000 units for *Housing for the Elderly* (*Section 202*) including \$50 million exclusively for housing for the handicapped, primarily the non-elderly handicapped.

- \$79 million for a new subsidy program for troubled projects... which will help prevent foreclosures of federally-assisted apartment houses... while also averting either massive rent increases or evictions of present low- and moderate-income tenants. This is in addition to a \$24.3 million special one-year supplemental request for the rent supplement program to cover rent increases until the new program is enacted. Tied into this program is the initiation of special *HUD* management controls over these apartment houses.

- \$20 million for *Urban Homesteading*... bringing the total authorized to date to \$55 million. Formerly a demonstration activity... *Urban Homesteading* is now a program with 39 cities participating. A total of 1,442 families have been approved for homes through the end of 1977.

To carry out the expanded activities projected by the 1979 work agenda... the budget projects a staff increase of 1,410 employees.

"With this added staff and the reorganization of the field I announced recently, we will ensure efficient and adequate delivery of *HUD Community Development and Housing Assistance*," Secretary Harris said.

The Secretary noted that there would be additional changes in the way the *Section 8 Existing Housing Program* would be used.

"In addition to developing a new moderate rehab program," she said, "the existing housing program will be utilized to promote expanded freedom of choice for low-income Americans." She noted that special efforts will be made to address the problems of racially segregated low-income housing.

She described the 1979 budget as a "good vehicle" to meet *HUD's* four basic goals: revitalization of urban areas; shelter for all Americans; fair housing opportunities; and increasing the capacity of communities and neighborhoods to achieve revitalization.

The 1979 budget projects appropriations of \$10.981 billion... up a half billion over 1978; and outlays of \$9.8 billion, \$1 billion over 1978.

Budget authority required is \$39.7 billion... although *Congress* will have to approve only \$33.3 billion because unused assisted housing budget authority available from prior years will be carried over.

The 1979 Fiscal Year starts October 1, 1978.



FYI

The Institute for Professional and Executive Development... Workshop on Section 11(b) Financing of Section 8 Assisted Housing... Arlington, Virginia, February 27-28. Details: Ms. Marjorie Buren, *IPED*, 1800 M Street, N.W., Washington, D.C. 20036 (202/466-8592).

HUD Adopts 'New Town in Town' Policy

Secretary Harris has announced a reorganization of *HUD's New Communities Program* which is designed to bring effective management and accountability to the problem-plagued *New Communities Program* and move it toward a 'new-town-in-town' approach.

Under the new approach... the *Program's* administration will be completely reorganized to focus many of its resources on projects that will bolster the sagging economy of existing cities.

At present... there are 13 *New Communities* funded by *HUD* as the result of legislation passed by *Congress* in 1968 and 1970. Of these... seven are in financial trouble. But Secretary Harris emphasized that *HUD* will not close out those existing *New Communities* that are viable and are meeting national and local goals.

"We not only intend to support them," she said, "but to make them stronger."

The *Program's* reorganization involves the abolition of the *New Communities Administration* established in 1973. The reorganization will be conducted under the supervision of William J. White, General Manager and Chief Executive Officer of *HUD's New Community Development Corporation*.

A stronger field structure will be created, along with an *Office of Policy Planning and Budget* which will coordinate with other *Federal Agencies*. An *Office of New Project Development* also will be established... together with an *Office of Financing* and an *Office of Program Management*.

The reorganized *New Communities Program*... Secretary Harris said... will move toward two basic *HUD* goals... to revitalize urban areas, and to increase the capacity of local governments to revitalize and stabilize existing communities and neighborhoods.

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FIRST-CLASS

HUD NEWSLETTER
February 6, 1978

HIGHLIGHTS OF HUD'S PROPOSED 1979 BUDGET

HUD newsletter

U.S. Department of Housing and Urban Development
Washington, D.C. 20410 (202) 755-5499



February 13, 1978

Vol. 9 No. 7

Current Trends

Interest rates continued to rise in the mid-January *FHLMC* conventional-mortgage weekly purchase program. The rate of 9.190 percent was 0.290 percent higher than the December 1977 sale.

At the recently-concluded *Annual Meeting of the National Association of Home Builders* in Dallas... there seemed to be a general air of uncertainty about housing activity in 1978. While most experts were 'cautiously optimistic'... a few were expecting an excellent year. Dr. Herbert Stein... who headed the *Council of Economic Advisers* during part of the *Nixon Administration*... and considered by many to be a conservative... is expecting 1978 starts to exceed 2 million... higher than the 1.98 million figure for 1977.

Latest reports showing a slight drop (1.8 percent) in permits for future construction... presages a somewhat smaller volume in early 1978. Michael Sumichrast... *NAHB* Chief Economist... predicts that rising interest rates and slowing inflow of savings deposits at thrift institutions will mean a housing production in 1978 of approximately 1.8 million units... in contrast to the almost 2 million in 1977. "The near-term future remains clouded," he said.



Neighborhood Revitalization Program Announced

HUD has offered the Nation's cities... both large and small... a direct approach to neighborhood revitalization, and earmarked \$78 million in subsidies to help them rehabilitate 20,000 units.

Secretary Harris said the *Department* will be inviting eligible cities to designate neighborhood strategy areas and to target a combination of Federal, State, and local resources to assure that both housing and municipal services are improved.

Purpose of the new effort... Secretary Harris said, is "to help local governments design and carry out a well-developed coordinated program for neighborhood revitalization and housing rehabilitation." The move also implements a pledge the Secretary made last July "to avoid removing the poor in the name of revitalization."

Tenants who want to stay in their improved apartments will be able to do so... and landlords who need higher rents to meet their operating expenses can apply to *HUD* for additional subsidy amounts to meet those expenses.

The 20,000 units will generate some \$300 million in housing rehab work... according to Mrs. Harris.

Eligible strategy areas are those where a concentration of *HUD* and other resources can produce a viable neighborhood within 5 years. *HUD Assisted Housing Funds* will come from the *Department's Section 8 Substantial Rehabilitation Program*. Cities eligible to nominate these areas for *HUD* approval must themselves be applying for, or receiving aid under the *Department's Community Development Block Grant Program*.

HUD Re-Energized, Says Secretary

Appearing before the *Senate Committee on Banking, Housing, and Urban Affairs*... Secretary Harris said *HUD* has been "re-energized" to meet the needs of American cities... large and small.

She told the *Committee* that when she took office a year ago, she found the *Department* lacked the "energy, direction, and will required to carry out the mandates of the *Congress*," but did have "enormous potential for good. Actions we have taken during the past 12 months to re-energize *HUD*, set it on a course consistent with these mandates."

The *Department* is now proceeding on a direct course to carry out its mission of a decent home and a suitable living environment for all Americans.

The Secretary asked *Congress* to remember the pledges she had made a year ago: that she would be the spokesperson for the poor, the ill-housed, and the cities; that standards set by *Congress* for use of the *Block Grant Program* would be followed by local communities; that housing subsidies would be used to their full potential; and that she would be committed to revitalization of central cities through rehabilitation and new construction.

Citing the *Housing and Community Development Act of 1977*... she reminded *Congress* that she would seek its counsel and help to improve the Nation's Housing and Community Development policy.

"This legislation... in which we all may take pride... has given *HUD* tools to confront some of the most pressing problems we inherited," the Secretary said.

It has given *HUD*:

- a dual formula for *Block Grants* to target funds to areas of greatest need without causing any city entitled to funds to suffer;
- more productive involvement with the private sector by making economic development possible under *Block Grants* and essential under the new *Action Grant Program*;
- greater capacity to meet the needs of smaller cities through multi-year funding, for comprehensive proposals, and through simplified paperwork requirements. In addition... \$100 million in *Action* grants each year will go to cities under 50,000 in population.
- increased housing assistance to middle-income families through higher *FHA* mortgage limit and lower downpayments and a permanent *Graduated Payment Mortgage Plan* to help younger families with limited current income to buy a home.

Actions taken by *HUD* have further directed *Community Development Block Grant* funds to benefit low- or moderate-income persons and aid in the prevention or elimination of slums or blight... and there is "an increasing perception among *HUD* grant recipients that we intend to carry out both the letter and the spirit of the law," the Secretary said.

As a result... 177 communities have reprogrammed roughly \$45 million in *Block Grant Funds* into 488 projects more directly beneficial to the disadvantaged... and an additional 143 have been required to submit further documentation justifying \$74 million in 745 projects.

"It has not been our intention to intrude upon local prerogatives," she said, "but *Congress* never intended the program to be a blank check."

The Secretary stressed that *HUD* is requiring communities to live up to their plans to provide housing assistance to low- and moderate-income residents. Before communities can receive their *Block Grant Funds*, they must submit assisted housing plans which reflect the projected need in the community for housing.

(continued)

HUD Re-Energized-Cont'd)

"We have made it plain that housing assistance plans are not to be regarded as meaningless bureaucratic exercises, but must represent a serious effort on the part of the community to meet identifiable housing needs. The *Department* has 'married' the *Housing Programs* with *Community Development Programs* and they now work as *Congress* intended: together... to meet local needs."

Statistics on *HUD* subsidized housing programs show that *HUD* is once again producing homes for deprived families in meaningful numbers. In 1977... a total of more than 118,000 subsidized housing starts were begun under substantial rehabilitation or new construction phases of *HUD's Section 8* and *Public Housing Subsidy Programs*. This momentum will be sustained to reach a higher level of production in 1978.

Initiatives for 1978 include the revised *Section 235 Interest Subsidy Program*, for low- and moderate-income, with reduced interest rates... and lowered downpayments.

GNMA's Tandem Plan will commit \$2 billion for *Section 8* rental units... and will attempt to purchase loans bearing interest rates as low as 7½ percent. This will get lower-income housing off the ground quicker and in a greater volume than previously to make good apartments available to families unable to move into housing at the market rate.

FHA has been invigorated and had its most active year since 1972. More than 313,000 families were able to obtain mortgage loans totaling \$8.1 billion in 1977 with the help of *FHA Mortgage Insurance Programs*. Also... \$2.9 billion in multifamily project mortgages were insured... covering 135,000 units.

"This success can be attributed... in part... to a change in attitude, an emphasis on the importance of program delivery which had been lacking in recent years. While working to increase the production of the *Department*... *HUD* has never lost sight of its equal commitment to quality and sound management." Although stressing production in 1977... the *Department* has not neglected its responsibility "for devising a workable plan for getting and keeping the *Federal Government* out of the 'slumlord business' through management initiatives in the early stages of project development, stressing early identification of problems to fulfill our long-term responsibility for the housing we develop.

Other *HUD* initiatives have clustered critical staff skills in *HUD's Field Offices* and strengthened the links between *Community Development* and *Housing*; the *Office of Legislative Affairs* has been expanded to include a small *Intergovernmental Relations* staff to provide a 2-way flow of communications between the *Department* and State and local elected leaders.

An *Office of Independent Living* has been established to respond better to the needs of the 40 million handicapped citizens of the country.

The special needs of native Americans will be better served in *HUD* by the appointment of a *Special Assistant for Indian and Alaska Native Programs*, and *HUD* is also working closely with other Federal agencies to coordinate the programs aimed at these needs.

The varied problems and potentials of neighborhoods are now being closely examined by an *Assistant Secretary for Neighborhoods, Voluntary Associations, and Consumer Protection*.

Finally... Secretary Harris stressed her efforts to open up employment opportunities: "Women and minorities make up 50 percent of all *HUD's* executive level and non-career appointments," Secretary Harris said.



New Publication

Handbook of Municipal Administration and Engineering... written by William S. Foster, former editor of *American City Magazine*. The *Handbook* contains a special section on/dealing effectively with municipal labor unions, together with other valuable chapters of interest to both the novice and experienced professional. 512 pages... 326 illustrations. Available for \$24.50 from *McGraw-Hill Book Company*, 1221 Avenue of the Americas, New York, New York 10020 (212/997-2486).

GNMA Low-Income Program Begins

On February 16... *HUD's GNMA* will initiate its new \$1.5 billion *Mortgage Purchase Program* to support production of *Low-Income Rental Housing*.

The window for receiving mortgage purchase commitment applications under the *GNMA Program 25* will open earlier than previously announced.

Program guidelines have been mailed to potential *Program* participants. The *Federal National Mortgage Association (FNMA)* will administer *Program 25* for *GNMA*.

Under the *Program*... *GNMA* will assist in the production of 50,000 new and substantially rehabilitated housing units for low- and moderate-income families under *HUD's Section 8 Rental Assistance Program*.

The financing provided by *GNMA* through the purchase of mortgages bearing an interest rate as low as 7½ percent, will enable developers to build projects that otherwise would not be economically feasible.



FYI

National Housing Conference... 47th Annual Convention... Washington, D.C., March 5-6. Details: *NHC*, 1126 16th St., N.W., Washington, D.C. 20036 (202/223-4844).

Government Information Services... Four Seminars: Energy Programs—A Look Ahead... Public Service Jobs and Training... Grantsmanship and Carter's New Urban Policy... and Federal Funding for Local Programs... Atlanta, February 15-17; Chicago, March 8-10; San Francisco, March 15-17; and Dallas, March 22-24. Details: *GIS*, 725 National Press Bldg., N.W., Washington, D.C. 20045 (202/638-5095).

American Land Development Association... Specialized Seminars... Financing, Marketing, and Selling Your Project, St. Louis, March 14-16; and *Land and the Law IV*, Washington, D.C., May 18-20. Details: *ALDA*, 1000 16th St., N.W., Suite 605, Washington, D.C. 20036 (202/659-4582).

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HUD NEWSLETTER
February 13, 1978

HUD newsletter

U.S. Department of Housing and Urban Development
Washington, D.C. 20410 (202) 755-5499



February 20, 1978

Vol. 9 No. 8

Current Trends

The mortgage loan delinquency rate for December was the lowest for any month in 1977... according to the *U.S. League of Savings Associations*. The December rate of 0.74 percent was down from the November rate of 0.77 percent... and well below the January 1977 high of 0.98 percent. *League* Executive Vice President Norman Strunk predicted the rate will continue at reasonably low levels during 1978 if there is no decline in economic growth. "These figures reflect the generally favorable conditions in the economy."

The *Census Bureau* reported national vacancy rates in the fourth quarter of 1977 were 5.1 percent in rental housing and 1.0 percent in homeowner housing. The vacancy rate in rental housing was not statistically different from the third quarter 1977 rate nor the fourth quarter 1976 rate. The homeowner vacancy rate was not different from the third quarter 1977 rate but was lower than the fourth quarter 1976 rate. The rental vacancy rate was lowest in the West, at 4.4 percent, and highest in the South, at 5.6 percent. In the North Central States, the rate was 5.2 percent and in the Northeast it was 4.9 percent. The homeowner rates showed a similar pattern, but the West and North Central areas had an equally low rate, at 0.8 percent. The South had the highest rate, at 1.5 percent, and the Northeast showed a rate of 0.9 percent.

Federal Housing Commissioner Lawrence B. Simons told the *NAHB* that *HUD* expected 1978 *FHA* insurance activity to climb rapidly... and the *Department* will propose "initiatives designed to reduce your frustrations, delays, and cost. Also... *FHA* is already experiencing increases of 25 to 50 percent in insurance applications."

The *Census Bureau* reports that the sale of new 1-family houses in 1977 reached the all-time record of 820,000 units... 28 percent higher than the 639,000 units sold in 1976. At the end of the year... the median price of new houses was \$52,200... compared to \$51,600 at the end of November... and 13 percent above the December 31, 1976 level of \$45,900.

Savings receipts and mortgage lending both declined in December... according to the *FHLBB*. While a seasonal decline is usual in December... more-than-seasonal reduction in deposits was experienced due to competitive savings instruments... such as short-term notes.



Rehab Rules Issued

HUD policies and procedures covering the identification of *Section 8 Substantial Rehabilitation Neighborhood Strategy Areas* by certain local governments appeared in the *Federal Register* on January 31.

Comments are solicited... and may be addressed to the Rules Docket Clerk, *Office of the General Counsel*, Room 5218, *HUD*, Washington, D.C. 20410. Further information is available from Richard L. Schmitz, Room 6254, *HUD*, Washington, D.C. 20410. Telephone: (202) 755-5380.



FYI

United States League of Savings Associations... *Institute of Financial Education's 53rd Annual Conference*... New Orleans, March 12-16. Details: *USLSA*, 111 East Wacker Drive, Chicago, Illinois 60601 (312/644-3100).

Building Contracts in '77 Highest in 30 Years

The *F.W. Dodge Division of McGraw-Hill* reports that contracts awarded for new construction in 1977 jumped 26 percent over 1976... the largest percentage increase in nearly 3 decades. The total new activity during the year was \$139.21 billion... compared to \$110 billion for 1976... and the monthly total for December was \$10.44 billion... 48 percent higher than in December 1976.

The biggest gains in December were in nonresidential categories... strengthening the belief of many analysts that housing volume will decline in 1978. While residential construction showed a 32 percent advance over December 1976... nonresidential contracts reached a 71 percent higher level... and nonbuilding construction (sewers, water, highways, bridges, etc.) rose 52 percent. For the 12 months of 1977... nonresidential contracts rose 18 percent over 1976... residential 39 percent... nonbuilding 18 percent... and total 26 percent.



1977 Statistical Abstract Available

The following pertinent data have just been released in the 1977 edition of the *Statistical Abstract of the United States* published by the *Census Bureau*.

- In 1975, 73 percent of the population... 155 million people... lived in metropolitan areas compared with 69 percent in 1970.

- Among States in 1975... Utah had the highest birth rate... 26 births per 1,000 population; Rhode Island and Connecticut tied with the lowest rate... 12 births per 1,000.

- In 1977... Federal spending to study the environment cost more than \$1.7 billion; this compares with less than \$1 billion in 1973.

- Among the 59 largest cities... city government taxes per capita in 1975 ranged from \$100 to \$199 in 36 cities and from \$200 to \$299 in 11 cities. Taxes in three cities exceeded \$500 per capita, with Washington, D.C., the highest at \$741, followed by New York at \$635, and Boston at \$532.

The population 65 years and over, which comprised 10.7 percent of total population on July 1, 1976, is projected to be 11.2 percent of the total in 1980 and 15.5 percent in 2020.

Copies of the 1977 Edition of the *Statistical Abstract* are available from the *Superintendent of Documents*, Washington, D.C. 20402. Prices are \$11 for the clothbound and \$8.50 for the paperbound. The price includes the cost of *USA Statistics in Brief, 1977*.



Rehab Program Authorized

HUD has announced a \$1.5 billion mortgage purchase program to support the production in 1978 of 50,000 new and substantially rehabilitated housing units for low- and moderate-income families under *HUD's Section 8 Rental Assistance Program*.

The financing will result from the purchase of mortgages by *HUD's Government National Mortgage Association (GNMA)*... through *GNMA's Special Assistance Program*... also known as the "Tandem" plan... under which private lenders... backed by mortgage purchase commitments from *GNMA*... originate below-market rate loans. These are later sold to *GNMA* at preferred prices.

GNMA ultimately sells the loans at the going market price to private investors and absorbs the difference as a subsidy.

Under the new program... *GNMA* will purchase loans bearing interest rates as low as 7½ percent.

GNMA's commitments to purchase mortgages on *Section 8 Assisted Projects* at a below-market-interest-rate will facilitate financing and enable developers to build projects that otherwise would not have been economically feasible.

Year-End Census Figures Released

Since 1970... the *Census Bureau* estimates... New York, Rhode Island, Pennsylvania, and the District of Columbia lost population. California had the largest increase (1.9 million)... and Florida and Texas were close behind... with a 1.6 million rise for each.

These year-end 1977 estimates were part of the basic trends disclosed by a *Census Bureau* study... indicating the 'Sunbelt' States continued to grow more rapidly than other areas of the Nation... while the Northeast and North Central States are continuing to experience outmigration. A minor counter trend has taken place in New England... where the three northernmost of the area's States... Maine, New Hampshire, and Vermont... have grown faster than the Nation as a whole.

Other significant happenings:

- Florida's rate-of-growth... during the past two years... has slowed to one-third its rate during the early 1970's.

- A slowing of growth rates has also occurred in Arizona, Colorado, and Alaska.

- The slow rate-of-growth... or decline... that was experienced in some States during the 1960's has been reversed... and a recovery is now underway in West Virginia, the Dakotas, Mississippi, Arkansas, Idaho, Maine, Wyoming, and New Mexico. Washington and Kansas have also recovered from the effects of employment declines in the aircraft industry in the early 1970's.

- A substantial reduction in growth rates has occurred in Massachusetts, Connecticut, New Jersey, and Maryland.

The report... *Revised 1976 and Provisional 1977 Estimates... P-25...* is available from the *Superintendent of Documents*, Washington, D.C., 20402 for 35 cents.



NAHB Elects

Ernest Becker, Sr. was installed as 1978 president of the *National Association of Home Builders* at the recent *34th Annual Convention/Exposition* in Dallas. He succeeds Robert Arquilla of Chicago. He is president of the Las Vegas building firm of *Ernest A. Becker Enterprises*.

Vondal S. Gravlee, of Birmingham, Alabama, was elected first vice president; Merrill Butler, of Irvine, California, vice president and treasurer; and Herman J. Smith, of Fort Worth, vice president and secretary.

More than 57,000 persons attended the meetings and exhibits... and Secretary Harris delivered a major address.



1977—A Good Housing Year

In its report of the year's activities for 1977... the *National Association of Home Builders' journal-scope* called 1977 one of the better years for housing. A December housing start rise of 8.2 percent over November... to a seasonally-adjusted annual rate of 2.295 million units... resulted in the highest monthly level since March 1973. The performance was 21.5 percent higher than December 1976.

For single-family housing... the December annual rate was 1.6 million units... and the multifamily rate of 690,000 units was 19.4 percent higher than a year earlier.

Actual starts during the year... 1.986 million units... made 1977 the fourth best year on record... with single-family starts of 1.451 million units breaking the previous record set for the year 1972. Multifamily starts... however... 535,000 units... although 43 percent above the poor 1976 showing of 374,000 units... fell well below the record million unit peak of 1972.

FHLBB and Urban Lending

A 3-pronged legislative package has been proposed by the *Federal Home Loan Bank Board* to spur *Federal S&L* urban lending.

The proposal includes:

- Authority to invest in urban areas that participate in federally-aided urban programs, such as the *Community Development Block Grant Program*.
- Substantially increased authority to invest in *Rehabilitation* and *Home Improvement* loans.
- Limited authority to invest in State and local *Housing Finance Agencies*.

The proposal... basically, would remove some restrictions from *S&Ls* to allow them to invest money in rehab and home improvement loans and to buy bonds issued by State and local housing finance agencies. The *S&Ls* would also be able to invest in urban areas participating in *Community Development Block Grant* or other Federal aid programs.

The thrust is to facilitate and cooperate at the local level. He also said the new legislation would allow *S&Ls* to invest in commercial strips.

The proposal, according to the spokesman, would allow *S&Ls* to "go straight into rehab." The present limit of \$15,000 for such loans might also be raised.

The limited authority for *S&Ls*... under the proposed legislation... to invest in State and local *Housing Finance Agencies* would also broaden their investment capabilities since they are now only allowed to invest in general obligational bonds.

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Vol. 9 No. 9

Current Trends

Following a report issued earlier that new single-family home sales in 1977 exceeded those of any year since 1963, when recordkeeping first began... a subsequent survey shows that 1977 was also the best year ever for existing home sales. According to the *National Association of REALTORS*... more than 3.5 million sales of previously-owned houses took place during the year... 19 percent higher than in 1976. The rate for the month of December reached a seasonally-adjusted annual rate of 4.4 million units... almost 20 percent above December 1976. This high rate prevailed throughout the country.

The *REALTORS* also reported that the median sales prices of existing homes declined in December by \$300 to \$44,200 from November... but were more than \$5,000 higher than the December 1976 figure. The *FHLBB* reported the average price of a new home in January... followed the same pattern of the median price drop for December reported by the *REALTORS*... and declined to \$56,900 from \$57,700 in December.

The *Bank Board* also reported that interest rates on new-home mortgages in January rose to 9.15 percent... up from 9.09 percent in December... and their highest level since the 9.33 percent rate in January 1975. For existing homes... the conventional rate was 9.13 percent... slightly higher than the 9.12 percent in December. The *Board* attributed the increase to earlier rises in open-market rates.

HUD has released private mortgage insurance activity data for the month of December. Although such insurance activity followed the usual seasonal pattern and declined during the month... activity was more than 34 percent above December 1976... and the year 1977 set new industry records. For the year... private mortgage insurers received 730,907 new applications (an increase of 40.7 percent), and issued 617,398 new certificates of insurance (a 37 percent increase) carrying a total loan volume of \$21.6 billion (an increase of almost 48 percent). Insurance in force amounted to \$63 billion... an increase of more than \$13.4 billion over 1 year ago. This was also the first year private mortgage insurers began to insure pools of conventional mortgage loans. Five of the major companies... beginning in September 1977... issued \$242.3 million in such pools. At the end of 1977... the outstanding mortgage balance of these pools stood at \$237.8 million.

Privately-financed housing starts in January were at the seasonally-adjusted annual rate of 1.549 million units... down 29.4 percent below the December 1977 rate of 2.194 million... but 11.2 percent above the January 1977 level. Permits issued during January for future starts followed the same trend... and were at the rate of 1.533 million units... down 15.4 percent below the December rate of 1.811 million units... and 15 percent above the comparable month in 1977.



Building Material Prices Rise

The *Labor Department's* survey of wholesale prices for January showed that building material prices... most especially lumber and plywood... rose substantially during the month. While the overall wholesale price increase for all commodities moved upward only one-half of 1 percent... lumber, plywood, and other wood products showed a rise of more than 3 percent. Other building materials... glass, concrete, brick and block, asphalt roofing, etc. rose 2 percent... heating equipment... up 1.3 percent... and fabricated structural metal products increased 0.3 percent.

Supreme Court Dismisses Rent Control Suit

According to the *Law Project Bulletin* of the *National Housing Law Project of Berkeley*... in *Muss v. City of Miami Beach, Florida*, No. 77-502 (*U.S. Supreme Court*)... landlords' contention that the Miami Beach rent control ordinance violates the due process clause of the 14th Amendment to the Constitution of the United States because it states an emergency in the preamble which did not factually exist either at the time of adoption or subsequently... and because the ordinance was particularly repugnant when applied to luxury housing... has been denied by the high Court. A two-sentence letter informed Appellants of the Court's order that their "appeal is dismissed for want of a substantial Federal question."

The Florida *Trial, Appeals, and Supreme Courts* all upheld the constitutionality of the challenged ordinance in this case and a companion case, *Lifshitz v. City of Miami Beach*, 339 So. 2d 232 Dist. Ct. App.). The issues raised on appeal to the *U.S. Supreme Court* concerning emergency and restriction of private property rights are present in every major rent control litigation... so that the *U.S. Supreme Court's* dismissal of this case for want of a substantial Federal question is determinative of the issues presented. Simply stated: the *Supreme Court* obviously does not find a valid constitutional argument in the private property or emergency issues. It is therefore clear that at least these two rent control issues will be finally determined by the various *State Appellate Courts*.



New Insurance Administrator Named

President Carter has nominated Gloria M. Jimenez of Durham, N.C. as *Administrator of HUD's Federal Insurance Administration*. The nomination is subject to *Senate* confirmation.

Mrs. Jimenez has been *Deputy Commissioner of the North Carolina Department of Insurance*... and prior to that was *Director of Housing and Urban Programs* with the *Department of Local Affairs in Raleigh, N.C.*

FIA administers the *Department's* federally-subsidized *Flood Insurance Program* to protect owners from severe financial losses, encourage communities to undertake local flood control measures, and ultimately reduce Federal cost for flood disasters. *FIA* also administers the *Urban Property Insurance Program* that provides protection against losses from riot and crime.

Mrs. Jimenez was born in New York City and attended *Hofstra University*, Hempstead, N.Y., and graduated from *Brooklyn Law School* in 1954.

She is author of several publications, including *Insurance and Women in North Carolina 1976*.

She and her husband, Victor, have two children.



AIA Executive Changes

David O. Meeker, *FAIA*, a former *HUD* Assistant Secretary, has been named to the top staff position of the *American Institute of Architects*. Mr. Meeker... a professional architect... will succeed William L. Slayton, Hon. *AIA*, who has resigned after directing the *Institute* for 8 years.

Elmer E. Botsai, *FAIA*, chairman of the *Department of Architecture* at the *University of Hawaii, Honolulu*, has been installed as the 1978 president of the *American Institute of Architects*. Botsai succeeds Houston architect John M. McGinty, *FAIA*. A former resident of California... until 1976... Botsai is a partner in the firm of *Botsai, Overstreet and Rosenberg*, San Francisco. He received a Bachelor of Architecture degree from the *University of California, Berkeley*.

Ford Foundation Grants

The *Ford Foundation* has made several recent grants in the fields of housing and urban affairs. Further details regarding each grant may be obtained from the individual listed.

Interracial neighborhoods are among the most sensitive spots on America's social terrain. Situated between city slum and affluent suburb, they are likely to encounter many problems such as aging housing, troubled schools, and rising crime rates, without the resources of the suburbs. Groups have formed in many parts of the country to meet these problems. In Milwaukee, Los Angeles, Cleveland Heights, and other cities certain real estate practices threaten the interracial neighborhood mix... while in other Northern communities local groups struggle with issues relation to school desegregation.

National Neighbors, Inc. is the country's principal organization working to strengthen interracial neighborhoods. It links 107 neighborhood organizations and 57 associated groups. Assisted by the *Ford Foundation* since 1974, the agency has recently received a \$125,000 supplement to serve its expanding membership through conferences, field service operations, and publications:

Brian Hinman, Project Director, *National Neighbors, Inc.*, 119 N. 18th St., Philadelphia, Pa. 19107.

Another urban trouble spot is the quality of life and the delivery of services within public housing communities. *The Tenant Affairs Board of St. Louis* which was formed to improve the management of public housing, carries on a variety of employment, economic development, social services, and educational programs for tenants. To continue this work, a \$138,000 supplementary grant was made to *TAB*. The organization has created a job development program in which tenant management corporations at 5 sites employ residents for project renovations and landscaping. With the *St. Louis Board of Education*, it also conducts a program to encourage involvement by parents and tenant corporations in activities of the neighborhood's public schools, including curriculum development.

Jean King, Project Director, *Tenant Affairs Board*, 1300 South 14th St., St. Louis, Mo. 63104.

Efforts to improve the operations of low- and moderate-income housing are not confined to public housing. To help board members of subsidized housing cooperatives manage their projects more effectively, the *Foundation* made a grant of \$30,000 to the *Midwest Association of Housing Cooperatives, Inc.*, which represents 12,000 units in 59 co-ops in Michigan. It provides board members with assistance in financial management, resident selection, and other aspects of cooperative housing.

Ed Ignatius, Project Director, *Midwest Association of Housing Cooperatives, Inc.*, 527 E. Liberty, Suite 205, Ann Arbor, Mich. 48108.

Cooperative Services, Inc., \$350,500 program-related investment, to guarantee a letter of credit for construction of a 151-unit housing project for the elderly and handicapped in Detroit. *HUD* is providing mortgage financing for the project.

Mr. Fred Thornthwaite, Executive Director, *Cooperative Services, Inc.*, 7404 Woodward Avenue, Detroit, Mich. 48202.

Downriver Community Conference, \$90,000 over two years, for partial support of the startup costs of this recently formed alliance of towns and villages along the Detroit River south of Detroit. The communities will undertake cooperative projects in such fields as solid waste disposal, mosquito control, the rerouting of heavy trucks, and the sharing of expensive equipment.

Mr. Dewitt J. Henry, Executive Director, *Downriver Community Conference*, 3131 Biddle Avenue, Lower Level, Wyandotte, Mich., 48192.

FYI

National Erectors Association. . . Annual Meeting. . . La Costa, Calif., March 28-31. Details: *NEA*, Director of Programs and Meetings, 1800 N. Kent St., Suite 904, Arlington, Va. 22209.

National Association of Review Appraisers. . . 1978 Seminar Programs. . . Designed for the Corporate Review Appraiser, the Financial Review Appraiser, and the Governmental Review Appraiser; Independent. . . Cincinnati, April 7. . . Governmental. . . Denver, April 14. . . Financial. . . San Francisco, April 21. . . and Corporate. . . Dallas, April 28. Details: Stephen Schneck, *NARA*, Midwest Federal Bldg., Suite 410, St. Paul, MN 55101 (612/227-6696).

The Oklahoma Historic Preservation Review Commission. . . the Oklahoma Humanities Committee. . . and the National Endowment for the Humanities, joint sponsors. . . *Conference on Preservation in the Human Context. . .* Oklahoma City, April 14-15. Details: Joy Dunn, *State Historic Preservation Office*, Oklahoma City, Oklahoma 73105 (405/521-2491).

National Committee Against Discrimination in Housing, Inc., in cooperation with *HUD. . . Fair Housing Conference. . .* Washington, D.C., April 17-18. Details: Eugene T. Lowe, *NCDH*, 1425 H St., N.W., Washington, D.C. 20005 (202/783-8150).

National Academy of Sciences. . . Annual Meeting. . . Washington, D.C., April 24-25. Details: *NAS*, 2101 Constitution Ave., N.W., Washington, D.C. 20418.

Community Associations Institute. . . 1978 Workshops on Condominium and Homeowner Association Operations and Law. . . Boston, May 5; Seattle, May 12; Chicago, May 18; Atlanta, June 1; Denver, June 9; and Houston, June 23. Details: *CAI*, 1200 18th St., N.W., Washington, D.C. 20036 (202/223-6770).

Urban Land Institute. . . Spring Meeting. . . New Orleans, May 28-30. Details: *ULI*, 1200 18th St., N.W., Washington, D.C. 20036 (202/331-8500).

HUD newsletter

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FIRST-CLASS

**HUD NEWSLETTER
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HUD newsletter

U.S. Department of Housing and Urban Development
Washington, D.C. 20410 (202) 755-5499



March 6, 1978

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New FNMA Operations Regulations Published

Proposed regulations governing the operations of the *Federal National Mortgage Association* were published in the *Federal Register* of February 24. The new regulations ... according to Secretary Harris ... are designed to ensure that the \$38 billion *Corporation* is responsive to its public responsibilities under the *Housing Act of 1968*. The Secretary also indicated that the proposed regulations fulfill a pledge she made to the *Senate Committee on Banking, Housing and Urban Affairs* last June to "be more specific with respect to our statement of the requirements of public policy" in exercising regulatory authority over the operations of *FNMA*.

FNMA is a quasi-public, privately-owned corporation chartered by *Congress* to assist housing through its purchases of residential mortgages in the secondary (resale) market. (See *Title III of the National Housing Act*.)

The *Charter Act* states that the Secretary of *HUD* has general regulatory power over *FNMA* and "shall make such rules and regulations as shall be necessary and proper to ensure that the purposes of (the legislation) are accomplished. Specifically, the *Charter Act* states that, "No stock, obligation, security, or other instrument shall be issued by the *Corporation* without the prior approval of the Secretary."

It further states that, "The Secretary may require that a reasonable portion of the *Corporation's* mortgage purchases be related to the national goal of providing adequate housing for low- and moderate-income families, but with a "reasonable economic return to the *Corporation*." The Secretary may examine and audit the books and financial transactions of the corporation, and (she) may require the corporation to make such reports on its activities as (she) deems advisable."

"*FNMA's* programs and policies play an important role in determining the course of the housing industry in the U.S.," Secretary Harris said. "It is, therefore, vital that *FNMA* be sensitive to the public purposes for which it was created and that its programs and policies reflect these purposes while at the same time providing a reasonable economic return to the *Corporation*."

The proposed rules set forth a series of detailed operations which would be required and which in some cases were not previously specified.

Among these are requirements for annual audits and debt limitation and standards for *FNMA's* mortgage market transactions.

The proposed regulations also implement... for the first time... the Secretary's authority... set forth in the original *Charter Act* creating *FNMA*... to:

- Require that a reasonable portion of *FNMA's* mortgage purchases be allocated to mortgages for financing housing for low- and moderate-income families. At least 30 percent of *FNMA's* mortgage purchases in any calendar year would be required to consist of mortgages on such housing.

- Provide for Secretarial approval for *FNMA* to purchase, service, sell, and otherwise deal in conventional home mortgages and mortgages secured by condominiums or *Planned Unit Developments*.

(Continued)

FNMA Regulations — Cont'd

- Require *FNMA* to invest annually a percentage of its resources in conventional mortgages on property located in a central city or cities in a *Standard Metropolitan Statistical Area*. Also required would be a percentage of purchases of mortgages on previously-occupied homes on which improvements have been made (10 percent in 1978 and 30 percent in 1979 and afterward). The Secretary may suspend these percentage requirements in critical economic situations.

A number of other requirements are contained in the proposed regulations. Some examples:

- Under its original *Charter*. . . *FNMA*'s debt-to-capital ratio could not exceed 15-1 unless allowed by the Secretary. Presently. . . the ratio is 25-1. . . and *FNMA* is prohibited from issuing any general obligations if such issuance would cause the maximum ratio to be exceeded. Current provisions that allow automatic increases in the maximum ratio to accommodate reductions in capital, surplus, or reserves or to accommodate refinancing of subordinated debt with general obligations are omitted. *FNMA* may submit written requests for Secretarial approval of higher debt-to-capital ratios and the Secretary may decrease the maximum ratio after *FNMA* has been so notified and given a reasonable opportunity to comment on such proposed action.

- Also. . . *FNMA* would be required to obtain Secretarial approval of a revised statement of *Home Mortgage Underwriting Guidelines* to make clear that it does not practice unlawful discrimination in the purchase of mortgages. *Equal Employment Opportunity* requirements are also imposed on *FNMA* and its contractors and vendors by the regulations.

For the first time. . . the regulations would require that *FNMA* submit to the Secretary:

- Twenty-three different types of detailed reports on its activities and operations on a regular basis.

- Regular reports concerning its secondary market operations and develop and update a general plan for the conduct of its secondary market operations covering a period of at least 3 years.

- Prior to each commitment auction, an estimate of the dollar amounts of purchase commitments it expects to issue in such auction.

- A copy of the complete minutes of each meeting of the *Board of Directors* and each meeting of a committee.

Also provided for in the regulations:

- The examination of *FNMA*'s books, records, and documents by duly authorized representatives of the *HUD* Secretary and an annual *HUD* audit of *FNMA*'s affairs.

- The codification of the present temporary suspension of the requirement that sellers of mortgages be required to purchase *FNMA* common stock. (But *FNMA*'s determination that each mortgage servicer be required to own one share of common stock for each \$100,000 of *FNMA* held mortgages purchased after September 1, 1969 is approved.)

That common stock shall be sold for a price equal to the issue price as determined by *FNMA* with the Secretary's approval. At least 15 days notice is required before changing the issue price. Currently notice is required. . . but there is no provision for Secretarial approval. A request for approval of stock issuances would be required at least 30 days before the proposed issue date.

- Except for issuance of discount notes of 180 days or less up to an aggregate outstanding principal amount of \$2 billion, under the new regulations. . . *FNMA* could issue obligations only with the prior written approval of the Secretary. A request by *FNMA* for approval of issuance of an obligation would have to be submitted at least 15 days prior to the proposed date of issuance. *FNMA* would be prohibited from issuing any obligation convertible to common stock.

Comments from the public are invited regarding these proposed regulations. Such comments should be submitted before the close of business on March 27, 1978 to *HUD Rules Docket Clerk*, Room 5218, Washington, D.C. 20410.

Final CDBG Regulations Issued

In the *Federal Register* of February 17... *HUD* published the final regulations that spell out the manner in which the *Community Block Grant Program* must be used principally to benefit low- and moderate-income persons.

"*HUD* now has made it unmistakably clear in rules that the intent of this multi-billion dollar program is to be responsive to the needs of low- and moderate-income persons," Secretary Harris said, "and we will scrupulously monitor communities' performance to insure that this intent is in fact carried out."

Under the new rules... if a town, city, or urban county submits a plan for funds which budgets at least 75 percent of its *Block Grant* to benefit low- and moderate-income residents... *HUD* will accept the application as meeting the intent of the program. However... plans which do not propose to use 75 percent of their funds for the poor will be subject to review to ensure that the *Program* principally benefits persons of low and moderate income.

Applications which do not meet the intent of the *Program* may have their plans disapproved or funds reprogrammed to benefit low- and moderate-income persons.

The final regulations state that each annual application for funds must provide that the *Program* as a whole principally benefits low- and moderate-income persons.

On August 1, a new application form will clearly display the information necessary to hold cities accountable for use of the funds in accordance with their approved 3-year plan.

"The rules set a standard which is both firm and fair," Secretary Harris said, "by defining what cities are expected to accomplish, and by giving them flexibility to respond to local circumstances. "Our primary concern is to increase assistance to low- and moderate-income people," she added, "and these regulations will translate that concern into local action."

Also included in the regulations are expanded definitions of projects that prevent or eliminate slums or blight, and the inclusion of commercial as well as residential areas in that category.

Further information may be obtained from: *HUD Office of Community Planning and Development*, Room 7182, Washington, D.C. 20410.



Proposed Rent Adjustments Announced

Effective March 1... a new schedule of rents... resulting in an average 7.3 percent rent increase for subsidized privately-owned housing took effect. The proposed boost in rental assistance should open up more rental opportunities for lower-income families by making more privately-owned housing units available and accessible to more families... and applies to units already in existence under the *HUD Section 8 Housing Assistance Program*. In April... a new schedule for permissible rents for newly-constructed and substantially rehabilitated housing will be published.

The new annual schedule required by law applies to housing in virtually all counties across the Nation. The schedule reflects rises in utilities costs and rents in comparable housing. Rents vary by communities according to local economic conditions and prevailing rents in the area. Last year the increase averaged 5.7 percent.

Under the *Section 8 Program* eligible lower-income families pay between 15 percent and 25 percent of their income for rent to participating landlords. *HUD* then pays the landlord the difference between what the family is obligated to pay and the approved total rents.

The schedule was published in the *Federal Register* Feb. 14.

New Housing Opportunity Plan' Announced

HUD has announced a new 'Areawide Housing Opportunity Plan' (HOP) which makes it possible for communities that work with regional planning organizations to create housing opportunities for lower-income families on a broad geographical basis to become eligible to share in a special allocation of up to \$30 million in *Housing Assistance* funds.

Secretary Harris said the special funds have been made available to encourage communities to cooperate in facing up to the total assisted-housing needs of their areas in a coordinated and equitable way.

"Our aim in this *Areawide Housing Opportunity Plan (HOP) Program*," said the Secretary, "is to support localities and areawide planning organizations which join together to broaden housing choices for lower-income families."

Communities selected for additional funds will also be eligible to apply for a share of \$16.8 million in *Community Development Block Grant (CDBG)* funds to support activities undertaken to implement the *Areawide Housing Opportunity Plans*.

Regional planning organizations which develop successful plans with the localities will be also eligible for additional comprehensive planning grants. The amount to be made available to the regional planning organizations will be up to \$800,000.

The special allocations for approved *HOPS* will be equivalent to at least 10 percent... but not more than 50 percent, of the total fiscal year 1978 *Section 8* allocations made to areas and communities served by the planning organization. These funds are in addition to those allocated by HUD earlier in the fiscal year in accordance with the housing need factors specified in *Section 213 of the Housing and Community Development Act of 1974*. These factors include population, poverty, housing overcrowding, housing vacancies, amount of substandard housing and other measurable conditions.

Requirements for plan approval and procedures for applying for the special *Section 8* funds were published in the *Federal Register* on January 16. Procedures for applying for the *Block Grant and Planning Assistance Funds* will be announced later.

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March 13, 1978

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MAR 15 1978

Current Trends

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Secretary Harris announced an increase in the maximum allowable interest rate for HUD/FHA-insured single-family mortgage loans to 8- $\frac{3}{4}$ percent effective February 28. The new single-family rate was determined after consultation with Max Cleland, VA Administrator... who simultaneously announced a similar change in the maximum rate of VA home mortgage loans. The previous rate on single-family mortgage loans was 8 $\frac{1}{2}$ percent. The allowable rate on multifamily mortgage loans remains at 9 percent. Secretary Harris said that the increase is necessary in order to bring FHA rates in line with other competitive rates in both the mortgage and financial markets. This change is expected to increase the availability of FHA financing for moderate-income home buyers and sellers... who are the major beneficiaries of FHA-insured mortgage financing.

Deposit inflows in thrift institutions were sharply lower in January... according to the U.S. League of Savings Associations and the National Association of Mutual Savings Banks. S&Ls had a \$2.9 billion savings growth for the month... 40 percent below a year earlier... and the lowest January gain in 18 years. Mutual Savings Banks experienced a \$50 million net outflow during the month... in contrast to a net gain in January 1977 of \$645 million. This was also the worst January since 1970. Industry analysts... while not showing panic about the potential impact of the drop on the home mortgage lending capacity of the major sources of such funds... are very much aware of the possibility of problems in the months to come. Saul B. Klamman... president of the NAMSBA... said "The deterioration in deposit flows over recent months has reached the point where it is beginning to have serious implications for housing and mortgage finance."

According to a joint HUD-Census survey... more than 1.65 million privately-owned housing units were completed in 1977. The figure is 21 percent higher than the more than 1.36 million units completed in 1976. The seasonally-adjusted annual rate for December... 1.6 million units... was 10 percent lower than the 1.78 million in November. Single-family units were completed in December at the rate of 1.257 million units... compared to the November rate of 1.272 million. The rate for 5-or-more unit apartment houses in December showed considerable slippage... to 262,000 units from November's rate of 417,000.



Energy Performance Meeting Scheduled

The first meeting in connection with HUD's program to develop energy performance standards for new construction will be held in the Department of Commerce Auditorium in Washington on March 16 at 9:30 A.M. This is the first in a 3-phase program in conformance with Title III of the Energy Conservation Standards for New Buildings Act of 1976 (P.L. 94-385).

The agenda will include a report on the activities carried out to establish a baseline or reference on how much energy nonresidential and residential buildings are currently designed to use. An overview of the second phase of the program will also be presented.

Further information may be obtained from Mary Ann Eichelberger, 202/755-6230.

GNMA Issues Designated City Rules

Secretary Harris has announced that beginning March 8, \$500 million in GNMA ("Tandem") assistance will be available to finance production of some 16,700 new and substantially rehabilitated housing units for moderate- and middle-income families in 322 designated metropolitan cities.

The funds will be committed by HUD's GNMA to purchase loans at an interest rate of 7½ percent. This commitment will facilitate financing and enable developers to provide housing that otherwise would not have been economically feasible.

The financing will come through the purchase of HUD/FHA-insured multifamily project mortgages by GNMA. The assistance will be provided through GNMA's *Special Assistance Program (Program 27)* also known as the 'tandem' plan... under which private lenders... backed by mortgage purchase commitments from GNMA... originate below-market-rate loans. These are later sold to GNMA at favorable prices. GNMA ultimately sells the loans at the going market price to private investors and absorbs the difference as a subsidy.

Multifamily projects will qualify for the program provided they are to be located in one of 322 metropolitan cities which meet the basic eligibility standards for the *Urban Development Action Grant Program*. These cities... 50,000 or more in population... are selected by HUD on the basis of age of the housing stock, per capita income, population growth rates, unemployment, employment growth rates, and incidence of poverty.

As with past GNMA mortgage purchase programs... the *Federal National Mortgage Association (FNMA)* will administer the program as agent for GNMA. Program guidelines are being printed and are being distributed to lenders qualified to participate in GNMA programs.

A *Question and Answer Sheet* concerning Program 27 is available from HUD's Office of Public Affairs, Room 9243, HUD Building, Washington, D.C. 20410 (202/755-7174). Ask for No. 78-60.



HUD Energy Standards: Phase I Ends

AIA's *Energy Notebook* for January 1978 reports that a study of energy consumption patterns of recently-designed buildings across the country has been completed by the AIA Research Corporation for HUD.

The study is the first phase of a program to develop energy conservation standards for all types of buildings in the United States. HUD is to finalize the energy performance standards by August 1979.

The first phase measured energy use in buildings designed in the last 2 years in four residential categories and 12 nonresidential categories (further divided into 31 subcategories) and in seven different climatic regions. The unit of measure selected to express performance was BTU's per gross square foot per year.

A summary of the results... nationwide... in terms of the performance measure above, showed that on the average hospitals and restaurants have the highest level of energy use of all building categories. Among commercial and institutional buildings, nonhouse-keeping residential structures (such as hotels) follow hospitals and restaurants and next are secondary schools and office buildings. High rise apartment buildings rank the lowest in the survey.

In the residential group... single-family detached houses and mobile homes have the highest average consumption rate of the four categories... while single-family attached houses and low-rise multifamily buildings are lower.

The energy performance of the buildings analyzed by computer simulation in the first phase will be compared to the simulated performance of the buildings when they are redesigned in Phase 2 employing energy conservation requirements, techniques, and technology. From this comparison... HUD will establish trial standards to be tested and evaluated in a third phase.

National Center for Housing Management.... in cooperation with the **National Corporation for Housing Partnerships.**... 2-day Workshop: *Everything You've Always Wanted to Know About Section 8.*... Atlanta, March 16-17; Washington, D.C., March 30-31; Seattle, April 13-14; Chicago, April 20-21; Kansas City, Mo., May 11-12; Denver, May 18-19; Cincinnati, June 15-16; Boston, July 13-14; Los Angeles, July 20-21; Detroit, Sept. 11-12; New York, Nov. 9-10; and Dallas, Nov. 16-17. Details: **NCHM**, 1133 15th St., N.W., Suite 611, Washington, D.C. 20005 (202/872-1717).

National Center for Housing Management.... **Multifamily Housing Management Training Program.**... Washington, D.C., March 19-24; Watsonville, CA, April 2-7; Memphis, April 9-14; Chicago, June 11-16; Denver, July 9-14; Atlanta, August 13-18; and Boston, Oct. 15-20. Details: **NCHM**, 1133 15th St., N.W., Suite 611, Washington, D.C. 20005 (202/872-1717).

National Center for Housing Management.... and the **American Association of Homes for the Aging.**... 2-day Workshop: *Developing 202 Housing for the Elderly.*... Washington, D.C., March 20-21; Dallas, March 27-29; Atlanta, April 3-4; Los Angeles, April 6-7; Boston, April 17-19; Denver, April 27-18; and Chicago, May 1-2. Details: **NCHM**, 1133 15th St., N.W., Suite 611, Washington, D.C. 20005 (202/872-1717).

Committee on Federal Procurement of AE Services.... Conference: *The Marketplace for Architectural/Engineering Services—New Directions.*... New York City, March 30-31. Details: Donald A. Buzzell, **COFPAES** Federal Programs Conference 1978, c/o **ASCE**, 345 E. 47th St., New York, New York 10017.

American National Metric Council.... Annual Conference on Conversion to Metrics... Atlanta, April 2-5. Details: Dene Joyce, **ANMC**, 1625 Massachusetts Ave., N.W., Washington, D.C. 20036 (202/232-4545).

National Leased Housing Association.... Section 8 Workshops... *Administering A Section 8 Existing Housing Program.*... New York City, April 7 and Los Angeles, April 28; *A Practical Problem Solving Session for Section 8 Developers.*... Atlanta, April 19. Details: **NLHA**, 1800 M St., N.W., Washington, D.C. 20036 (202/785-8888).

U.S. Department of Energy and the **National Association of Home Builders.**... 2-day Seminars: *Designing, Building and Selling Energy Conserving Homes.*... Charlotte, N.C., April 10-11; Kansas City, Mo., April 13-15; Spokane, May 22-23; and Salt Lake City, May 25-26. Details: **Training and Education Department, NAHB**, 15th and M Sts., N.W., Washington, D.C. 20006.

Community Associations Institute.... 5th National Conference... San Francisco, April 15-19. Details: Patti Grier, **CAI**, 1200 18th St., N.W., Washington, D.C. 20036 (202/223-6770).



HUD Leads in Minority Bank Deposits

HUD achieved the best record of deposits of any of the 10 largest **Federal** reporting Agencies in minority banks across the country in fiscal year 1977... according to a **Department of Commerce** survey.

The analysis showed that **HUD** deposits amounted to a daily average of \$43.7 million... or 42 percent of the \$102.5 million in daily balances of the 10 listed **Departments** and **Agencies**.

The next two largest depositors were the **Department of Defense**... \$24.2 million, and the **Department of Labor**... \$16.1 million. In fiscal 1976... **Defense** led with \$30.6 million and **HUD** was second with \$24.9 million.

Placement of **HUD** funds in minority banks enlarges their capital base and expands their opportunity to make more short term loans for the use of businessmen, local merchants and other potential borrowers. All **HUD** deposits are for short periods.

Experts Predict Drop in 1978 Housing Activity

A number of predictions of probable housing activity for 1978... and expectations of mortgage interest trends have emerged in the past week or two. While the dollar volume may increase slightly... actual units will probably decline.

Total construction of all kinds for the year 1978 should reach \$146 billion... 5 percent higher than the 1977 rate of \$139 billion... according to the *F.W. Dodge Division of McGraw-Hill*. While residential construction volume will increase only slightly dollar-wise... offices, schools, and other nonresidential buildings are expected to rise 13 percent.

George A. Christie... *Dodge* chief economist... pointed out that 1977 was the third consecutive year of increased residential building... and there were indications at year-end that "the underlying support of this market was beginning to erode... as savings flows into the Nation's thrift institutions fell off sharply." He predicted a diminishing rate of residential construction for 1978.

Consulting Engineer Magazine... making its 1978 forecast... expects a 12 percent rise in total construction activity in 1978 over 1977. The heavy construction segment (called 'engineered construction' by the magazine) is predicted to rise at the same rate as other segments... with a major concentration (20 percent of the total volume of \$54 billion) in California, Mississippi, and Pennsylvania.

A major mortgage company... *Advance Mortgage Company*... has issued its annual forecast... stating that residential construction and demand will remain high in spite of a probable tightening of mortgage funds... though sales may be slower in the months to come. *Advance* also forecasts a 30 percent rise in condominiums and subsidized rental units... probably as many as 700,000 units... the best production record since the 1971-73 boom period. *Advance* says that geographically... 1978's prime housing markets should be in the South and Mountain States. Denver, Phoenix, and various locations in Florida should lead the other areas... with a leveling from the 1977 volume in Houston and the several 'hot' California locations.

HUD newsletter

HUD-318-323-ASI
March 13, 1978

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HUD NEWSLETTER
March 13, 1978

HUD newsletter

U.S. Department of Housing and Urban Development
Washington, D.C. 20410 (202) 755-5499



March 20, 1978

Vol. 9 No. 12

Current Trends

Construction contracts awarded in January rose 39 percent over the January 1977 level... to \$9.39 billion... compared to \$6.75 billion a year earlier... according to the *F.W. Dodge Division of McGraw-Hill*. Much of the rise (about \$1 billion) is accounted for by one contract... the second phase of a controversial nuclear power plant in New Hampshire... the starting date of which is uncertain. *Dodge* included the contract in the month's figure because excavation for the work has been completed... and construction will probably begin soon. The increase of total construction contracts for the month covered all categories... with both residential and nonresidential each rising 31 percent... and the nonbuilding element (power plants, sewers, water, etc.) showing a 65 percent surge over the year-earlier figure.

While awards for future construction went up for the month... actual construction put in place in January declined... and was 4 percent below the December level... the *Census Bureau* reported. Private residential construction during the month fell 6 percent below the December rate. Residential construction activity for the final quarter of the year... however... was higher than a year ago... with housing showing a 5 percent increase... although the rate dropped during December.

The President has appointed Abraham D. Beame, former *Mayor of New York City*, as chairman of the *Advisory Commission on Intergovernmental Relations*.

During the fourth quarter of 1977... the *Federal Home Loan Bank Board* reports... housing prices reached record highs. The median price increase nationally... was 13.4 percent... up \$6,100... reaching \$51,600... compared to \$45,500 at the end of 1976. The average price also rose... 14.3 percent... from \$50,300 to \$57,500. The largest increase was recorded in the West... 18.9 percent... with the rate of rise in Southern California reaching 30.6 percent in 1 year. The rise was 12.8 percent in San Francisco and 12.7 percent in Los Angeles. Three major cities showed declines in cost... Boston (7.1 percent)... Atlanta (2.8)... and Miami (17.9). The highest rate of increase in any major city was St. Louis (22.9 percent)... followed by New York (20.9).

FYI



HUD's Office of Neighborhoods, Voluntary Associations and Consumer Protection... *Consumer Forum on Condominiums*. . . San Francisco, April 19. Details: Beth Marcus, HUD, Room 4108, (202/755-6808), or Debbi Hurd, Room 4212, (202/755-6996).

Hardwood Plywood Manufacturers Association. . . *Annual Spring Meeting*. . . Panama City, Florida, April 18-21. Details: HPM, P.O. Box 6246, Arlington, Virginia 22206 (703/671-6262).

McGraw-Hill's Engineering News-Record. . . *Seminars on Construction Claims and Disputes*. . . Chicago, April 20-21 and Washington, D.C., April 27-28. Details: C.E.M.C., P.O. Box 844, Greenwich, CT 06830.

Southern Illinois University's Center for Urban and Environmental Research and Services. . . *Seminar—Private-Public Redevelopment: How Decisions are Made*. . . St. Louis, May 5-6 and Alton, Illinois, May 19-20. Details: Eleanor Ellis or Robert Mendelson, *Center for Urban and Environmental Research and Services*, Box 32, Southern Illinois University, Edwardsville, Illinois 62026 (618/692-3032).

Legislative Package Goes to Congress

Secretary Harris has submitted to *Congress* the first legislative proposal developed entirely under the Carter Administration. In describing the proposals... the Secretary said "the 'package' recognizes and places in proper balance the unfulfilled needs of millions of deprived Americans. It pursues solidly charted paths built on the *Housing and Community Development Act of 1977*... emphasizing the basic theme central to *HUD's* mission."

Some of the major items for which authorization is requested in the package submitted to the *Senate Committee on Banking, Housing, and Urban Affairs*:

- Step up production of low- and moderate-income housing,
- Strengthening of rehabilitation programs to revitalize and preserve neighborhoods,
- Supply additional subsidies to shore up 'troubled' projects for low- and moderate-income families.
- A new proposal to create in *HUD* an *Urban Extension Service*... which would help communities and groups make more effective use of *HUD* programs through Urban Extension Agents or by offering appropriate technical assistance.

The 'package' seeks no additional authorization for the *Community Development Block Grant* and *Urban Development Action Grant Program*, or for *New Communities*... but requests additional funds for research, the *Federal Insurance Administration*, and housing counseling.

It also contains a provision to extend for 2 years the authority to insure mortgages or loans under specified *HUD-FHA* mortgage or loan insurance programs in the *National Housing Act*. It would also extend for 1 year the Secretary's authority to set interest rates for *FHA*-insured mortgage loans. These authorizations expire this year.

To stimulate low- and moderate-income housing... \$1.2 billion in *Annual Contributions Authority* is requested for 400,000 additional housing units under the *Section 8 Rental Assistance* and *Public Housing Programs*... up by 50,000 over last year's funding... 50,000 new or rehabilitated *Public Housing* units; 6,000 *Indian Housing*; and 344,000 *Section 8*.

In requesting new contract authority for the additional *Section 8* units... Secretary Harris urged the *Congress* not to earmark part of these units for the 41 *State Housing Finance Agencies* or for *Housing for the Elderly or Handicapped*, on the grounds that these statutory set-asides... imposed last year... limit *HUD's* flexibility and hamper the *Department's* efforts to involve private developers in building or substantially rehabilitating *Section 8* units. She assured the *Senate Committee* that *HUD* will utilize "to the fullest extent possible" the demonstrated processing and financing capacity of the *State Housing Agencies*... and will give them adequate time to plan and staff the units for which they will be responsible.

In connection with *Housing for the Elderly or Handicapped*... the Secretary reiterated *HUD's* policy to provide a *Section 8* commitment for every unit requiring rental assistance for this type of housing with a loan under *Section 202 of the Housing Act of 1959*. Of the \$800 million loan level requested for the *Section 202 Program*, \$50 million would be directed to the production of about 1,400 units for the needs of the non-elderly handicapped, calling for a variety of housing options... ranging from small group homes to independent living complexes. Also requested is \$729 million for *Public Housing Operating Subsidies*... an increase of \$44 million over the current fiscal year... and an additional \$1.5 billion in *GNMA 'Tandem' Mortgage* purchase authority to finance production by the private sector of new and substantially rehabilitated rental units under the *Section 8 Program*... plus the use of \$500 million of presently existing *GNMA 'Tandem' mortgage* purchase authority for use in both 1978 and 1979 for a new targeted '*Tandem*' program to finance middle-income multifamily housing in distressed cities, at a rate of 7½ percent.

A summary of the 'package' is available from the *Office of Public Affairs*, Room 9243, Washington, D.C. 20410. (202/755-7174). Ask for Release No. 78-75.

'Small Cities' Grant Program Rules Announced

In the March 1 *Federal Register*. . . *HUD* published new regulations governing the manner in which the *Small Cities Block Grant Program* will operate. The new regulations reflect. . . to a significant extent. . . the heavy volume of comments received by *HUD* from cities (those under 50,000) which will be affected by the *Program*. The final rules refined and polished the draft rules that were originally published last November. Among other things. . . the original draft regulations have been cut by 25 percent. . . which means less 'red tape' for small cities.

Key elements of the regulations are multi-year funding commitments up to 3 years to small cities of any size; the establishment of a competitive selection system which gives priority to the real needs of the community and encouragement for States and counties to apply for grants on behalf of the small cities which may lack technical capabilities.

In addition. . . *HUD* released other information that is important to small cities . . . including a new application date for them under the *Urban Development Action Grant Program*; a progress report on a *Task Force on Rural and Nonmetropolitan Areas* formed in January. . . and announced the initiation of a study mandated by the *Housing and Community Development Act of 1977*.

The new regulations divide the *Small Cities Program*, formerly the *Discretionary Balances Fund*, into two parts. The single-purpose *Program* reserves 25 to 35 percent of these funds within a *HUD Area Office*. The remaining *Area Office* funds will be used for the comprehensive program.

The single-purpose *Program* has relaxed rules which even the smallest communities can use for a particular community development need, and the comprehensive program can be used for broader projects which require on-going assistance. *Block Grant* awards will be commensurate with the applicant's program, size, and capability.

Final regulations for cities under 50,000 to participate in the *Action Grant Program* are expected to be published later in March.

Also expected in March is the report of the *Task Force on Rural and Nonmetropolitan Areas*. . . formed in January. The group is working to improve *HUD's* performance delivery in all programs serving the Nation's rural and nonmetropolitan areas.

A second examination. . . with a different emphasis. . . was also announced by Secretary Harris for a major study of the immediate and long-term community development needs of small cities. *Community Development Funds* are provided to small cities by *HUD* as well as a number of other *Federal Departments and Agencies*. It is very important that *HUD* knows how these expenditures match up with the needs of small cities, their residents, and the needs of the Nation as a whole.

The study. . . which will be completed by October. . . will meet the requirements of *Section 113 of the Housing and Community Development Act of 1977*. It is aimed at improving the *Department's* long range ability to serve smaller cities and nonmetropolitan areas.



New Neighborhood Groups Rules Published

In the March 1 *Federal Register*. . . *HUD* published new rules. . . which provide for additional emphasis on rehabilitation, more concentration on economic development, expanded citizen participation, and a new role for nonprofit neighborhood groups. Neighborhood groups are now eligible to participate in such activities under the *Community Development Block Grant Program*.

The multi-billion dollar program is designed to aid in the development and revitalization of towns, cities, and urban counties, and must be used principally to benefit low- and moderate-income persons.

(Continued)

New Neighborhood Rules—Cont'd

Block Grants may now be used for rehabilitation on a spot basis. Under the old rules...rehabilitation had to be carried out along with general neighborhood physical development activities. This will aid cities in their efforts to preserve and expand decent housing in neighborhoods that do not require extensive slum clearance.

Eligible properties include publicly-owned property for residential use, public housing, private properties such as halfway houses, private residential dwellings, and commercial properties occupied by low-or moderate-income persons, or historic properties.

Economic development activities, directed toward the alleviation of physical and economic distress or the economic development of a new community, can also be undertaken with *Block Grant Funds*.

These activities were authorized under the *Housing and Community Development Act* of 1977...and include the acquisition, construction, rehabilitation, or installation of commercial or industrial buildings, including the purchase of equipment. Also eligible is the acquisition of real property for economic development purposes, and the acquisition, construction, and reconstruction, or installation of public facilities and improvements.

Another major element added by the 1977 Act is the rule describing activities which now may be carried out with *Block Grant Funds* by private nonprofit entities, neighborhood-based nonprofit organizations, local development corporations, or small business investment companies.

Further information may be obtained through HUD's Office of Community Planning and Development, Room 7182, Washington, D.C. 20410; or through local HUD Offices.



New Top Staff Named at BOCA International

Clarence R. Bechtel, a 5-year veteran of the *BOCA* staff and former Code Administrator in New Jersey and Minnesota, has been named Executive Director of *Building Officials and Code Administrators (BOCA) International*. Bechtel had been appointed to the position on an active basis in December.

Returning to the *BOCA* staff in the capacity of Technical Director was Paul K. Heilstedt, P.E., civil engineer who previously served *BOCA* for 7 years before leaving in 1976.

HUD newsletter

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HUD NEWSLETTER
March 20, 1978

HUD newsletter

U.S. Department of Housing and Urban Development
Washington, D.C. 20410 (202) 755-5499



March 27, 1978

MAR 29 1978

Vol. 9 No. 13

Current Trends

Housing starts in February were at the seasonally adjusted annual rate of 1.580 million units... up 2 percent over the revised January rate of 1.547 million units... but 10 percent lower than the rate in February 1977. Permits issued for future housing construction during February rose to the annual rate of 1.622 million units... 8.4 percent above the January rate... and 2 percent below the February 1977 level... according to the *Census Bureau*.

Early reports on February savings inflows in *S&Ls* and *Mutual Savings Banks* indicate a sharp drop from a year earlier. New savings for the month increased \$2.10 billion... compared to \$3.78 billion in February 1977... a 46.5 percent decrease.

Lumber prices continue their upward trend. At the end of February... according to the *NAHB*... the price level was approaching that of last August. Since the beginning of 1978... increases in individual lumber items have risen from 2 to 6 percent. Kiln dried Ponderosa Pine 2x4s jumped \$13 per 1,000 board feet (mbf) in the last 2 weeks of February... and Southern Pine studs were \$238 per mbf at the end of February... \$28 above the August 1977 record high. Plywood prices have also risen at approximately the same rate.

The *U.S. Savings and Loan League* reported that the January mortgage delinquency rate jumped significantly to 0.89 percent from the December level of 0.74 percent... which was the lowest in 1977. Although the trend was up from December... the rate was considerably below the 0.98 percent figure for January 1977.

At the 47th annual convention of the *National Housing Conference*... Congressman Henry S. Reuss (Wisc.), Chairman of the *House Committee on Banking, Finance, and Urban Affairs*, was presented with the prestigious *Nathaniel S. Keith Award*. Nathaniel S. Keith, who served as *NHC* president for several years before his death in 1973, was deeply involved in housing and urban redevelopment, both as a top official in the *Federal Government* and as a private consultant. Previous recipients of the award have been Senators Hubert H. Humphrey of Minnesota (1977), William Proxmire of Wisconsin (1976), and John J. Sparkman of Alabama (1975).

Unemployment among construction workers followed the pattern of the overall employment rate and declined slightly in February... but still remained almost twice as high as unemployment in general. The rate for the month in the building trades dropped from 11.7 to 11.5 percent... with the overall rate reaching 6.1 percent. The drop in construction unemployment occurred even though February produced some of the worst winter weather in generations.



January Housing Starts Data Misleading

FHLBB Chairman Robert H. McKinney... commenting on the sharp drop in privately-financed housing starts in January... warned analysts that the figures should not be used as a basis for assessing the strength of housing activity in 1978 or for subsequent housing policy decisions. He pointed out that reports indicate that the sharp decline in housing starts from December to January can be explained entirely as the result of abnormal weather factors. Not only was much of the country under snow... but even California was affected by abnormal weather with ground conditions too wet in many parts of the State to permit housing to be started.

City Participation in Rehab Program Invited

HUD has invited eligible cities to compete for shares of some \$78 million in special funding set aside to spur rehabilitation of a targeted goal of 20,000 housing units in selected neighborhoods across the country. The notice of the availability of funds under HUD's *Section 8 Substantial Rehabilitation Program* appeared in the February 27 *Federal Register*... opening the competition and listing other criteria participating cities must meet. Eligible localities are those applying for or already receiving aid under HUD's *Community Development Block Grant Program*. May 30 is the final date to submit for HUD approval their choices of *Neighborhood Strategy Areas (NSAs)*, where a combination of Federal, State, local, and private resources can produce a viable neighborhood within 5 years.

The new approach is designed to ensure both better housing and overall neighborhood improvement. The 20,000 housing units are expected to generate as much as \$300 million in rehabilitation work and an estimated 10,000 new jobs.

The *Department's* intention to launch the new neighborhood revitalization effort was initially announced January 30.

HUD will approve NSAs on the basis of proposals by local governments for concentrated housing rehabilitation and neighborhood revitalization.

HUD stimulates housing rehabilitation under its *Section 8 Substantial Rehabilitation Program* by making payments to the owner...once a property is upgraded...for the difference between what the lower-income tenants pay and the contract rent for the dwelling unit.

The notice also specifies that:

- An eligible locality must also have a population of at least 25,000, or be an urban county eligible for assistance under HUD's *Community Development Block Grant Program*;
- Half of the 20,000 housing units must be financed by *State Housing Finance and Development Agencies (HFDAs)*, and cities in States with active HFDAs must take full advantage of opportunities for such refinancing;
- No restrictions will be imposed on the remaining 10,000 housing units as to source of financing;
- HUD does not expect to fund NSA requests for more than 500 housing units for any local government, except where a larger, clearly superior proposal is involved.

Final selections will represent a broad cross section of local governments by size and geographic distribution.



15 Areas to be Covered in Annual Housing Survey

This year's *Annual Housing Survey* to be conducted by the *Census Bureau* for HUD will cover 15 metropolitan areas.

The survey is undertaken in response to a need for frequent and up-to-date data on U.S. housing. It will start in April and continue through early 1979. Some 97,000 housing units in the 15 *Standard Metropolitan Statistical Areas (SMSA's)* will be covered.

The 60 SMSA's in the *Annual Housing Survey* are covered on a rotation basis. The 15 SMSA's in this year's survey were last interviewed in 1975-76.

SMSA's in this year's survey are: Atlanta, Cincinnati, Colorado Springs, Columbus, Kansas City, MO-KA, Newport News-Hampton, New Orleans, Paterson-Clifton-Passaic, Philadelphia, Riverside-San Bernardino-Ontario, Rochester, N.Y., San Antonio, San Diego, San Francisco-Oakland, and Springfield, Chicopee-Holyoke.

Joint HUD-Census reports will be issued a year after completion of the interviews.

Applications for Elderly and Handicapped Housing Speeded

Beginning March 31... applications for rental and cooperative housing under HUD's *Section 202 Housing for the Elderly and Handicapped* will be processed in HUD's *Regional and Area Offices* instead of at the *Department's Central Office* in Washington. It is expected that this will speed up the availability of some 24,000 units of housing under the *Program* this year. Loans are made to eligible nonprofit borrowers to build new apartments or substantially rehabilitate existing units.

A total of \$750 million has been made available for lending under the *Program* in fiscal 1978. During the past 2 years... funding reservations have been made for 492 projects... involving \$1.6 billion financing.

The *Program* is designed primarily for low- and moderate-income elderly and handicapped people... but the occupants of *Section 202* housing are expected to have a wide range of income and may include some who need no assistance. For tenants with income below 80 percent of the median income of the area... subsidies are available under HUD's *Section 8 Housing Assistance Payments Program*... through which lower-income families receive rental assistance.



Urban Initiatives Program Unveiled

HUD Secretary Harris has announced plans to take the country's worst housing failures and convert them into success stories.

Speaking to the 47th annual convention of the *National Housing Conference* in Washington, D.C., Secretary Harris said HUD's principal tool for this turnaround is a new program called *Urban Initiatives*, to be established within a month.

Urban Initiatives will build on the successful experiences of the *Target Projects Program*, begun in June 1974, to deal with management problems in specific housing projects.

Under that program, 3,500 *Public Housing Authority* employees were trained in maintaining and servicing public housing projects, and losses through vacancies were cut 40 to 50 percent.

"We will prove," said Secretary Harris, "that we can take the worst housing failures and make them successes. Our purpose and our commitment is to see to it that our people will be housed decently."

The Secretary outlined a variety of HUD activities designed to produce decent housing and a suitable environment for all Americans—in cities, suburbs, and rural areas.

More details are available from HUD's *Office of Public Affairs*, Room 9243, Washington, D.C. 20410 (202/755-7174). Ask for Release No. 78-77.



Significant Decision

Antonio Ramos Perez, et al. v. United States, Corporación de Renovación Urbana y Vivienda, et al. U.S. District Court., District of Puerto Rico, Civ. No. 75-570. The Court has granted the Government's motion to dismiss for failure to state an actionable claim under the *Federal Tort Claims Act*. Plaintiffs had contended that HUD's approval of plans and inspection of construction on a *Public Housing Project* in San Juan, Puerto Rico, made the *United States* liable for injuries sustained by a tenant due to faulty design. The Court held that HUD's approval of plans, and inspection of work progress, were done solely to protect the financial interest of the *United States* and that the *Local Housing Authority* was not an agent of the *Federal Government* for purposes of imposing derivative liability upon the *Government*.

Housing Seminars Scheduled

The National Center for Housing Management is sponsoring four series of seminars on: *Congregate Housing—An Emerging Need...* *The Money Side of Housing Management...* *FmHA 515 and HUD Section 8...* and *Elderly Housing Management Training Program*. Further details may be obtained from: *NCHM*, 1133 15th St., N.W., Suite 611, Washington, D.C. 20005 (202/872-1717). Seminar dates and locations:

Congregate Housing... New Orleans, April 20-21; Chicago, May 18-19; Washington, D.C., June 15-16; Durham, New Hampshire, August 10-11; Pittsburgh, September 14-15; Denver, September 21-22; Dallas, October 12-13; and Seattle, November 9-10.

The Money Side... Columbus, Ohio, April 27-28; Atlanta, May 18-19; Los Angeles, May 22-23; Philadelphia, June 15-16; Detroit, June 19-20; Kansas City, Mo., June 22-23; Minneapolis, August 10-11; Louisville, September 28-29; Chicago, October 12-13; Denver, October 19-20; San Juan, November 2-3; Washington, D.C., November 9-10; and San Francisco, December 14-15.

HUD Section 8 and FmHA Sec. 515 Housing... Fort Worth, April 17-18; San Francisco, May 8-9; Atlanta, June 8-9; Denver, June 22-23; and Detroit, July 13-14.

Elderly Housing Management... Denver, April 16-21; Concord, New Hampshire, May 14-19; Watsonville, California, June 18-23; Washington, D.C., July 23-28; Chicago, September 10-15; and Orlando, November 12-17.



New Publication

Housing the Urban Poor: A Critical Evaluation of Federal Housing Policy, by Arthur P. Solomon. Published by the *Joint Center for Urban Studies of MIT and Harvard*. 225 pages. Paper. Available from the *MIT Press*, 28 Carleton Street, Cambridge, Mass. 02142. Price \$4.95.

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HUD NEWSLETTER
March 27, 1978

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U.S. Department of Housing and Urban Development
Washington, D.C. 20410 (202) 755-5499



April 3, 1978

Vol. 9 No. 14

Current Trends

Interest rates on home mortgages continued their steady climb in February... according to the *Federal Home Loan Bank Board*. The average effective rate on conventional loans (those not federally-insured or guaranteed) for new homes rose to 9.18 percent last month from 9.15 percent in January... the highest level since the 9.33 percent rate in January 1975.

The *Board* also reported that the average price of a new home rose to \$58,400 in February from a revised \$58,000 in January. A year ago, the average price was \$53,100. For existing homes... the average purchase price declined to \$47,200 from January's revised \$50,600... but was ahead of the year-earlier \$45,900.

Project notes totaling \$947.2 million... representing 68 *Public Housing Agencies*... were sold in mid-March at an average interest rate of 3.660 percent... up from last month's rate of 3.584 percent.

Sales of new single-family houses in January were estimated at a seasonally-adjusted annual rate of 762,000... according to a joint report by *HUD* and the *Census Bureau*. The rate was 10 percent below the revised December rate of 847,000 and 8 percent below the January 1977 rate. The median sales price of these houses was \$51,700. The median sales price rose in two regions of the country; in the Northeast it rose from \$54,100 in December to \$60,800 in January, in the West it rose from \$57,400 to \$58,300. The price fell in the North Central region from \$56,700 in December to \$55,200 in January. It fell in the South from \$47,400 to \$46,000. The inventory of houses for sale rose from 5.9 months to 6.3 months in January... and the inventory at the end of January was 403,000 units.

Standard Federal Savings & Loan in Gaithersburg, Maryland has become the first thrift institution in the Nation to issue rated conventional mortgage-backed pass-through certificates. Certificates totaling \$8.5 million... rated 'A' by *Standard and Poor's*... have been purchased through direct private placement by *Erie Savings Bank*, Buffalo, N.Y.



FYI

Apartment Builder/Developer... 10th Annual Conference and Exposition... Atlanta, April 17-19. Details: Karen A. Crawford, *AB/DC&E*, 1515 Broadway, New York, N.Y. 10036 (212/869-1300).

American Society of Civil Engineers... Spring Convention... Pittsburgh, April 24-28. Details: *ASCE*, 345 E. 47th St., New York, N.Y. 10017.

Advanced Transit Association... International Conference on Innovations in Urban Transportation... Pittsburgh, April 25-28. Details: *Howard S. Wilcox, Inc.*, 300 Board of Trade Building, Indianapolis, Indiana 46204.

The Bureau of National Affairs' Housing and Development Reporter and the *Institute for Professional and Executive Development*... cosponsors... *Seminars on Leveraging Public Funds for Community and Economic Development*... San Francisco, May 8-9; Washington, D.C., May 16-17; and Chicago, May 22-23. Details: Ms. Marjorie Buren, *IPED*, 1800 M St., N.W., Washington, D.C. 20036 (202/466-8592).

Wider Benefits Announced Under Subsidy Program

Interim changes in HUD's Section 235 Subsidized Homeownership Program announced in the March 7 *Federal Register* will benefit thousands of low- and moderate-income families seeking to purchase homes. Two major revisions which liberalize the provisions make wider participation in the Program possible for many families not otherwise able to meet current requirements.

Downpayments are lowered and the maximum subsidy has been increased so that the effective interest rate could be as low as 4 percent instead of the previous 5 percent. The Federal subsidy can cover the difference between 4 percent and the market interest rate.

Under the Program... families whose incomes do not exceed 95 percent of the median income for their areas may qualify for these interest-rate subsidies. The new homes that will be produced by private developers have maximum mortgage insurance limits of \$32,000 for 3-bedroom units and \$38,000 for 4-bedroom units. Both of these amounts may be increased up to \$6,000 in high cost areas.

The interim changes take effect immediately but recommendations for revisions will be considered if received by June 5. They should be sent to the *Rules Docket Clerk, HUD*, Room 5218, Washington, D.C. 20410.



Housing Credit Booklet Published

The Federal Reserve Board has published a new consumer booklet... *The Equal Credit Opportunity Act... Credit Rights in Housing*. The publication discusses the law against discrimination in credit for housing and also describes the obligation imposed on lenders to inform the public how and where mortgage loans can be obtained.

Copies of the booklet are available free from the *Publications Office* of any *Federal Reserve Bank* (Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Mo., Dallas, and San Francisco).



Dodge Revises 1978 Estimates

Each October... *McGraw-Hill's Dodge Division* makes an estimate of probable construction volume for the year ahead. With final 1977 figures now available... and later information about plans for capital spending and other economic indicators now at hand... *Dodge* has updated its October estimates. The current estimate foresees a continued high volume of construction activity this year... but far short of 1977's near-record upsurge. Last year... the yearly gain came to 25 percent... the largest year-to-year increase in almost 30 years.

For 1978... a rise of 5 percent in total construction volume... to \$146 billion... over the 1977 actual volume of \$139.2 billion is forecast. Largest single increase is expected in the apartment house category (26 percent)... while 1- and 2-family construction is expected to drop 3 percent... with an overall residential category rise of 2 percent. Commercial and manufacturing structures are likely to go up by 15 percent... with all nonresidential increasing 13 percent.



New Magazine Published

✓ The *New York Urban Coalition* has published the first issue of a new quarterly... *Neighborhood: the Journal for City Preservation*. Major articles in the 45-page magazine include a profile of a self-help housing project in New York City's South Bronx, recommendations for a program to solve the problem of landlords' abandonment of welfare housing, and an interview with Rene Dubos. The *Journal* is supported in large part by a grant from the *International Paper Corporation*, and will be distributed to community organizations, local planning boards, housing professionals, government officials, and corporate executives. Copies are available free from Linda Gelman, *New York Urban Coalition*, 1270 Avenue of the Americas, New York, New York 10020.

Typical Home Buyer is 34, Survey Shows

Based on a nationwide survey of approximately 2,000 buyers who purchased their residences under the *National Association of Home Builders' Home Owners Warranty (HOW) Program*... the chances are the husband is 34... the wife works... their joint income is \$22,000... and the home they purchased (average price \$45,000)... is the second one they have bought. They were able to afford the new home by combining savings and the profit they received from the sale of their first house. The period covered was July 1, 1976, to June 30, 1977.

Also... the survey found... more than 90 percent of the purchasers were satisfied with their new homes and only 1½ percent "not at all satisfied," while 6 percent were "somewhat dissatisfied."



HUD Major Source of Community Funds

Addressing the *National Newspaper Association's 17th Annual Government Affairs Conference* in Washington... Secretary Harris speaking of *HUD's* community and economic development activities... reported that *HUD* channels more funds to local community and economic development programs than any other *Federal Agency*.

"We are dedicated to the concept of comprehensive community development," said the Secretary. "This must include economic development, housing preservation, infrastructure repair, and all of the other physical and social investments needed to improve our cities' living environment and local economy."

Noting that *HUD* and its predecessor Agencies have been building housing in urban and rural areas for 40 years... she pointed out that half of the \$13.7 billion of *Urban Renewal* funds were used for economic development activities such as downtown business district projects, industrial parks, and support for neighborhood business. The *Model Cities Program* of the 60's devoted close to \$360 million to neighborhood economic development activities.

As much as 10 percent of the current *Community Development Block Grant* funds are being used to support economic development activities... and several times that amount have been used for such related activities as land acquisition and water and sewer installation. The economic base of many cities was created and maintained by *FHA*-insured housing developments.

"Our commitment to focus all of the necessary tools of housing and community development cohesively and coherently on the problems is unswerving," said the Secretary, "and our results have been unprecedented."



State Housing Agency Report Available

Initiated in 1974... the *Council of State Agencies* is a national organization representing 41 of the 46 *State Agencies* concerned with housing and allied programs. The *Council* has recently issued its *Annual Report for 1977*... listing its accomplishments and future plans.

As of October 1, 1977... *State Housing Finance Agencies* had begun construction on over 400,000 low- and moderate-income family housing units throughout the country... of which 54,000 units were under *HUD's Section 8 Program*. Under the fiscal year 1978 budget... the *State Agencies* had contract authority set aside under *Section 8* of approximately \$200 million.

The *Annual Report*... covering a list of the *Agencies*, what they are, and what they do, is available without charge from: *CSHA*, 1800 M St., N.W., Washington, D.C. 20036 (202/466-8990).

Americans Like Big Cities

An opinion survey...sponsored by HUD...and conducted by *Louis Harris and Associates, Inc.*, reveals that most Americans give good marks to large American cities as service centers offering the best commercial, cultural, recreational, medical, and employment opportunities and facilities.

The Harris Poll...which interviewed a cross section of 7,074 Americans...in contrast to the usual sampling of 1,500 normally used in polls...covered respondents in cities, suburbs, towns, and rural areas. The results showed those questioned gave high ratings to cities for cultural activities (87 percent)...public transportation (75 percent)...selection of movies (72 percent)...health care (61)...employment opportunities (60)...and shopping (49).

At the same time...the image of the city as a place to live is negative. High taxes, problems involved in raising and educating children, crime, unemployment, and deteriorated housing...are all cited as drawbacks. But using the city is a different matter. Its drawing power extends to both suburban and outer fringe residents...and its facilities sought out not only by the affluent, but by all income groups.

A majority of Americans feel that the Nation would be a worse place without its cities which play such a dominant role in commerce, employment, and cultural activities...yet say that when they move...it will be to suburban and rural areas instead of the cities. Likewise...most Americans feel that Federal funding with local administration of programs is the best system for attacking urban ills.

Commenting on the poll...Secretary Harris said: "Any illusion that cities should be abandoned is challenged by the survey's 'major implication' and while there are sharp distinctions between the perceptions of the large cities as service or residential centers, all of the surveyed groups were surprisingly similar in their characterizations of the good and bad qualities of the cities."

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FIRST-CLASS

HUD NEWSLETTER
April 3, 1978



April 10, 1978

Vol. 9 No. 15

NATIONAL URBAN POLICY ANNOUNCED

On March 27... the President released details of the *National Urban Policy* developed by the *Urban and Regional Policy Group (URPG)* under the leadership of HUD Secretary Patricia Harris. The *Group* was given the task on March 21, 1977, to develop a comprehensive attack on the problems of America's cities and neighborhoods. The *National Urban Policy*... which resulted from the *Group's* efforts is not simplistic... as the difficulties facing America's communities are complex. It is aimed at the underlying causes of the entire spectrum of problems found in urban areas... from unemployment and racial discrimination... to urban sprawl and fiscal distress.

The *National Urban Policy* will require a major overhaul of most Federal programs... a process already begun... and the establishment of a new partnership among private citizens, volunteer groups, private industry, labor, and Federal, State, and local governments.

The *Policy* was formulated in public. More than 10,000 Americans contributed to the searching examination of what ails urban America and what can be done about it. From America's labor halls, from corporate board rooms, from city halls, county courthouses, State Capitols... from public meetings, and college campuses... came ideas, suggestions, and comments. More than 75 staff years of work... involving 11 *Federal Agencies*... the original six designated by the President in his original *Executive Order*... *HUD, Labor, HEW, Treasury, Transportation, and Commerce*... and five others which also contributed their time and effort... *Interior, Environmental Protection Agency, Community Services Administration, ACTION, and the Law Enforcement Assistance Administration*. State and local officials, civil rights leaders, corporate executives, private citizens, public interest and volunteer groups, labor leaders, and others... also made their views known.

Few aspects of urban living escaped the attention of *URPG*. Government itself at every level came under scrutiny as this unique inter-agency group sought to determine how city halls, local, and State governments, the *Federal Government*, and the private sector could work together to help return the bold promise of urban America.

Secretary Harris grouped the *URPG* into seven well-coordinated task forces... *Public Finance; Economic Development; States, Metropolitan Regions, and Neighborhoods; Redlining; Employment; Transportation; and Social Service*... each with a mandate to examine the problems plaguing American cities and urban populace.

The *URPG's* study of existing Federal programs now aimed at urban America... a job which by itself could have taken more than a year... was accomplished in about 4 months.

On March 15, 1978, Secretary Harris presented President Carter with the *URPG's* 10 *Urban Policy* recommendations. These recommendations meet the President's mandate for a comprehensive policy that accurately reflects the state of urban America. Beyond new initiatives... there were 160 recommendations to carry out these policies by improving the existing programs of every major Federal agency.

(continued)

Urban Policy—Cont'd

Background

More than 70 percent of all Americans live in urban areas... and more than 30 percent of all Americans live within central cities. During the last 50 years, our country was transformed from a basically agricultural, rural society to a predominantly urban one. The promise of cities... which was for many the promise of America itself... has dimmed for many people at all economic levels. Since the beginning of the 1950's, cities have been losing population. Many of the problems now faced in cities throughout the country are a result of this population loss, caused in large part by a lack of jobs, deteriorating housing and physical decay, crime, pollution, inadequate schools, and other problems of the cities and their neighborhoods.

The *National Urban Policy* recognizes the important role all levels of American government, the private sector, and neighborhood and volunteer groups must play in the conservation of our cities and neighborhoods. Only through a partnership that recognizes the separate capabilities of each level of government and the relationship between private decisions and public actions can the Nation, the States, or communities implement urban policies that will effectively attain their objectives.

Goals of a National Urban Policy

The recommendations made to the President were based on a recognition that the problems faced by America's urban areas are complex, diverse, and often interrelated. They can and will be resolved... but only if we adhere to a comprehensive set of policies which reflect clearly our National goals to:

- Preserve the heritage and values of America's older cities;
- Maintain the investment in older cities and their neighborhoods;
- Assist new cities to confront the challenges of growth; and
- Deliver improved housing, job opportunities, and community services.

Problems and Promise of the Cities

Since January, 1977, President Carter has taken major steps to make the *Federal Government* more responsive to the needs of cities and urban areas. Now the *National Urban Policy* will continue those first steps in a thorough and comprehensive manner, to restore the promise and solve the problems in America's cities. The *National Urban Policy* is based on the premise that the vitality of cities... large and small... north and south... old and new... is crucial to maintaining our Nation's economic strength and quality of life.

Throughout the country today, there are some cities in serious trouble... both economically and socially. Other cities have problems with which they are able to cope adequately at the present time, but which threaten to become more serious. Finally... some cities are healthy and show no immediate distress, but conditions exist that could lead to problems as bad as any experienced today.

Older distressed cities face the worst problems, but newer and growing cities must deal with problems, too.

The *National Urban Policy* addresses immediate problems with short-term solutions and establishes new Federal priorities and a new partnership between business, citizens, and government to address the long-term problems in a lasting and comprehensive manner.

(continued)

Urban Policy—Cont'd

Federal Policies and Strategies

The *Policy* is comprised of 10 basic Federal policy responses to identified urban problems. Each policy has corresponding strategies, and each strategy involves multiple actions throughout the various levels of government and in the private sector. They are:

1. Federal programs which affect urban areas will be coordinated to increase their effectiveness.
2. A new partnership will be initiated by the Federal Government with the States to better meet the needs of urban areas, cities, and neighborhoods.
3. The capacity of local governments throughout the Nation will be strengthened to make them more capable to deal with local problems.
4. Neighborhood and voluntary organizations will be encouraged to help solve neighborhood problems at the 'grass roots' level.
5. Racism and discrimination will be reduced.
6. Job opportunities for the urban poor, minorities, and women will be expanded.
7. The *Federal Government* will initiate activities to restore and maintain the economic health of cities.
8. The financial condition of all cities will be improved through local, State, and Federal actions.
9. Cities will be made more attractive places to live and work.
10. Energy-inefficient, resource-wasteful sprawl will be reduced.

New Initiatives

The *Policy* puts major emphasis on new initiatives to address the problems in America's cities and neighborhoods. These initiatives are grouped around four major policy clusters. Following is a summary of the new initiatives:

- *Coordinating, streamlining, and reorienting Federal, State, and local government activities.* (All agencies will conduct an *Urban Impact Analysis* of their programs.)
- *Consolidations of community and economic development planning requirements.*
- *Improved data, research, and analytical capability.*
- *Location of Federal facilities.* President Carter will issue a new *Executive Order*, establishing a new *General Services Administration* policy that central cities should have priority over outlying areas on location of Federal facilities.
- *Reorientation of Federal procurement.* Federal procurement contract set-asides can be an effective, low-cost way to stimulate economic growth in communities and cities with real economic needs.
- *Role of States.* It is proposed that States receive \$200 million in *Incentive Grants* to encourage them to plan more fiscal and economic development assistance to their most needy communities.

Fiscal Assistance, Employment, and Economic Development

The broad range of initiatives proposed by the President includes the following:

- *Supplemental Fiscal Assistance.* . . extending the *Anti-Recession Fiscal Assistance Program (ARFA)*; *'Soft' Public Works*; *Youth Employment Initiatives*; *National Development*

(continued)

Urban Policy—Cont'd

Bank; Economic Development Grants; Differential Investment Tax Credit; Reconciling Economic Development and Air Pollution Control; Small and Minority Business Set-Asides; A 'Livable Cities' Art and Cultural Program; Urban Park and Recreation Recovery Program; Section 312 Rehabilitation Program; Neighborhood Commercial Reinvestment Centers; Assistance to Troubled Schools Program; and many other additional activities, such as: Community Health Services; Mass Transportation Capital Grants; Limitations on Funding of Collector Sewers; Resources Recovery Planning; Self-Help Development Program; Community Development Credit Unions; Urban Volunteer Corps; Additional Assistance for Community Development Corporations; and Neighborhood Projects To Reduce Street Crime and Help Crime Victims.

Other additional activities are also proposed, such as: *Community Health Services; Mass Transportation Capital Grants; Limitations on Funding of Collector Sewers; Resources Recovery Planning; Self-Help Development Program; Community Development Credit Unions; Urban Volunteer Corps; Additional Assistance for Community Development Corporations; and Neighborhood Projects To Reduce Street Crime and Help Crime Victims.*

Cost of the Program

The President has asked *Congress* to authorize a total of \$8.3 billion to carry out the proposals of the *National Urban Policy*. Of this amount... \$4.4 billion is new spending for a number of programs to create jobs and encourage business development in the cities. Tax credits for firms that hire long-term unemployed youths are estimated at \$1.5 billion... and another \$200 million is requested for tax credits for firms investing in depressed areas. Loan guarantees totaling \$2.2 billion are also in the package... but these would not require any spending authorization.

✓A *Fact Sheet and Questions and Answers* covering details of the *National Urban Policy* is available from the *HUD Office of Public Affairs*, Room 9243, Washington, D.C. 20410 (202/755-7174). Please enclose mailing label with your request.

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HUD NEWSLETTER
April 10, 1978

NATIONAL URBAN POLICY SUMMARY

HUD newsletter

U.S. Department of Housing and Urban Development
Washington, D.C. 20410 (202) 755-5499



April 17, 1978

Vol. 9 No. 16

Current Trends

The *FHLBB* final report for February showed that savings inflows into *S&Ls* in February were 35 percent below February 1977. The net gain was \$2.07 billion... compared to \$3.19 billion a year ago... and resulted in the smallest increase for any February since 1974... when the net rise was \$1.7 billion. This follows a 28 percent drop in January from a year earlier.

The *F.W. Dodge Division of McGraw-Hill* reported February construction contract awards rose 24 percent over February 1977... to \$9.7 billion. Most of the increase came in commercial and industrial building... with only a modest gain in residential contracts... presumably due to bad weather. George A. Christie... *Dodge* Chief Economist... predicts a sustained high rate of new construction activity in the next few months... but thinks "the situation will change by midyear, once the cyclical decline in home building sets in."

The *Bureau of Labor Statistics* has changed the formula it uses in allocating the major segments of the *Consumer Price Index*. It has revised upward the shelter component of the *CPI* from 40.683 of disposable income to 43.911... a rise of 14.7 percent. Other selected major segments... food, 20.480... down from the previous 26.190; apparel, 5.836... also down... from 9.011; transportation... up to 20.233 from the earlier index of 13.289... a 52.2 percent rise; and medical care, 4.492... down from a previous share of 3.686 of the 100.00 Index.

The seasonally-adjusted rate for mobile home shipments was up 1.3 percent in January to 322,000 from 318,000 in December. There were 18,800 actual mobile home shipments in January... 2.7 percent more than the 18,300 shipped in December... the *Manufactured Housing Association* reported.

Interest rates... both short and long-term... appear to be in a period of flux... and no consistent pattern is apparent. In recent months... the trend of interest rates has been generally upward... but a number of recent events have indicated a possible downward drift. At its latest sale of *Local Urban Renewal Notes*... *HUD* experienced a drop in average interest rates from 3.453 percent last month to 3.413 percent. These notes have an average 7-month maturity. *FNMA* also experienced the first drop in rates in eight auctions when its commitments to purchase *Government-backed* (*FHA*-insured and *VA*-guaranteed) mortgages showed a drop to 9.332 percent... for the earlier 9.362 percent. At the same time... however... the sale of 4-month commitments for conventional mortgages (not federally-backed) rose to 9.622 percent from the previous sale of 9.594... and was the highest since the yield in October 1975.



Nebraska Limits Mobile Home Movement

The *State of Nebraska Road Department*... on the basis of an old and previously unused *State Statute*... has stopped the intra- and interstate movement of mobile homes whose track distance (center line to center line of wheels) is greater than 100 inches. This decision was reported to *HUD* on March 21 by the *Nebraska State Administrative Agency* which reported that mobile homes enroute to Nebraska had been stopped at the State line and were "stacking up."

HUD has no jurisdiction over those aspects of highway movement that involve time of travel or unit dimensions for safe operation over the arterial highway system. The *Mobile Home Standards* staff is exploring with the *State* the possibility of an administrative solution.

First 'New Horizons' City Chosen

Cambridge, Maryland, became the first community in the Nation selected by HUD to participate in the *New Horizons Fair Housing Assistance Project*.

The *New Horizons Project* is a national effort set up to assist local governments and regional planning agencies to develop and carry out comprehensive areawide housing plans. The goal of *New Horizons* is to develop and execute community-wide fair housing strategies through creative use of all available resources.

In a *Memorandum of Understanding*... signed by Mayor Albert B. Atkinson and HUD officials... the *City of Cambridge* agreed to establish a *Citizens Task Force* to assess its housing patterns and opportunities for choice of location for all citizens.

Cambridge is committed to designing and implementing a program which will attempt to guarantee freedom of choice in housing for all of its residents. In addition to drafting a comprehensive action plan and timetable... the *City* will submit quarterly reports to HUD on the progress it is making in meeting the goals.

The *New Horizons Project* is especially applicable to communities that are receiving, or expect to receive, *Community Development Block Grants*, *Urban Development Action Grants*, *Section 701 Planning Assistance*, and *Housing Opportunity Plan Grants*.

Further information may be obtained from Nathaniel K. Smith, *Office of Voluntary Compliance*, HUD, Room 5230, Washington, D.C. 20410 (202/755-5404).



Rural Housing Opportunities Expanded

HUD has announced expansion of a *Mortgage Assistance Program* which will greatly enlarge financing opportunities for housing in rural areas.

The action enables *Farmers Home Administration (FmHA)* loans guaranteed under the *Section 502 Guaranteed Loan Program* to be used in pools of mortgages as collateral for issuance of mortgage-backed securities guaranteed by HUD's *Government National Mortgage Association (GNMA)*.

Until now... only mortgages insured or guaranteed by *FHA* and *V.A.* were eligible for the pools.

"This initiative," said Secretary Harris, "is a step towards increasing the availability of mortgage credit to rural communities. It shows a concern for assuring equal access to credit for all areas not adequately served by the residential mortgage market."



Minority Enterprise

The *Clearinghouse on Corporate Social Responsibility for the Insurance Industry* reports that a \$500,000 loan by the *Prudential Insurance Company* has made possible a unique California experiment to determine whether a privately-owned company formed to make loans to small and minority building contractors can do so profitably. The 15-year, 8½ percent loan to *Builders Mutual Surety Company*... the first minority-controlled surety company in the Nation... is 90 percent guaranteed by the *State of California*. Although a number of banks and other financial institutions had refused the loan request, *Prudential* provided the necessary capital for the new surety company to be licensed by the *State*.

Builders Mutual Surety Company was created as a hoped-for solution to a problem that has plagued small contractors for some time... especially minority firms—the need to acquire surety bonding.

HUD's *Office of Voluntary Compliance* works closely with the *Clearinghouse on Corporate Social Responsibility for the Insurance Industry*.

HUD Energy Contract Goes to AIA Unit

HUD has entered into a contract with the *AIA Research Corporation* (a subsidiary of the *American Institute of Architects*) to compile data to be used in the development of energy performance standards for the design of new buildings.

These standards will be in the form of design 'energy budgets' which will consider buildings as complete energy using systems.

The contract stems from the provisions of *Title III* of the *1976 Energy Conservation Standards for New Buildings Act* (P.L. 94-385) which directed *HUD* to develop and implement energy performance standards for the design of new buildings by 1980. *HUD*... working in cooperation with the *Department of Energy*... has contracted with the *AIA Research Corporation* to carry out *Phases One* and *Two* of a three-part program.

Phase One of the Program... just completed by the *AIA Research* unit... assessed the amount of energy buildings are currently designed to use... through an energy use survey... sent to the designers of 3,200 randomly selected nonresidential and multifamily high-rise buildings... all designed since the 1973 oil embargo. Buildings selected represented variations in type, climate, and location and included hospitals, schools, auditoriums, night clubs, restaurants, hotels, and mobile homes. Such information as fuel type, capacity of the heating, cooling, and hot water systems, the thermal characteristics of the building envelope, and whether the buildings use any nondepletable energy sources was requested.

Approximately 1,700 designers of these buildings responded and this formed the basis of the results for nonresidential buildings in *Phase One*. In addition... the *National Association of Home Builders Research Foundation* compiled data on more than 200,000 dwelling units and mobile homes to provide a data base for residential structures. These results estimated the designed annual energy requirements of each of the building types surveyed in each of the climate regions, and established base data on current design practices.

Phase Two of the Program will assess how much less energy the *Phase One* buildings could be designed to use. Designers of approximately 175 of the *Phase One* buildings have been requested to undertake a redesign of their original buildings to obtain maximum technically-achievable levels of energy conservation... based on the original building program. Technical assistance is being provided to the architects and engineers by a team of energy consultants through a series of energy redesign seminars around the country.

The *Phase Two* redesign data... along with the *Phase One* base data... will estimate the range of designed energy performance in new construction. From this range... *HUD* and *DOE* will derive trial energy budgets.

Phase Three of this program will include the testing of trial standards by architects and engineers on actual building projects. This demonstration period will run approximately 1 year prior to the final promulgation of standards in late 1979.

The *AIA Research Corporation* was established in 1972 by the *American Institute of Architects*. It conducts a wide variety of applied research projects focusing on national issues related to the building environment. A major portion of its work has been devoted to research on energy and energy conservation issues.



FYI

National Association of Home Builders... Seminar: *Apartment Maintenance, Repair, and Energy Conservation*... Seattle, April 20-21. Details: *Department of Training and Education, NAHB*, 15th & M St., N.W., Washington, D.C. 20005.

Producers' Council... *Construction Media Workshop*... Chicago, May 11. Details: *PC, Inc.*, 1717 Massachusetts Ave., N.W., Washington, D.C. 20036 (202/667-8727).

National Savings and Loan League... *XVI Inter-American Savings and Loan Conference*... Quito, Ecuador, June 4-7. Details: *NSLL*, 1101 Fifteenth St., N.W., Suite 400, Washington, D.C. 20005 (202/331-0270).

Municipal Management Program Lauded

The business of running a city has grown very complex. Among hundreds of other things city fathers must cope with pollution, traffic congestion, a declining tax base, and decayed housing. They must also face the soaring costs of municipal services.

In early March... a *HUD* workshop explored the question of how best to deal with the financial management problems of local government and a new *HUD*-sponsored program was initiated.

Next will be a *National Financial Management Workshop* to be held in Washington in June. Those attending will take a hard look at problems raised and the needs expressed in the various local workshops. From them... *HUD* will develop a plan of action for the new fiscal year.

Additional meetings are planned... funded by *HUD* and sponsored by organizations in attendance at the inaugural meeting in March. Participants will be calling together their local constituencies... including elected officials, members of the investment community, city managers, and interested citizens... so that unique local needs can be outlined and individual solutions developed.

This is a 'financial capacity building' program, according to Donna E. Shalala, *HUD Assistant Secretary for Policy Development and Research*. Ms. Shalala... who conceived the program... has had wide experience in financial management. Before coming to *HUD*... she was treasurer of the *Municipal Assistance Corporation for the City of New York (Big MAC)*.

"*HUD* is not going to impose solutions... but will help localities find their own answers. But first they need to know how other communities have done it. That's primarily what my office will assist in: gathering accurate information and providing ways to share it," said Ms. Shalala.

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April 17, 1978

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U.S. Department of Housing and Urban Development
Washington, D.C. 20410 (202) 755-5499



April 24, 1978

Vol. 9 No. 17

Current Trends

Auction yields were up as *FNMA* issued \$659 million in 4-month commitments to purchase both *Government*-backed and conventionally-financed home mortgages. Of the total... \$36.7 million was in commitments on *Government*-backed mortgages at a weighted average yield of 9.440 percent. In the conventional auction... \$295.3 million was issued at a weighted average yield of 9.691... up from 9.622 in the previous auction.

About 14.6 million of the Nation's 74 million households... 20 percent... moved during the 12-month period ending October 1976... an increase of 900,000 over the previous year... according to a joint report released by *HUD* and the *Census Bureau*. The survey found that about 68 percent of the movers were renters... which means that of the 26.1 million total renters in the country... some 38 percent moved. Only 10 percent of owners moved.

Interest rates for home mortgages increased in March for the fourth consecutive month according to the *FHLBB*. The average interest rate on loans for new single-family homes rose from 9.18 to 9.24 percent... while the interest rate on mortgages for previously-owned homes was also 9.24 percent... up from 9.20 percent in February. The average purchase price of a new home last month was \$59,200... compared with \$53,800 a year earlier. Older home prices averaged \$51,000 compared with \$46,100 in March 1977.

The *HUD Task Force on Housing Costs* is scheduled to issue an interim report early in July.



Housing Partnership Passes \$1 Billion Mark

Greatly increased single-family and multifamily venture activities in 1977 pushed the value of housing in which *The National Housing Partnership* is committed past the \$1 billion mark. There were 64 housing developments added by *NHP* in 1977... bringing the completed value of all its projects to \$1.150 billion... totaling 279 projects with 42,026 units in 37 States. These provide new or rehabilitated housing for about 147,000 people... more than the population of Little Rock. Most of these developments would probably not have been built if *NHP* had not provided front-end equity or joint venture capital to its joint venture partners for land acquisitions, plans, engineering, off-site improvements, loan fees, bonding, and other needs, with these funds subordinated to the land development and construction financing obtained by builders from financial institutions. Total partnership funds at the end of 1977 came to \$89 million... up from \$62 million a year earlier.

Created by the *Congress* in the *Housing Act of 1968*... *NHP* is not a Government Agency but is privately owned and operated. By entering into partnerships with builders/developers and community organizations at the local level... *NHP* has become the largest private producer of housing for low- and moderate-income families in the Nation.

A subsidiary of *NHP*... *Housing Capital Corporation*... had committed 58 ventures in 18 States at the end of 1977... that will ultimately provide 6,100 single-family sales homes with a value over \$325 million. Of this total, 1,100 had been sold or reserved by year end. *NHP* is licensed by the *Small Business Administration* as a small business investment company to assist *SBA*-qualified builders in the production of single-family sales housing projects.

Action Grants Announced

More than \$150 million in *Action Grants* has been announced by HUD for 45 cities in 26 States throughout the Nation. The grants are for direct help for joint public-private development projects to combat economic and physical distress through the innovative new *Action Grant Program*.

The funds will go to 50 projects which are backed by \$978.8 million in private financial commitments. . . and will create or save 43,203 jobs.

"*The Urban Development Action Grant Program* can now begin to fulfill its promise for the urban places in America where the economic base has eroded, neighborhoods have deteriorated, and the poor are in need of jobs," Secretary Harris said.

The *Action Grant Program* is targeted to urban areas in distress. . . and incorporates requirements for strong private financial commitment before a city can receive funds. The *Program* now has \$400 million authorized each fiscal year through 1980. . . of which \$100 million is dedicated to smaller communities. The new awards are the first ever under the *Program*. Additional awards will be made quarterly through Fiscal Year 1980.

The cities receiving funding range from Boston to Riverside, California, to Seattle, and Gadsden, Alabama. Although all those eligible for the *Program* must meet minimum standards of economic and physical distress. . . the *Action Grant* awards are based on the quality of the joint public-private development project submitted.

Under the rules of the *Program*. . . the projects may be commercial, industrial, or residential. . . and must address the types of problems adversely affecting the city's development.

"The kinds of projects we want to happen are those that can bring new jobs, new business, and new and improved housing to distressed areas," said Robert C. Embry, Jr., HUD Assistant Secretary for Community Planning and Development.

Every project will address the two major problems facing distressed urban areas. . . inadequate physical development and a declining tax base. They can get underway soon after we award funds. . . and should be completed within 3 or 4 years.

The second round of applications began arriving at HUD from larger cities on April 1, and smaller cities will submit applications beginning May 1.

A *Fact Sheet* outlining the *Program*, along with a list of the cities, the amounts of Federal grants and private investment involved, and descriptions of each city's projects are available from the HUD *Action Grant Task Force*, Washington, D.C. 20410 (212/755-6195).



Publications Available

Windfalls for Wipeouts: Land Value Capture and Compensations. . . describes benefits and losses to land and real estate caused by government or private action. It is a reference and practical guide to windfalls and describes how they can be recaptured; losses are defined as wipeouts, and the authors tell how they can be mitigated. 704 pp. \$23.95; ASPO members and PAS subscribers, \$21.95. Available from *Planners Bookstore, American Society of Planning Officials*, 1313 E. 60th St., Chicago, Illinois 60637 (No. 1228).

Environmental Analysis: For Land-Use and Site Planning. . . edited by William M. Marsh. Includes discussions of such topics as field sampling, soil analysis, and compilation of flood probabilities. 288 pp. Available for \$22.50 from *McGraw-Hill Book Company*, 1221 Avenue of the Americas, New York, N.Y. 10020 (212/997-2486, 997-3493).

New Towns—Their Origins, Achievements and Progress. . . by Sir Frederic J. Osborn and Arnold Whittick. Concerned primarily with the foundation and development of *British New Towns*. 506 pp. \$42.95. Published by *Routledge & Kegan Paul*, 9 Park Street, Boston, Mass. 02108 (617/742-5863).

Action Grant Applications from Smaller Cities Invited

HUD has issued the final rules covering the operation of the special *Action Grant Program for Smaller Cities*. The rules were published in the March 29 *Federal Register* and apply to all municipalities under 50,000 population which are not the central cities in a *Standard Metropolitan Statistical Area*.

As a result... the Nation's small distressed cities can now begin the process of applying for and receiving *HUD Action Grants* under the special rules that define the urban economic and physical distress and eligibility standards.

The total of funds available to small cities in this fiscal year is \$100 million... but could become even greater if the *Administration's* request for increased funding as part of the *National Urban Policy* is approved by the *Congress*.

"These rules expand and extend *HUD's* commitment to smaller cities," Secretary Harris said, "consistent with our recognition that *National Urban Policy* must address the needs of all distressed urban places, large and small."

The standards of distress target funds to the small cities in greatest need. Special consideration also is provided when cities have twice the national median in age of housing or poverty.

The *Action Grant* rules for smaller communities have been clarified to remove the impression that cities under 2,500 population would be arbitrarily excluded from participating in the *Program*.

Further details regarding the *Program* may be obtained from the *HUD Action Grant Task Force*, Washington, D.C. 20410 (212/755-6195).



County Association Endorses Fair Housing Program

At its *Second Annual Urban County Development Conference*... the *National Association of Counties* formally endorsed the *New Horizons Fair Housing Assistance Program* administered by the *Division of Voluntary Compliance of HUD's Office of Fair Housing and Equal Opportunity*.

In its action... the *County Association* formally pledged its commitment to advancing fair housing in all communities and all community programs... and stated that the *New Horizons Program* provides "a way for communities to take steps to improve the status of fair housing and fair lending above and beyond the minimum requirements under the *Federal Fair Housing Law (Title VIII of the Civil Rights Act of 1968)*."

The *Association* had earlier entered into an agreement to work toward securing support for the *New Horizons Program* from urban counties nationwide.



FYI

American Institute of Steel Construction... *National Engineering Conference*... Los Angeles, May 3-5. Details: *AISC*, 1221 Avenue of the Americas, New York, N.Y. 10020.

American Bar Association... *National Institute on State and Local Construction Law*... Chicago, May 11-12. Details: *ABANI*, 1155 E. 60 St., Chicago, Illinois 60637.

American Public Transit Association... *Mid-year Meeting*... Houston, May 14-18. Details: *APTA*, Conference and Meetings Information, 1100 17th St., N.W., Washington, D.C. 20036.

Structural Stability Research Council... *Annual Technical Session*... Boston, May 15-17. Details: *SSRC*, Secretary, *Fritz Engineering Laboratory-13*, Lehigh University, Bethlehem, PA 18015.

New HUD Housing Study Released

A new report, *Housing for All Under Law: New Directions in Housing, Land Use, and Planning Law*... prepared by the *American Bar Association Advisory Commission on Housing and Urban Growth* with a 3-year, \$436,000 grant from HUD... is designed as a resource for courts, public policymakers, private attorneys, and planners.

Haphazard, unplanned growth of urban areas and restrictive local practices have contributed substantially to economic and racial isolation, limited housing choice, and less opportunity for social mobility for millions of Americans... according to the study.

Legislative, administrative, and judicial alternatives and reforms to address these problems and promote a more rational urban growth process are documented. It cautions that continuing growth patterns of urban-rural low-density development and sprawl may mean "greater numbers of Americans will be denied housing choice, our cities will continue to decline, and racial and economic segregation will be perpetuated."

Commenting on the study, Secretary Harris said it presents "a strong rationale for sharing at all levels of government the responsibility for low- and moderate-income housing. The legacy of racial and economic segregation that now mars our communities will not be reversed without leadership at all levels of government joining in an affirmative commitment to the housing of our low- and moderate-income citizens."

The study... a product of an *ABA Advisory Commission* composed of leading members of the planning, building, legal, and judicial professions, has adopted policy statements concerning the major themes and findings of its report.

The *Commission* reports "available legal and institutional devices must be reformed to more sensitively shape and direct our metropolitan regions and to promote the 'living welfare of the people'."

The full 750-page report is available for \$20.00 from *Ballinger Publishing Company*, 17 Dunster Street, Cambridge, Mass., 02138.

A 19-page executive summary of the findings and conclusions is available from *HUD, Policy Development and Research*, Room 8126, Washington, D.C. 20410.

HUD newsletter

HUD-318-329-ASI
April 24, 1978

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HUD NEWSLETTER
April 24, 1978

HUD newsletter

U.S. Department of Housing and Urban Development
Washington, D.C. 20410 (202) 755-5499



May 1, 1978

Vol. 9 No. 18

Current Trends

The *Census Bureau* reports privately-owned housing starts for March were at a seasonally-adjusted annual rate of 2.074 million units... a 32 percent increase over the February rate... and virtually the same as the March 1977 rate of 2.090 million units. Of the total... 1.439 million units were single-family... compared to 1.1 million units in February. Multifamily starts were also up... with structures of 5-families-or-more totaling 505,000 units... compared to February's 393,000. Permits issued for future construction also increased during the month to 1.715 million units... up 14 percent above February... and slightly higher than a year ago.

The President has filled the vacancy on the *Federal Home Loan Bank Board* by nominating the first woman ever named to the *Board*. Following confirmation by the *Senate*... Ms. Anita Miller... currently Senior Program Director, Department of Urban and Metropolitan Development of the *Ford Foundation*... will join Chairman Robert McKinney and Garth Marston as *Board* members.

HUD's April 1 mortgage survey... the first report on secondary market prices and yields on *HUD/FHA*-insured home mortgages since the 8 $\frac{1}{4}$ percent maximum permissible interest rate became effective February 28... showed that nationally, the secondary market price for immediate delivery of *HUD/FHA*-insured new-home mortgages with 30-year terms and minimum downpayments averaged \$95.9 per \$100 of outstanding loan amount. National average interest rates contracted to be paid by the borrowers on conventional first mortgages increased 5 basis points to 9.30 percent for both new- and existing-home transactions. Three areas reported no change from a month earlier, and the other three areas reported advances ranging from 5 to 15 basis points. The largest increase was in the West... where rates have been higher than the national average for several years.

The *National Association of Mutual Savings Banks* reports a March net deposit inflow in the Nation's *Mutual Savings Banks* of \$350 million... compared to a gain of \$171 million in February... and a net loss of \$59 million in January. Commenting on the increase... Saul B. Klamann, President of the *Association*... said, "This is primarily a seasonal strengthening rather than a fundamental improvement in our deposit experience of recent months. The month's \$350 million inflow is a relatively lackluster performance for March... which is historically a strong month for savings bank deposit growth."

Project notes totaling \$762.1 million... representing 80 *Public Housing Agencies*... were sold in mid-April at an average interest rate of 3.881 percent. The interest rate last month was 3.660 percent.

A joint *HUD-Census Bureau* report of new home sales for February shows a decline to 746,000 units... on a seasonally-adjusted basis... from the January rate of 804,000. There were regional differences... with the Northeast and North Central States showing increases in activity during the month... and both the South and West dropping.

Unemployment in the construction industry dropped slightly in March... according to the *Bureau of Labor Statistics*. The rate was 11.3 percent... compared to 11.5 in February. The rise in actual numbers was 75,000 workers. The overall rate of unemployment for the economy as a whole was 6.2 percent in March... and 6.1 percent in February.

May 3 is 'Sun Day'

Wednesday is '*Sun Day*'... set aside by solar activists to focus national attention on the potential benefits of the use of solar energy and other renewable energy sources in the future.

It is anticipated that President Carter will use the occasion to announce a *National Solar Energy Strategy*... advocating both long- and short-range programs to spur the development of solar energy projects.



S&L Lending Potential Increased

The Federal Home Loan Bank Board has reduced the amount of reserves *S&Ls* must maintain... from 7 to 6.5 percent... of total assets. This action frees some \$2 billion for mortgage lending by the associations. The action was taken by the *Board* in order to offset the drop in savings inflow into the thrift institutions in recent months due to competition from other investment vehicles. For example... short-term *Treasury* bills... now pay 6.3 percent interest for 90-day maturities and 6.7 percent for 180-day bills... in contrast to the maximum 5.25 percent *S&Ls* are permitted to pay. Inasmuch as *S&Ls* are the largest single source of home mortgages in the country... a drop in available lendable mortgage funds could cause a serious adverse impact on the housing market... and it is hoped the *Board's* action will ease the *S&Ls* money shortage.



Rehab Program Simplified

HUD has simplified and improved its program to help owners get Federal loans to improve property in city neighborhoods. The program is designed to enhance the revitalization process without uprooting the families who live there.

"This is an example of what we are doing at *HUD* in line with the President's recently announced *National Urban Policy* to make our good programs less complex, more direct, and more flexible," said Secretary Harris.

Congress has been asked for \$150 million in additional funds for the program as a part of the *National Urban Policy*... which would enable the program to operate at \$275 million per year.

Called the '*Section 312*' *Rehabilitation Loan Program*... the long-term (20 years), low interest (3 percent) direct Federal loans are designed to be used in the neighborhoods most in need of revitalization. The loans are made predominately in community development areas financed under *HUD's* *Community Development Block Grant Program*. They also have proved to be a vital tool in the implementation of the *Department's* new *Urban Homesteading Program*.

The loans are usually administered by a local *Community Development Public Agency* and are available to homeowners or owner/investors. They can be used to bring properties into compliance with local housing codes or with the objectives of a *Renewal* or *Community Development Plan*. They now also may be used to generally improve the property in addition to any repairs required by the *Public Agency*.

The *Program* was originally planned for termination on September 30, 1977... by the previous *Administration*... but Secretary Harris asked *Congress* to extend it through FY 1980.

Homeowners or owner/investors interested in the general program should contact their local *Community Development Agency* for further information.

Copies of the *HUD Notice CPD 78-5*, spelling out the complete list of changes made to streamline and simplify the program, may be obtained by writing to: *Section 312 Loans, HUD, Room 7287, Washington, D.C. 20410*, or any *HUD Field Office*.

Credit Union Mortgage Regulations Issued

The National Credit Union Administration has issued final regulations governing the making of mortgage loans by federally-chartered *Credit Unions*. . . as authorized by *Congress* in 1977. (*Federal Register*, April 7, 1978. . . page 14924.)

The new rules become effective on May 8. . . allowing *CUs* to make conventional loans up to 90 percent of market value on property. . . and up to 95 percent on insured or guaranteed mortgages. This applies to both new and refinanced mortgages.



North Carolina Joins Federal Insurance Program

Effective April 1, North Carolina residents and business owners became eligible to buy burglary and robbery insurance under the *Federal Crime Insurance Program* . . . administered by *HUD*. The announcement was made jointly by *Federal Insurance Administrator* Gloria M. Jimenez of *HUD* and the *Office of North Carolina Governor* James B. Hunt.

Following a review by the Governor and other officials. . . it was concluded Federal coverage should be offered because of evidence that some North Carolina residents and business owners were having difficulty in getting affordable crime insurance coverage from other sources. Thus. . . North Carolina became the 22nd State (plus the District of Columbia) covered by the *Program*.

Federal policies can be purchased through any licensed North Carolina property insurance agent or broker.

In addition to North Carolina. . . Federal crime insurance is currently available in Alabama, Arkansas, Colorado, Connecticut, Delaware, District of Columbia, Florida, Georgia, Iowa, Illinois, Kansas, Maryland, Massachusetts, Minnesota, Missouri, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, Tennessee, and Virginia.



New Historic House Group Formed

The Historic House Association (HHA). . . a new organization representing the interests of private owners of historic houses has been formed. It has opened offices in Washington, D.C., and is recruiting members.

James C. Massey is the executive director of the new *Association*. He reports that some building owners have already contributed substantial amounts to help pay for start-up costs.

The objective of the new private, national, nonprofit association is to support and encourage continued private ownership and preservation of those historic properties now in private hands. *The National Trust for Historic Preservation* is supporting the work of the new group.

HHA will represent its members' interests before legislatures and government agencies; provide its members with information on sources of money, technical know-how, government programs, and laws affecting their properties; publish a newsletter; encourage visitation to properties open to the public, and hold regular membership meetings.

The first of the membership meetings will be held next fall at Biltmore House and Gardens in Asheville, N.C., owned by William A.V. Cecil. Cecil is chairman of *HHA*'s board of directors.

HHA is patterned after the *Historic Houses Association in Great Britain*, which was formed in 1973, and now, through its members, represents more than 500 of the largest and most beautiful historic properties in that country.

The *Association's* offices are located at *National Trust* headquarters, 740 Jackson Place, N.W., Washington, D.C. 20006 (202/683-5200).

FYI

Concrete Reinforcing Steel Institute... Annual Spring Meeting... Phoenix, May 16-20. Details: *CRSI*, 180 N. LaSalle St., Chicago, Illinois 60601.

American Land Development Association and the Land Development Institute... cosponsors... Annual Seminar on Government Regulation of Land Development and Sales: Land and the Law IV... Washington, D.C., May 18-20. Details: *ALDA*, 1000 16th St., N.W., Washington, D.C. 20036 (202/659-4582).

American Institute of Architects... Annual Convention... Dallas, May 21-24. Details: *AIA*, 1735 New York Ave., N.W., Washington, D.C. 20036.

American Consulting Engineers Council... Annual Conference... San Francisco, May 21-25. Details: *ACEC, Education and Meetings Director*, 1155 15th St., N.W., Washington, D.C. 20005.

American Iron & Steel Institute... General Meeting... New York City, May 24-25. Details: *AISI*, 1000 16th St., N.W., Washington, D.C. 20036.

National League of Cities... 1978 Regional Conferences... Atlanta, May 18-19; Indianapolis, July 7-8; Boston, July 21-22; and Portland, Oregon, August 18-19. Details: *NLC* 1978 Regional Conference, 1620 Eye Street, N.W., Washington, D.C. 20006 (202/293-7310).

Urban Land Institute... Semiannual Convention... New Orleans, May 28-30. Details: *ULI*, 1800 M St., N.W., Washington, D.C. 20006.

Building Officials and Code Administrators International, Inc... Annual Convention... Milwaukee, June 4-9. Details: *BOCA*, 1313 E. 60th St., Chicago, Illinois 60637.

HUD newsletter

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**HUD NEWSLETTER
May 1, 1978**

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U.S. Department of Housing and Urban Development
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May 8, 1978

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Current Trends

In the first quarter of 1978... 364,600 housing units were started... compared to 367,400 units during the same period of 1977... the *Census Bureau* reports. Building permits issued during the first 3 months totaled 345,200 units... 4 percent higher than the 1977 first quarter.

Preliminary figures for the seasonally-adjusted annual rate of shipment of mobile home units during February... according to the *Manufactured Housing Institute*... totaled 265,000... down slightly from the 275,000 rate for February 1977. The *Institute* also issued a revised figure for the January 1978 rate... of 322,000 units.

The *Census Bureau* reports private residential building construction in February rose to an annual rate of \$86.9 billion... 7 percent above the revised January rate of \$81.1 billion. The residential segment showed a higher rate of gain than that for total new construction put in place... which was at an annual rate of \$178.1 billion... up 4 percent from the January revised rate of \$171.2 billion.

Final figures for the second half of 1977 issued by the *Bureau of Labor Statistics*... show construction material costs rose at almost twice the rate of all commodities. From July to December... while the index for all commodities increased 2.6 percent... building materials rose 4.7 percent. Among the highest increases were lumber, 9.8 percent (Southern Pine increased 11 percent)... brick, 7.8 percent... asphalt roofing, 11.2... and gypsum products, 12.4.

Urban renewal project notes totaling \$99.9 million... representing 27 local issuing agencies... were sold in mid-April at an average interest rate of 3.804 percent. The average interest for the \$82.5 million of project notes sold in mid-March was 3.413 percent.

Two major housing industry groups have made predictions about the immediate future. The *U.S. League of Savings Associations* said that despite the low rate of savings gains in March (including interest credited, it was \$900 million lower than March 1977)... there is some encouragement that the worst of the savings slowdown may be behind us... barring a further upturn in (competitive) interest rates. The prediction followed an analysis of the final figures for March... which showed a smaller monthly decline (compared to the previous year) than for any month since October. The *National Association of Realtors* thinks mortgage interest rates will reach... or slightly exceed... 9.75 percent in the near future... but the *Association* does not anticipate "a full-blown credit crunch."



New Publication

Watching and Counting: A Survey of State Assistance to and Supervision of Local Government Debt and Financial Administration... presents a state-by-state survey of State government legal requirements and assistance programs directed at local government budgeting, accounting, and financial reporting practices. Available for \$7.50 from *Municipal Finance Officers Association*, 180 North Michigan Avenue, Suite 800, Chicago, Illinois 60601.

Unusual San Francisco Projects Announced

Secretary Harris... speaking to the *National Conference of Christians and Jews* in San Francisco... announced support for two innovative housing projects in that city... the restoration of an historic hotel for college housing, and the conversion of surplus *Government* housing projects to condominiums for low- and moderate-income families.

Hastings College of the Law... which is part of the *University of California*... may receive a loan through *HUD's College Housing Program* to acquire and rehabilitate the Empire Hotel. The hotel is adjacent to the campus and is eligible for nomination to the *National Register* as an historic building.

The loan awaits determination of a structural analysis to ascertain whether expensive reinforcement of the steel frame will be necessary to meet seismic standards. "We do not expect the necessary structural improvements to increase significantly the cost of the project," the Secretary said.

Under the proposal... the building would be rehabilitated to furnish approximately 260 housing units for *Hastings* students... who now live in scattered private housing. The *College* would use a portion of the building for community purposes.

The proposed use of the *College Housing Program* marks the first time that it has been implemented in conjunction with a larger revitalization strategy. The *Federal Government* will also be supporting local efforts to preserve a popular San Francisco landmark.

The second project involves two surplus Government properties, *Inchon Village* and *Solomon Village*... both near the *San Francisco Naval Shipyard*.

HUD and the *General Services Administration* will arrive at a mutually acceptable price for sale of the two properties to the *San Francisco Housing Authority*. The *Housing Authority* will rehabilitate *Inchon Village* into 100 condominium units for sale to low- and moderate-income families. *Solomon Village*... which consists of inexpensive, temporary housing, is not considered suitable for rehabilitation and will be demolished by the *Housing Authority* to create open-space between the condominium complex and the *Naval Shipyard*.

The estimated cost for acquiring, rehabilitating, and financing the project would not exceed \$3 million and would take 14 to 18 months. The *San Francisco Housing Authority* will convert the *Inchon* property under the *FHA Condominium Mortgage Insurance Program*.

HUD will subsidize part of the project under the *Section 235 Homeownership Subsidy Program*... in order to promote the kind of income mixture that will lead to a socially viable development.

Secretary Harris said the need to help restore San Francisco's urban core was a major factor in the decision to develop the projects. "The need to institute the process of revitalization and physical rehabilitation is clear and immediate," she said.



Georgia Signs Fair Housing Agreement

An agreement to promote fair housing in Georgia has been signed in Atlanta by the *Georgia Real Estate Commission* and *HUD*. This action is in line with the ratification last November of a national agreement between *HUD* and the *National Association of Real Estate License Law Officials (NARELLO)*.

Under the terms of the *Affirmative Fair Housing Agreement*... the *Commission* agrees that candidates for real estate licenses not only receive training in fair housing principles and practices but are tested on them in the State licensing examination.

The agreement also provides for disciplinary action against those licensees who violate *Fair Housing Laws* and fail to support affirmative efforts to assist minorities and women to enter the real estate business.

Construction Components Continue Sharp Rise

The continued above-average rise of construction material costs in 1977... (see *Current Trends*, page 1)... resulted in an average annual change in the so-called 'hard' costs of housing of 15.3 percent during the year. The 'hard' costs do not include such other cost items as financing, land, overhead, sales costs, profit, etc. The 15.3 percent rise for 1977 was higher than for any recent year. During the past 5 years... only the 1973-74 period showed a comparable rise... 15 percent. These figures were prepared by the *Economics Division of the National Association of Home Builders*.

At the end of 1977... *NAHB* shows 'hard' costs for an average house of \$22,020... a rise of more than 40 percent in the past 5 years. In 1973... the average was \$15,685. Following the sharp rise of 15 percent in the 1973-74 period... the increase was only 3.4 percent from 1974-75... and 2.4 percent for 1975-76. Some of the more dramatic increases in the components during 1976-77 period... lumber, 35.5 percent... concrete, 28.9 percent... insulation, 28.5. The average annual change for all components was 9 percent... with such items as floor covering (18.6 percent)... insulation, (15.7)... roofing, (13.3)... and concrete, (12.7)... each showing a substantially higher-than-average rise. In contrast... tile work (1.4 percent) showed the lowest average annual change.

In addition to the 'hard' costs... the other components of housing have also gone up sharply. At the end of 1977... the average price of a new home... reflecting all costs... was \$57,500... 13.4 percent higher than the average price a year earlier.



Solar Demonstration Grants Announced

HUD has announced the award of \$2.6 million in grants to buy and install solar heating and hot water equipment in 2,002 single- and multifamily dwelling units. The *Solar Demonstration Grants* involve 48 projects in 22 States and are the fourth in a planned series of demonstration cycles conducted under the *National Solar Heating & Cooling of Buildings Program*... a joint responsibility of the *Department of Energy*... with *HUD* managing the residential part of the *Program*.

The projects were selected from 525 applications received by *HUD* in response to a solicitation in November 1977. In selecting projects for funding... *HUD* evaluated the types of solar systems being used, the completeness of the technical information, the quality of the housing project, and its usefulness in meeting the objectives of the *HUD Solar Demonstration Program*.

The grants are being made to builders and developers for the installation of solar equipment in model and production housing; to *Public Housing Authorities*; community nonprofit groups seeking alternatives to high conventional fuel costs; and to multifamily rental property owners looking for ways to lower tenants' operating costs.



From the States

The Iowa *House of Representatives* voted against permitting the *State Housing Finance Authority*... created to help low- and moderate-income persons buy homes... to make loans to higher-income homeowners to increase the energy efficiency of their homes. The proposed amendment would have allowed the *Authority* to grant home improvement loans to any homeowner to make his house more energy-efficient or to finance the installation of a solar heating system.

Opponents stated they feared it would divert money from the low- and moderate-income families the *Authority* is supposed to help.

At the same time... the *House* approved an amendment that would allow the *Authority* to make home improvement loans to low- and moderate-income homeowners for the same purposes... and also approved an amendment that would give the *Authority* the power to require loan applicants to bring their property into compliance with State thermal efficiency standards. However, the *Authority* would not be required to do so.

Model Code Groups Studying Merger

The Nation's three model code organizations... *Building Officials and Code Administrators (BOCA) International*, the *International Conference of Building Officials (ICBO)*, and the *Southern Building Code Congress (SBCC)*... are studying the eventual merger of the three organizations.

The feasibility study is being conducted by the *Council of American Building Officials (CABO)*... an umbrella organization representing *BOCA*, *ICBO*, and *SBCC*. If successful... the study will develop specific consolidation and merger proposals requiring ratification by the memberships of the respective organizations.

Announcement of the feasibility study on consolidation follows increasingly close cooperation between the three groups during recent years. *BOCA*, *ICBO*, and *SBCC* joint efforts through *CABO* have developed the *One and Two Family Dwelling Code* and a model energy conservation code in cooperation with the *National Conference of States on Building Codes and Standards (NCSBCS)*, and established both the *National Research Board (NRB)* and the *Board for the Coordination of Model Codes (BCMC)*.

Commenting on the proposals... *BOCA* President Ottmar H. Becker, Building Commissioner of Country Club Hills, Illinois, said: "The construction industry would welcome one democratically maintained model code promulgated nationally by the private sector. Our membership services could increase through economy of scale, and we would exercise a stronger and more unified voice for code officials on the national scene."

CABO's efforts in this matter have been praised by two major groups which have a direct concern with code problems. *The American Institute of Architects* called the decision to study a possible merger "a major breakthrough." *The National Conference of States on Building Codes* passed a resolution... by a unanimous vote... praising the initiative of *CABO*... and extending its "best wishes for a successful conclusion in this national effort."

HUD newsletter

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May 8, 1978

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HUD NEWSLETTER
May 8, 1978

HUD newsletter

U.S. Department of Housing and Urban Development
Washington, D.C. 20410 (202) 755-5499



May 15, 1978

Vol. 9 No. 20

Current Trends

Lumber production in February was at a seasonally-adjusted rate of 36.6 billion board feet... a decline of 2.8 percent from January and 0.1 below the February 1977 rate, the *National Forest Products Association* reports. Lumber shipments also declined in February... to a seasonally-adjusted annual rate of 34.5 billion board feet... down 4.7 percent from January and 3.3 percent less than the February 1977 level. Softwood lumber production was down 2.2 percent from January but 1.3 percent ahead of the February 1977 rate. Hardwood lumber production was down 5.9 percent from January and 7.5 percent lower than the rate of February 1977.

The monthly report on construction contracts of the *F.W. Dodge Division of McGraw-Hill* showed a 23 percent increase for March over the same month of 1977. For the first quarter... the rate was virtually the same as for the 1977 quarter. George A. Christie... *Dodge* Chief Economist... said that improved weather during the month brought about a rebound in new contracts for housing from earlier slow activity... and commercial and industrial building contracts were also strong.

The recent increase in the prime rate by a number of the Nation's leading banks strengthens the belief of many financial analysts that mortgage interest rates will soon reach the 10 percent level. The 10 percent prediction... along with a smaller 1978 rate of housing starts... emerged from the *NAHB Annual Residential Construction Forecast Conference*. The consensus of opinion was that starts for the year would be at least 10 percent below the 1977 record of over 2 million. One of the participants expects the rate to drop to 1.5 million... while generally... most of the others thought 1.6 to 1.7 million was more likely... with one or two participants calling 1.8 million the most realistic probable figure.



National Museum of the Building Arts Proposed

Senator Charles McC. Mathias, Jr. (Md.) has introduced a bill to create a *Museum of the Building Arts* to be located in the Pension Building at Judiciary Square in Washington. The building... which was dedicated in 1887 to house the *United States Pension Office*... is a landmark and an impressive example of 19th century classical architecture in the United States. If passed... the bill would establish for the first time... a centralized place to showcase and promote our building arts and sciences achievements.

At a press conference in the Pension Building interior courtyard, Mathias said: "This is an impressive and unique national treasure that should be restored and preserved. What more appropriate purpose for the Pension Building than to preserve it as our national *Museum of the Building Arts*? It is an ideal setting for the demonstration and study of American contributions in civil engineering, architecture, the building trades and crafts, landscape architecture, city planning and urban design."

The *Museum* is expected to serve as library and repository of archives... a site for exhibitions and expositions, and as a place for forums on planning, architecture, and building. It will be a clearinghouse for new technology and important ideas in such critical areas as energy conservation in future building design and city planning.

The *Museum* bill is cosponsored by Senators Randolph (W.Va.), Pell (R.I.), Stafford (Vt.), Cranston (Cal.), Javits (N.Y.), Moynihan (N.Y.), Case (N.J.), and Heinz (Pa.).

Updated HUD Program Booklet Available

A May 1978 revision of *Programs of HUD*... an updated booklet describing all of the Department's programs... has just been issued... detailing how particular programs operate, who is eligible to participate, and which Office within HUD administers them.

Each of the Department's functions is outlined... by major category of activity... such as: *Community Planning and Development; FHA Mortgage Insurance; Homeownership Assistance to Low- and Moderate-Income Families; Special Homeownership Program for the Elderly and Handicapped; Low-Rent Public Housing; Assistance for Nursing Homes and Health Care Facilities; Special Housing Programs for Indians, Disabled, and Military; Rehabilitation Loans; Research and Development Programs; New Communities; Fair Housing; Neighborhood and Consumer Affairs; Interstate Land Sales Registration; Federal Crime, Flood, and Riot Insurance; Federal Disaster Assistance; Secondary Mortgage Programs; and others.*

Copies are available without charge from the HUD Publications Service Center, Room B-258, Washington, D.C. 20410 (202/755-6420).



Limited Rental Assistance Subsidy Program Reinstated

HUD has reinstated a program to help owners of certain hardpressed housing projects and their poorest tenants cope with the economic pressures of rising tax and utility costs. Suspended in January 1973... the program involved mortgage insurance and interest reduction payments to reduce rents for lower-income families. Beginning this summer... the Department will make payments of a limited subsidy to cover these increases in selected projects funded under HUD's old *Section 236 Rental Assistance Program*.

The 1977 *Housing and Community Development Act* directed HUD to implement the subsidy program, subject to the availability of funds, Secretary Harris said, but so far none has been appropriated and the only money in fiscal year 1978 for carrying out the subsidy effort will be the *Housing Assistance Reserve Funds*... estimated to be no more than \$11 million

More than 4,500 of these multifamily projects are now potentially eligible for the subsidy... the Secretary said... but only a small percentage... perhaps 7 percent... can be aided at this time because of the limited resources.

"The important thing," she said, "is we do have an obligation to implement a tax and utility cost subsidy program, and we are moving to meet it, to the extent reserve funds are available—something the previous Administration refused to do. Consistent with the President's approach to Federal spending, we are targeting our limited funds to aid those projects and tenants who need help most."

HUD has proposed a more comprehensive program... the *Flexible Subsidy*... to deal with overall financial problems of insured projects beginning in 1979.

HUD will direct the subsidy to those projects that have experienced the greatest per-unit increases in cost, and have the largest percentage of very low-income tenants needing additional help... generally those whose income is only 50 percent or less of the median income in their areas.

Projects eligible for the subsidy will be divided into two categories... those projects that were insured by HUD and those sponsored by State or local agencies but not insured. The available subsidy funds will be allocated to projects in each category according to the amount of money in the reserve fund which came from each type of project.

HUD has already notified owners of all *Section 236* projects to submit the information needed to calculate the tax and utility cost subsidy, and to date more than 90 percent have responded. HUD's Washington Headquarters staff will use this information to select those projects that will get priority consideration for the subsidy. Plans call for the program to become operational July 31.

Litigation initiated by a number of plaintiffs to force HUD compliance with subsidy provisions of the 1974 *Housing Act* is currently in the process of being settled.

Block Grant Research Project Awarded

The *University of Pennsylvania* has been awarded a 4-year, \$4 million grant to determine the impact of HUD's multi-billion dollar *Community Development Block Grant (CDBG) Program* on the Nation's low- and moderate-income families.

Robert Embry, . . . HUD Assistant Secretary for Community Planning and Development and Administrator of the *Block Grant Program*, . . . said the evaluation "will provide important guidance for local officials and community leaders for the most effective expenditure of CDBG funds. These are the people on the front line of decisionmaking in devising strategies to restore debilitated neighborhoods."

The study will be directed by Janet Rothenberg Pack of the *University of Pennsylvania's School of Public and Urban Policy* and Stephen Gale, chairman of the *Department of Regional Sciences* under a cooperative agreement with HUD.

The results developed by the *University* will be useful for program review by Federal and local officials. Specifically, the study will examine who benefits from the expenditure of CDBG funds in all types of neighborhoods. It will seek answers to questions such as who is affected by rehabilitation programs, and whether spot or concentrated redevelopment more effectively impedes neighborhood decline. Data will be collected from a diverse sample of neighborhoods in 10 to 20 cities.

Sample cities for the study will be selected from the more than 500 CDBG formula-entitlement cities. . . central cities of *Standard Metropolitan Statistical Areas (SMSAs)* . . . and cities with populations over 50,000. Other HUD research projects are examining the role of *Block Grants* in urban counties and smaller cities.

HUD will receive the first findings from this project in the summer of 1979 and will use the information in preparation for *Congressional* reconsideration of the *Block Grant Program*.

The *University of Pennsylvania* won the grant under HUD's competitive procedures . . . and the grant is contingent not only on first-class analysis but on significant affirmative action efforts by the *University* in the selection of personnel to work on the project.



HUD Marks 'Sun Day'

A display of solar energy uses in the home. . . working scale models of solar homes, demonstrations of how solar systems operate, films, and solar do-it-yourself and consumer tips. . . was the focus of HUD's participation in the *Sun Day* observance on May 3. The exhibit was at the HUD Building in Washington.

Sun Day is an international event with the express purpose of promoting citizen awareness and use of solar energy.

According to Secretary Harris. . . the nationwide activities of *Sun Day* were intended to draw the attention of individual Americans to the importance of energy conservation and the viability of new energy technologies. For those concerned with housing. . . the problems of energy supplies and costs are of crisis proportions and require immediate action. The *Department's Sun Day* exhibits offered the opportunity to observe and discover the solar energy and other alternative energy sources available for public use.



FYI

New York University School of Continuing Education. . . *Seminars on Energy Conservation in Industrial Plants*. . . Chicago, June 15-16; San Francisco, July 6-7; Washington, D.C., August 17-18; Toronto (Canada), September 11-12; New Orleans, October 19-20; Los Angeles, November 9-10; and Chicago, December 18-19. Details: Heidi E. Kaplan, Dept. 14 NR, *New York Management Center*, 360 Lexington Ave., New York, N.Y. 10017 (212/953-7262).

National Leased Housing Association. . . *Seventh Annual Meeting*. . . Washington, D.C., June 14-16. Details: NLHA, Suite 400-S, 1800 M St., N.W., Washington, D.C. 20036.

Section 235 Rehab Elimination Proposed

In the April 26 *Federal Register*... *HUD* proposed the elimination of substantial rehabilitation in *Section 235* housing. The proposal would remove rehabilitation from the *Program* "as a result of previous problems which have beset the *235 Program* as they relate to unsatisfactory rehabilitation and default experience of mortgagors who have-used it to buy rehabilitated homes."

Comments on the proposal are invited... and should be sent... no later than May 26... to the *Rules Docket Clerk, Office of the General Counsel, HUD Room 5218, Washington, D.C. 20410 (202/426-8914)*.



Publications Available

The Municipal Year Book 1978... the authoritative source book on trends and developments in American and Canadian cities is now available. New in '78 is a *Directory of Consultants* providing services to local governments; profiles of individual cities showing the latest data on governmental and financial characteristics of all municipalities over 10,000... along with the usual standard features brought up to date. 416 pages... 60 tables... 9 x 12 inches, casebound... subject index... 5-year cumulative subject index... \$27.50 (\$26.50 if payment accompanies order)... from *International City Management Association*, 1140 Connecticut Ave., N.W., Washington, D.C. 20036.

The following publications are available free from *HUD*, Room B-258, Washington, D.C. 20410.

Federal Crime Insurance Against Burglary and Robbery Losses for Home & Business... provides useful tips about shopping for *Federal Crime Insurance*.

Federal Crime Insurance Program... by James M. Rose, Jr., *HUD* Assistant Administrator for Crime Insurance... a reprint from *HUD Challenge*, October 1974.

Documenting Disaster Damage... Federal Disaster Assistance Administration... outlines steps to be taken by a representative of an applicant for Federal disaster assistance.

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HUD NEWSLETTER
May 15, 1978

HUD newsletter

U.S. Department of Housing and Urban Development
Washington, D.C. 20410 (202) 755-5499



May 22, 1978

MAY 23 1978

Vol. 9, No. 21

Current Trends

The Bureau of Labor Statistics reports construction unemployment dropped substantially in April... to the lowest level in 4 years. The rate for April... 9.5 percent... contrasts to the 11.3 percent level in March. Employment in the building trades rose in April by 175,000... bringing the total number working in the industry to over 4.2 million. The rate of improvement in building trade unemployment exceeded the drop in the overall unemployment rate... which fell from 6.2 in March to 6.0 percent... the lowest level in 3½ years.

As had been predicted... a 10 percent mortgage rate has been announced by a number of lenders... including several of the largest *S&Ls* in California. This follows the upward trend that has been developing in recent weeks in all segments of the money market... both short-term and long-term. *Treasury* notes, bills, and bonds... always the trend setters... have all shown a steady upward movement. The *Fed* increased its discount rate ½ point... to 7 percent... and both banks and *S&Ls* were authorized by the *FHLBB*, the *Fed*, and the *Federal Deposit Insurance Corporation* to increase the interest rate paid on *Certificates of Deposit*... starting June 1. This move is designed to attract more money for mortgage lending into the thrift institutions... but as the cost of obtaining the money goes up... the thrift institutions will inevitably have to charge higher rates for their mortgages... which... according to the *Bank Board*... were at a national average level of about 9½ percent for single-family homes in early April.

Mortgage lending by federally-chartered *Credit Unions*... authorized last year... became effective on May 8. *Credit Union* spokesmen... generally... said that the individual institutions would probably take their time before getting into residential mortgages in any volume... to iron out any unfamiliar operating problems in this new field of activity.

McGraw-Hill has released its latest estimate of plant expansion and modernization expenditures for 1978... indicating a total of \$159.3 billion... 17 percent higher than 1977. Adjusted for inflation... the real gain will be 8.5 percent... only half of the apparent jump. The *Company's* economists predict that the upward trend in plant expenditures will continue through 1981... when an annual rate of \$182.2 billion (in 1978 dollars) is forecast.

Net new savings receipts and mortgage lending of federally-insured *S&Ls* increased in March... the *FHLBB* reported. Receipts totaled \$2.6 billion. According to the *Board*... "most of the increase reflected usual seasonal influences." Mortgage lending... at \$9.2 billion... continued only moderately below earlier peaks. Commitments for future lending rose in March by \$1.6 billion to \$22 billion... 15 percent above the same month of 1977... but the month-to-month increase was less than typical in March. The *S&L* activity for the month paralleled the experience of the *Mutual Savings Banks*... reported earlier.



Graduated Payment Mortgages Gain Popularity

Graduated Payment Mortgages... started as a *HUD* demonstration and now an operational program... continue to grow at an increasing rate. During the last half of March over 2,000 applications were received by *FHA*... almost twice the level for the first half of the same month. If activity continues at the present rate, *HUD* can expect to receive approximately 30,000 applications during calendar 1978. These mortgages meet the needs of young families because payments are lower during the initial years of the mortgages.

National Association of Housing Specialists... Workshops on Urban Revitalization ... New York, June 2-3; Boston, July 7-8; Atlanta, August 4-5; and Washington, D.C., September 27-30. Details: *NAHS*, 6813 Drylog St., N.E., Washington, D.C. 20007 (202/350-0930).

National Association of Plumbing, Heating and Cooling Contractors... Convention ... Las Vegas, June 16-20. Details: *NAPHCC*, 1016 20th St., N.W., Washington, D.C. 20036 (202/331-7675).

Construction Specification Institute... Annual Convention ... San Antonio, June 18-21. Details: Walter Geisinger, *CSI*, 1150 17th St., N.W., Washington, D.C. 20036 (202/833-2160).

National Association of Home Builders... Institute of Residential Marketing... Seminar ... Washington, June 18-23. Details: *NAHB Department of Training and Education*, 15th & M Streets, N.W., Washington, D.C. 20005 (202/452-0200).

Government Information Services... Seminars... Grantsmanship and Proposal Development... and Federal Funding for Small Communities ... Washington, D.C., June 14-16 and Newport, R.I., July 17-21. Details: *GIS*, 752 National Press Building, Washington, D.C. 20045 (202/638-5095).

American Nuclear Society... Annual Meeting ... San Diego, June 18-23. Details: David G. Pettengill, Meetings Manager, 555 No. Kensington Avenue, LaGrange Park, Ill. 60525.

National Society of Professional Engineers... Engineers Public Affairs Forum ... Washington, June 19-21. Details: *NSPE*, 2029 K Street, N.W., Washington, D.C. 20006 (202/331-7020).

American Society for Engineering Education... Annual Conference ... Vancouver, B.C., June 19-21. Details: *ASEE*, 1 Dupont Circle, Washington, D.C. 20036 (202/293-7080).

American Society of Heating, Refrigerating, and Air Conditioning Engineers... Annual Meeting ... Albuquerque, June 25-29. Details: *ASHRAE*, 345 East 47th Street, New York City 10017 (212/644-7953).

American Water Works Association... Annual Conference ... Atlantic City, June 25-30. Details: *AWWA*, 6666 W. Quincy Avenue, Denver, Colorado 80235 (303/794-7711).



HUD Proposes Revised Energy Standards

Revised construction standards... designed to produce greater energy savings in new, single-family homes built under *FHA Programs*... were published in the April 24 *Federal Register*.

The proposed revisions of *HUD's Minimum Property Standards (MPS)* for thermal insulation for one- and two-family dwellings spell out a variety of ways to reduce heat loss, including the placement of additional insulation in walls, ceilings and floors.

Generally... the proposed *MPS* thermal insulation revisions would raise present standards for energy conservation in *FHA*-insured new homes. These higher standards are expected to make homes more energy-efficient.

However... builders would be allowed alternatives in meeting requirements to minimize heat loss. For instance... the building could be designed to reflect solar energy gain that exceeds heat loss. But alternative techniques must be cost effective to the consumer and not affect the durability and safety of the structure.

Public comments are invited and can be sent to the *HUD Rules Docket Clerk*, Room 5218, Washington, D.C. 20410. Those received by May 24 will be considered in preparing the final standards.

Tenants To Help Repair Housing

HUD has announced two new actions that could substantially improve living conditions for more than 26,000 low-income families residing in multifamily projects **HUD** owns across the country.

The first involves repair of **HUD**-owned properties... and the second... stronger management of the projects after they have been repaired.

Assistant Secretary for Housing Lawrence B. Simons instructed **HUD Field Offices** to begin repair on more than 250 projects the *Department* has acquired largely through foreclosure of mortgages insured under subsidized programs. A small number of projects built under non-assisted programs but now serving low-income tenants is also included.

Tenants are to be hired to the greatest extent possible in carrying out the repair operations. Simons also directed *Field Offices* to assure adequate management of these projects.

The principal cities involved, each of them with concentrations of **HUD**-owned projects in their neighborhoods, are: Boston, Chicago, Newark, Hartford, New York, Washington, D.C., Tampa, Dallas, Atlanta, Indianapolis, Detroit, Denver, Cincinnati, Kansas City, Mo., Los Angeles, Cleveland, San Francisco, Jackson, Miss., and Oklahoma City.

The new actions are being undertaken as a result of recommendations of the *Multi-Family Property Utilization Task Force* appointed by **HUD** Secretary Patricia Roberts Harris last June to recommend ways to reverse the growing trend of **HUD**-insured projects experiencing financial problems.

The task force found that as projects begin to encounter financial problems, maintenance and repairs are often deferred. Projects deteriorate as the mortgages go into default, are subsequently assigned to **HUD** and... ultimately... are foreclosed.

"By the time **HUD** owns them," Simons said, "they most often are a blight on their neighborhoods and require extensive repairs."

The rents tenants are able to pay often will not support operating and repair costs of their projects, he added. Thus, when they were sold by **HUD** in the past, the sales price usually did not cover the *Department's* outlays to pay off the mortgage insurance claim. After sales... losses have averaged nearly \$1.6 million per multifamily project, considering the cost of the claim and other expenditures made during the time **HUD** owned the projects.

While present instructions call for award of management contracts to the lowest qualified bidder... *Field Offices* in many instances have selected the lowest bidder without adequate attention to qualifications, Mr. Simons said. Under the new instructions... *Field Offices* will include in each bid invitation a comprehensive list of the management qualifications and skills needed to handle specific problems affecting the project to be managed.

When these multifamily properties are repaired... **HUD** intends to sell them with *Section 8 Rental Assistance* subsidies as these subsidies become available, thus assuring their continued availability to house low-income families, Simons said.

The large number of defaults and foreclosures the *Department* has experienced in the past few years stems from the fact that certain *Departmental Programs* did not provide a subsidy mechanism adequate to bridge the gap between operating costs and project rentals caused by inflation and rising costs, especially in utilities. These are **HUD's** older programs of rental housing aid to the working poor... *Section 236* and *221(d)(3) Below Market Interest Rate* and *Market Rate* and *Rent Supplement Programs*.



Publication Available

How Cities Can Grow Old Gracefully... prepared by the *House of Representatives Committee on Banking, Finance and Urban Affairs*. For sale for \$3.25 by the *Superintendent of Documents*, Washington, D.C. 20402. Stock No. 052-070-04385-7.

GNMA Auction Sale

GNMA has announced that it will offer for sale approximately \$300 million in *FHA*-insured and *VA*-guaranteed home mortgages at an auction on May 24.

The mortgages were purchased by *GNMA* under its *Special Assistance Tandem Programs*. Included are loans bearing interest rates of 7 percent and above. The mortgages are generally grouped into packages of \$1.1 million or more. Such mortgage packages, provided they are otherwise eligible, may be used to back issues of *GNMA* mortgage-backed securities even if they are older than 1 year.

The sale will be conducted for *GNMA* by the *Federal National Mortgage Association (FNMA)* under terms and procedures contained in a bidding invitation published by *FNMA* on April 24. A listing of the mortgage package is included with the invitation and may be obtained from the *FNMA Regional Offices* in Philadelphia, Chicago, Atlanta, Dallas, and Los Angeles.



Increase In Older Americans Continues

Another report has been released that should be of interest to demographers and those who chart the future course of housing demand. The *Senate Committee on Aging* reports that the number of Americans 65 years of age and older increased by 18 percent between 1970 and 1977... while total population was growing only 5 percent.

In its annual report on the status of the elderly... the *Committee* predicts that the typical 65-year-old citizen (now 1 in each 9 Americans) can expect to live 16 more years than ever before. The average 65-year-old man can look forward to a 13.7-year life span... while a woman of the same age can expect 18 years of life. Since the turn-of-the century... life expectancy at birth has increased 25 years.

In 1900... only 40 percent of Americans lived to age 65... today the figure is 75 percent.

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HUD newsletter

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Current Trends

Housing starts continue strong. In April... according to the *Census Bureau*... privately-financed housing units were started at a seasonally-adjusted annual rate of 2.189 million units... up 6 percent from the March rate of 2.060 million units... and 15 percent higher than the March 1977 rate of 1.899 million. Permits for new housing construction were issued at an annual rate of 1.752 million units... also a 6 percent rise from March... and 9 percent higher than the March 1977 rate. For the first 4 months of 1978... actual starts totaled 562,900 units... 7.8 percent above the 550,200 starts in same period of 1977.

The seasonally-adjusted annual rate of privately-financed housing units completed in March was 1.815 million units... up 7 percent from the February rate of 1.692 million... and 9 percent higher than the March 1977 rate... according to the *HUD-Census Bureau* monthly report. The rate for single-family units in March... 1.381 million... was higher than the 1.235 million in February. For 2-to 4-unit structures... the rate in March was 127,000... compared to 124,000 in February. For 5- and more units... the rate dropped in March to 307,000 units... from the February rate of 333,000.

The joint *HUD-Census Bureau* report of new single-family home sales in March showed a total of 794,000 units on a seasonally-adjusted annual basis... an increase of 5 percent over the February rate... but 10 percent below the rate in March 1977. Regionally... sales increased in the South and West and dropped in the North and North Central States. The survey also showed a rise in the median sales price of new homes to \$53,700 in March... compared to \$53,400 in February... and \$51,100 in January. Regionally... the median sales price dropped in the Northeast and North Central regions... but rose in the South and West.

The *National Association of REALTORS* monthly report on used house sales showed an increase in the seasonally-adjusted rate for most of the country in March. While the rise was less dramatic in the Northeast... only 2 percent above February... it was 20 percent higher in the South and 8.3 percent in the West. In the North Central States there was a 2 percent decline in sales volume. The sales prices showed a less consistent pattern than for new houses... up \$900 each in the North Central States (to \$40,800)... and in the South (to \$42,900)... down \$1,600 in the West (to \$63,200)... and down \$100 in the Northeast (to \$45,900). The *Association* pointed out that in the West the percentage of \$50,000-and-over homes sold has risen to 75 percent.

HUD's May 1 survey of mortgage conditions showed that nationally... the secondary market price for *HUD/FHA* new-home 30-year mortgages brought a gross yield to investors of 9.37 percent. National average interest rates contracted to be paid on conventional first mortgages rose to 9.40 percent (for new) and 9.45 percent for used houses... a 10 to 15 basis-point rise from early April. All areas of the country shared in the rise... with the North Central section showing the largest increase.

NOTE TO SUBSCRIBERS

A number of our readers have reported some difficulty in reading the *Newsletter* because of the blue paper on which it has been printed. We hope that the new color will make the publication easier to read. Your comments would be appreciated.

Home Builders Pledge Profit 'Restraint'

Expressing concern about rising interest rates and the inflation of housing costs... the *Board of Directors of the National Association of Home Builders*... at their spring meeting in Washington... promised to 'freeze' their profits during the next 6 months.

"The only price increases will be in wages and materials... and we are calling on local and State governments, and the unions to hold off salary increases," Ernest A. Becker, President of the *Association* said.

The promise means that builders are urged to hold their dollar profit at the same level that has prevailed during the past 6 months. This is a voluntary action... and it is hoped that builders generally will accept this restraint. The pledge will apply for 6 months... and could be lifted if other industries do not help in holding prices down.

FYI

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Citibank and the *National Center for Urban Ethnic Affairs*... joint sponsors... *National Neighborhood Revitalization Conference*... New York City, June 13-16. Details: Fred Rotondaro, NCUEA, 1521 - 16th St., N.W., Washington, D.C. 20036 (202/232-3600).

☆

NAHB Issues New Starts Figures

The *NAHB Econometric Forecasting System* has released figures showing the housing starts forecast for the near future. For the 1978-80 period... these are the *NAHB* estimates.

	<u>1978</u>	<u>1979</u>	<u>1980</u>
<u>Total U.S.</u>	<u>1,785,900</u>	<u>1,689,800</u>	<u>1,842,500</u>
Single Family	1,215,300	1,141,500	1,268,100
Multifamily	570,600	548,300	574,400
Subsidized Housing Units (included in total)	(131,000)	(190,000)	(180,000)
 <u>Northeast Total</u>	 <u>201,500</u>	 <u>220,000</u>	 <u>248,600</u>
Single family	141,000	145,800	154,000
Multifamily	60,500	74,200	94,600
 <u>North Central Total</u>	 <u>471,600</u>	 <u>464,600</u>	 <u>543,100</u>
Single family	336,600	338,900	409,400
Multifamily	135,000	125,700	133,700
 <u>South Total</u>	 <u>628,500</u>	 <u>582,800</u>	 <u>610,000</u>
Single family	440,900	395,700	420,800
Multifamily	187,600	187,100	189,200
 <u>West Total</u>	 <u>484,300</u>	 <u>422,400</u>	 <u>440,800</u>
Single family	296,800	261,100	283,900
Multifamily	187,500	161,300	156,900

NAHB has also released figures for housing starts for the 10-year period 1969-78... with actual figures through 1977... and estimates for 1978. The cumulative total for the top 10 metropolitan areas are:

1. Chicago	428,200	6. Anaheim-Santa Ana-Garden Grove	270,782
2. Houston	403,158	7. Washington, D.C.	264,896
3. Los Angeles-Long Beach	373,348	8. Detroit	255,840
4. Dallas-Fort Worth	315,429	9. New York	251,672
5. San Diego	271,548	10. Fort Lauderdale-Hollywood	248,462

Almost Half of Home Buyers Have Second Income

The myth that home buyers must be middle-aged and wealthy "simply is not true—and should be buried," Joseph T. Benedict, vice president of the *U.S. League of Savings Associations*, said as he unveiled the results of a study of 1977 home buyers. "In spite of more than a decade of excessive inflation, Americans are buying homes in record numbers," Benedict commented.

Conclusions are based upon results of a *League* study of 8,500 conventional mortgage loans funded last year by *Savings and Loan Associations*. . . the Nation's chief source of home mortgages. The *League* is the largest trade organization serving the \$460 billion S&L business. The comprehensive study. . . which includes data comparing first-time home buyers with repurchasers and breakouts by population and regional groupings. . . is the first in-depth study of the demographic and financial characteristics of home buyers who finance their homes with conventional mortgage loans. Because they are based on 1977 data, the study findings are "especially relevant" in what continues to be an inflationary economy, Benedict said. "Perhaps one of our most important findings is that there is no such thing as an 'average' home buyer."

Consequently, "those national averages on housing costs, family incomes, and home buyer demographics. . . which some doomsayers have used to predict the end of the American dream of homeownership for all but the wealthy. . . are inaccurate and highly misleading. The facts are that. . . contrary to popular opinion, . . . many home buyers are young, most have relatively modest incomes, and the majority purchase homes costing less than \$50,000," Benedict said. "Young people obviously are a big part of the housing market. More than half of the home buyers between the ages of 25 and 30 are either single or married without children, and therefore have money to spend on homes."

According to the *League* study:

- 36 percent of all home buyers in 1977 were less than 30 years old. . . and a surprising 12 percent were younger than 24.
- 13 percent of the home buyers were single. . . and an additional 4 percent were single couples.
- 60 percent of 1977's home buyers had household incomes of less than \$25,000. . . and nearly as many had household incomes of less than \$15,000 as had incomes over \$35,000.
- Second incomes are increasingly important to many home buyers. According to the *League* data. . . 45 percent of all home-buying families had more than one wage-earner last year; and in nearly 30 percent of the cases the second worker contributed between 30 percent and 50 percent of the total household income.
- 62 percent of the home buyers purchased housing last year which cost less than \$50,000. . . and fully half found homes costing less than \$44,000.

"Too many housing cost discussions center on average prices," Benedict said, "but averages are very misleading." The study reveals more people purchased homes costing less than \$30,000 than purchased homes costing more than \$70,000. . . and there are significant regional and city-size differences in home prices.

In the largest metropolitan areas. . . those with populations of more than 3.5 million. . . the median home price was slightly more than \$52,500. . . but the median price was less than \$37,300 in cities with populations less than 50,000.

Similarly, home prices were higher in the Western States and least expensive in the North Central region.

The study data "clearly indicate" that high-cost housing "is a phenomenon of the large urban center," Benedict said, "but the steady movement of people to smaller cities suggests a growing opportunity for less expensive housing."

The report. . . *Homeownership: Realizing the American Dream*, is available from the *League* at 111 East Wacker Drive, Chicago 60601. Price \$10 for nonmembers and \$7.50 for members. Address orders to Central Billing Department.

Significant Decision

In *National Society of Professional Engineers v. United States*... USSC 76-1767... the U.S. Supreme Court in an 8-0 decision... ruled that the NSPE cannot prohibit its members from engaging in competitive bidding.

This is a landmark decision... as it now removes the legal basis for the claim of not only *Professional Engineers*, but architects... and other professional groups... that it was unethical to engage in price competition.

In its decision... the Court said that the *Sherman Act*... that NSPE was found to have violated... "does not require competitive bidding, but it prohibits unreasonable restraints on competition." The Court ruled that the Society's claim that the 'no competition' rule protected public health and safety... even if true... did not confer 'monopoly privileges' on engineers.

The Court did nothing to prevent the Society from encouraging its members not to engage in competitive bidding... or to block individual engineers from using the traditional selection and fee-setting processes... but the requirement that the noncompetitive system be used... is invalid.



New Publications

Annotated Bibliography on Housing Rehabilitation... prepared for the Pennsylvania Bureau of Housing and Development, Department of Community Affairs. Copies free from: Office Services Division, Pennsylvania Department of Community Affairs, 106 South Office Building, Harrisburg, Pennsylvania 17120.

Residential Security... published by HUD... consists of reprints of articles that appeared in *HUD Challenge* magazine during 1974-77, and brings together materials of significance to those interested in and concerned about the problems of residential security. Available free from HUD, Program Services Division, Office of Assisted Housing Management, Room 6240, Washington, D.C. 20410.

HUD newsletter

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May 29, 1978

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May 29, 1978

HUD newsletter

U.S. Department of Housing and Urban Development
Washington, D.C. 20410 (202) 755-5499



June 5, 1978

Vol. 9 No. 23

Current Trends

In April... both *S&Ls* and *Mutual Savings Banks* experienced a continuation of the drop in savings inflows of recent months. The *U.S. League of Savings Associations* reported April deposit growth of \$700 million... a 67 percent decline from April 1977. It was the deepest drop for any month so far this year. Norman Strunk, *League* executive vice president said that April is typically a "tough" month for savings because of income tax requirements, but that this year savings had been affected adversely by the interest rate rise (in competitive securities) in recent months. The *National Association of Mutual Savings Banks* reported an outflow of \$550 million... which was topped only by the \$645 million outflow in April 1954. An *Association* spokesman said, "It goes well beyond what might have been produced by seasonal factors."

Urban Renewal Project notes totaling \$110.2 million... representing 49 local issuing agencies... were sold in mid-May at an average interest rate of 3.90 percent. The average interest rate for the \$100 million of project notes sold in mid-April was 3.804 percent.



FHA Mortgage Rate Increased

Secretary Harris announced an increase in the maximum allowable interest rate for *HUD/FHA* insured single-family mortgage loans to 9 percent effective May 23. The previous rate on single-family mortgage loans was 8¾ percent.

The new single-family rate was determined after consultation with Max Cleland... Administrator of the *Veterans Administration*... who simultaneously announced a similar change in the maximum rate of *VA* home mortgage loans.

Secretary Harris said that the increase is necessary to bring *FHA* rates in line with other competitive rates in both the mortgage and financial markets. This change is expected to increase the availability of *FHA* financing for moderate-income home buyers and sellers, who are the major beneficiaries of *FHA*-insured mortgage financing.

The allowable rate on multifamily mortgage loans remains at 9 percent. The *Department* is closely monitoring multifamily mortgage rates, and will make necessary changes if conditions warrant.



HUD Official Honored

The *National Trust for Historic Preservation* in ceremonies marking *National Historic Preservation Week* in May included a shared award to Robert C. Embry, Jr., *HUD Assistant Secretary for Community Planning and Development*, William D. Schaefer, *Mayor of Baltimore*, and Edward R. Oppel, head of the *Bureau of Construction Management* in Baltimore. The award was for the preservation of Baltimore's historic structures and their integration with newly-constructed facilities to help revitalize downtown Baltimore. The *Trust* said the three men "have also shown sensitivity to residents in drawing up neighborhood conservation plans."

FHLBB Prohibits 'Redlining'

The *Federal Home Loan Bank Board* has issued regulations prohibiting the use of 'redlining' by federally-chartered S&Ls. The regulations have been under consideration for some months... and the proposals were originally announced last November. The final regulations were published in May... and become effective July 1.

The new rules specifically bar an S&L from refusing to make mortgage loans on houses just because of age of the property... or central-city location. Additional regulations... requiring the lenders to maintain a 'loan register' which will list all applicants for loans and the disposition of the application... so that the 'register' may be used as a monitoring device for both the S&Ls themselves and for enforcement officials. The 'register' regulations become effective September 1.



HUD Calls for Closer Scrutiny of its Multifamily Projects

HUD has issued a strong reminder to its *Field Offices* that there must be careful supervision of private supervisory architects' monitoring of the construction of the *Department's* multifamily housing projects. The reason for the reminder is that in some instances such architects engaged by project owners have poorly administered this supervisory responsibility. It added that this kind of administration may have contributed to recent adverse findings concerning the quality of multifamily project construction.

The notice alerted *Field Offices* to the importance of following required procedures such as:

- Holding preconstruction conferences with supervisory architects.
- The architect providing information about any omissions, substitutions, and deficiencies in the work of the contractor.
- Reporting by the architect of the results of periodic visits to the construction site.
- Reporting by architects of changes needed to bring construction into compliance with the contract documents.
- The architect's certifying the validity of the requested payments to the contractor.

The *HUD Central Office* also reminded *Field Offices* that an architect's undue delay, misrepresentation, or failure to act can result in termination of the architect's contract... and eventually in adverse action against him by the *Department*



Austin is Least Expensive City

The capital of Texas is the least expensive city in the U.S. to live in the 48 contiguous States... while Boston and New York City are virtually tied for the most expensive. Both Anchorage and Honolulu (not in the contiguous 48) showed rates substantially higher for all three standards than Boston and New York City. The *Labor Department* has issued an analysis of living costs... for three categories... lower-level, middle-level, and higher-level... for an average 4-member family. The figure for a lower-level, family in Austin is \$9,286... compared to \$11,481 in Boston, and \$11,155 in New York. For the middle level... Austin's figure was \$15,283... and the higher level \$21,727.

The three-level rates for the major cities are: Atlanta—\$9,594, \$15,483, \$22,584; Boston—\$11,481, \$18,298, \$31,199; Cincinnati—\$9,940, \$16,547, \$23,280; Cleveland—\$10,476, \$17,411, \$25,010; Detroit—\$10,400, \$17,427, \$25,550; Houston—\$9,921, \$15,488, \$22,421; Honolulu—\$13,280, \$20,883, \$31,897; Indianapolis—\$10,179, \$16,695, \$23,806; Los Angeles—\$11,134, \$17,126, \$25,880; Minneapolis-St. Paul—\$10,471, \$17,813, \$26,118; New York—\$11,155, \$19,972, \$31,655; Philadelphia—\$10,897, \$17,792, \$25,933; Pittsburgh—\$10,216, \$16,516, \$24,016; and Washington, D.C.—\$11,084, \$18,026, \$26,454.

The income levels represent the cost of three hypothetical lists of goods and services, including taxes, that were drawn up in the mid-1960s.

The *Bureau of Labor Statistics* said the new figures are the result of a survey last fall.

HUD Holds Seminar on Youth Job Grants

HUD has concluded a 3-day seminar aimed to teach neighborhood organizations how to use their Federal funds to create permanent jobs and revitalize their cities.

Some 60 representatives of *Government Agencies* and 10 *Community Development Corporations*, which recently received about \$8 million in *Youth Employment Demonstration Grants*, attended the seminar held at the *HUD* National Training Center.

The grants to the *Community Development Corporations*... or *CDC's* as they are commonly called... were made under a *Youth Employment Demonstration Program* administered by *HUD* and funded by the *Department of Labor*. Under the interagency agreement, *HUD* is authorized to select participants, issue grants and furnish guidelines and technical assistance.

Federal Agency participants... in addition to *HUD* officials... included representatives of the *Departments of Defense; Commerce; Energy; Health, Education, and Welfare; Small Business Administration; General Services Administration; and ACTION*.

There were discussions on subjects ranging from the concept of *Community Development Corporations* and the use of venture capital in business development... to the weatherization and disposition of housing.

In attendance at the seminar were the executive directors and project managers of the following *Community Development Corporations*:

Greater Roxbury Development Corp.

90 Warren Street
Roxbury, Mass. 02119

People's Development Corp.

1186 Washington Avenue
Bronx, New York 10456

North Ward Educational and Cultural Center

346 Mount Prospect Avenue
Newark, New Jersey 07104

Southwest Virginia Community Development Fund

401 First Street
Roanoke, Va. 24016

Mississippi Action for Community Education, Inc.

815 Main Street
Greenville, Miss. 38701

The Woodlawn Organization

1180 East 63rd Street
Chicago, Ill. 60637

Mexican American Unity Council

2300 West Commerce
San Antonio, Texas 78207

Carr Square Tenant Management

1521 Carr Drive
St. Louis, Mo. 63106

Watts Labor Community Action Committee

11401 South Central Avenue
Los Angeles, Calif. 90059

Exodus

355 Georgia Avenue, S.E.
Atlanta, Ga. 30312



Publications Available

The following *HUD* publications are available free and may be obtained from the *Publications Service Center, HUD, Room B-258, Washington, D.C. 20410*.

Homeowner's Glossary of Building Terms... defines some terms used in home construction, repair, and maintenance. Provides a quick reference for homeowners who are unfamiliar with building terminology.

HUD Programs That Can Help the Handicapped... indicates ways to use some programs administered by *HUD* to promote the safety, comfort, general access, and daily convenience of disabled people.

Questions About Condominiums: What to ask before you buy... informs possible purchasers and others interested in the condominium concept and encourages condominium ownership. Covers pitfalls for purchasers and suggests safeguards for avoiding them.

Maine Receives Rehabilitation Grant

More than 650 low- and moderate-income homeowners in rural Maine will receive rehabilitation help from a \$200,000 *HUD Community Development Innovative Grant* to the *State of Maine*.

"This is an outstanding home repair project which has already proven to be successful," said Secretary Harris. "This award both acknowledges the project's excellence and underscores President Carter's commitment to provide incentives to State governments to become more deeply involved in community revitalization."

The program...called the *Maine Housing Rehabilitation Project*...involves the assignment of Housing Rehabilitation Technicians to work within each of Maine's 13 *Community Action Agencies*. These rehab technicians are familiar with all existing sources of home repair funding and serve as liaisons between rural lower-income homeowners and the funding sources.

This network brings together existing Federal, State, local and private resources to rehabilitate the homes of the many rural poor who often cannot afford even the most essential of home repairs.

Under the first phase of the *Maine Housing Rehabilitation Project*... which *HUD* also funded... it was expected that 364 houses could be upgraded. In fact... 675 homeowners have been assisted, and for each Federal dollar spent in the initial phase... almost \$10 in home repair or home purchase funding was generated.

More than 90 percent of the loans and grants awarded in the first phase went directly back into the economy of the State in the form of labor and materials.

The *State of Maine* is expected to establish a completely State-funded program to carry out the work of the program when the *HUD* funds are exhausted.

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Washington, D.C. 20410 (202) 755-5499



June 12, 1978

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Current Trends

Net savings inflows at *S&Ls* in April dropped to the lowest level in more than 3 years. . . according to the *FHLBB*. New deposits in April were \$364 million. . . compared to \$2.59 billion in March. This drop is larger than normal. . . even though April is historically a poor month for savings. . . mostly because of income tax payments. Not since 1974 had any April been as low as this April. . . and the inflow was lower than any month since October 1974.

The upward movement in interest rates continues in all segments of the money market. . . short-term, long-term, and medium-term loans. Corporate bonds marketed in late May carried an interest rate of over 10 percent. Two-year *Treasury* notes brought an average yield of 8.09 percent. With another $\frac{1}{4}$ point rise in the prime rate. . . to $8\frac{1}{2}$ percent. . . just before Memorial Day. . . there is little indication of any probable easing of the situation in the foreseeable future.

The *Engineering News-Record Index of Building Costs* for May recorded a national average increase of 9.7 percent for the past year. . . for the 20 cities covered by the *ENR* survey. The rise for the month over April was 1.9 percent. The annual rate of increase ranged from +7.4 percent in New Orleans to 12.3 percent in Kansas City. Components increased during the year. . . common labor +6.9 national average. . . with a low of 0.6 percent for Baltimore. . . and 12.3 percent for Birmingham; skilled labor. . . national average 6.7. . . with a range of 1.6 percent in Baltimore. . . to 11.5 percent in Seattle. . . and materials. . . nationally +13.8 percent. . . ranging from 9.0 in Minneapolis to 18.4 percent in Chicago.

The *FHLBB* has authorized federally-chartered *S&Ls* to issue *VISA* and *Master Charge* credit cards. Previously. . . only banks were permitted such credit card operations.

The *Commerce Department* released housing vacancy rates for the first quarter of 1978. . . showing a decline to 5 percent. . . the lowest rate since the series began in 1960. New houses for sale at the end of March. . . 406,000. . . comprised a 6.4-month inventory. A year earlier the inventory rate was 5 months.



Significant Decision

In *Stanback V. Harris*, 444F Supp. 1143, U.S. District Court for the District of Columbia. . . the Court found that HUD was not required to ensure that an adequate transportation system be available near a senior citizen housing project for which HUD was providing part of the financing.

The suit was brought in connection with the *Fort Lincoln Senior Village*. . . a private development. . . by two elderly D.C. residents. . . who claimed that Federal regulations regarding site development were not complied with. . . and that HUD approved the site without considering adequate transportation services.

The Court disagreed. . . stating that HUD's evaluation was lawful, judicious, and not arbitrary.

Uniform Relocation Act Streamlined

HUD is accepting public comments regarding proposed rule changes to help communities acquire houses for federally-assisted activities and rehabilitate them without displacing residents.

Residents of housing to be rehabilitated who are given the option by the community to remain in such housing would be protected against paying excessive rent under the changes to the *Uniform Relocation Act* regulations.

The draft rules... proposed in the March 31 *Federal Register*... are also designed to streamline and simplify the regulations.

Robert C. Embry, Jr., *HUD Assistant Secretary for Community Planning and Development*, said: "The proposed changes are designed to make rehabilitation feasible for communities and still protect the rights of tenants. Under the revised regulations it will be easier to keep people in their homes when the dwellings are rehabilitated as part of a *Community Development Plan*. If tenants must be displaced... they will be provided with prompt Federal assistance. The simplified rules are more readable and have been shortened by deleting or condensing largely overlapping material. They reflect President Carter's request that Federal regulations be written in language that is easier to understand."

The changes simplify and clarify the regulations of the *Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (The Uniform Relocation Act)*, which insures that owners and tenants of property affected by HUD-funded activities are treated fairly.

The revised regulations will also complement HUD's *Block Grant Program*... the Carter administration's major method of funding *Community Development*, which places emphasis on rehabilitation rather than demolition.

"Low- and moderate-income persons renting homes or apartments rehabilitated as a result of public action could occupy the same dwelling or one nearby for a 4-year period without a substantial rent increase," Mr. Embry said.

FYI



Air Pollution Control Association... Annual Meeting and Exhibition... Houston, June 26-30. Details: *APCA*, P.O. Box 2861, Pittsburgh, Pa. 15230.

American Society of Interior Designers... Annual Conference... Washington, D.C., July 22-25. Details: *ASID*, 730 5th Avenue, New York, N.Y. 10019.

International Union of Architects... World Congress... Mexico City, October 23-27. Details: Maurice Payne, *AIA, Institute Headquarters*, 1735 New York Avenue, N.W., Washington, D.C. 20006, or *UIA*, Melchor Ocampo 463-104, Mexico 5, D.F. Mexico.

National Association of Home Builders... National Housing Goal Conference... Washington, D.C., September 27-28. Details: *NAHB*, 15th & M Sts., N.W., Washington, D.C. 20005.

Poverty Level Revised



The *Labor Department* has raised the income amount defined as the 'poverty level' by \$350. For a nonfarm family of 4 persons... an income of less than \$6,200 is considered 'living in poverty'... compared to \$5,850 a year ago. For a farm family... the level is \$5,270... up \$290 from a year earlier. The changes reflect the cost-of-living increases during the period. The poverty-level guidelines are used in establishing eligibility for various Federal programs.

The *Census Bureau* estimates there were 24 million Americans living in poverty in 1975.

West Virginia Disaster Victims Aided

HUD has committed nearly \$64 million in new housing aid for disaster victims and low-income families in West Virginia.

Of that amount \$13.9 million has been earmarked for development of 100 badly-needed *Public Housing* units for low-income families in Charleston. An additional commitment of \$2 million annually. . . over a 30-year period. . . will be in rental assistance funds to aid the financing of 500 more new units of permanent low-rent housing for West Virginians whose homes were destroyed in massive disasters that struck the State in 1977.

Availability of this rental assistance funding will do two things, Secretary Harris said: enable a builder to readily obtain the mortgage financing he needs by guaranteeing his rents in advance and. . . more importantly. . . permit disaster-stricken families now in temporary quarters to move into better, permanent housing.

HUD's Section 8 Rental Assistance Program pays the difference between what a tenant can afford to pay. . . not over 25 percent of income. . . and the fair market rent of a dwelling unit.

The 100 new *Public Housing* units will be in addition to the 'fair share' allocation of current *Public Housing* funds for all metropolitan areas in West Virginia. . . which is 150 units.

The 500 additional units of new *Section 8 Rental Housing* are part of a commitment **HUD** made earlier to provide 2,000 units of permanent housing for disaster victims in the State. Funds for 965 of that number have already been allocated to the *West Virginia Housing Development Funds Agency*. Funds for the new 500 units will also be made available through that *Agency*.



PUSH, Inc. Receives Counseling Grant

HUD has announced a \$75,000 *Comprehensive Housing Counseling Grant to Operation PUSH, Inc.*, a Chicago nonprofit self-help corporation founded in 1971 by the Rev. Jesse L. Jackson.

Secretary Harris said the grant. . . covering a 1-year period. . . will fund the establishment by *Operation PUSH (People United to Save Humanity)* of a *Comprehensive Housing Counseling Center* in the Chicago area for some 1,000 low- and moderate-income residents of the inner city.

In addition to providing direct counseling on such subjects as rehabilitation, pre-purchase requirements, homeownership, consumer credit, financing, and mortgage default . . . the program will seek to encourage family and neighborhood stabilization.

The center also will supplement the current level of services of neighborhood housing groups, provide research data on counseling, and develop a referral system through its housing division which currently is serving 2,500 persons.

While there are other housing counseling agencies in the Chicago metropolitan area. . . *PUSH* activities will differ by addressing the broadly-based, total concept of consumer education of which housing is a major component. There are more than 30 full-time employees and 75,000 members. . . and the organization is unique in having minority administrators. . . particularly sensitive to the needs and cultural requirements of the low-income minority family.

Funding for housing counseling services has previously been awarded to 366 agencies throughout the country by *HUD's Office of Neighborhoods, Voluntary Associations, and Consumer Protection (NVACP)*.

New Crime Insurance Publication Available

A new *Federal Crime Insurance Program Questions and Answer* publication has been issued. It covers the details of *Crime Insurance*. . . a federally-subsidized program designed so individuals and business owners can buy low cost protection against burglary and robbery losses in those areas where there is no State program, or an inadequate one. Policies are not cancelled because of losses, and rates are uniform within entire metropolitan areas.

The *Federal Program* was developed to fill a void. Although homeowners, tenants, and business owners are assured of getting fire insurance in many States under insurance programs called *FAIR* plans, residents and store keepers complained that insurance companies were denying renewals for crime insurance and that new policies were difficult to get. As a result of these complaints, the *Congress* convened public hearings and created the *Federal Crime Insurance Program* in 1970.

HUD administers the *Program* through the *Federal Insurance Administration (FIA)*, which makes Federal crime insurance available in those States where crime insurance is not fully available at affordable rates.

The *Program* began with 10 States. As *FIA* became increasingly aware of the problem of crime insurance availability additional States were added bringing the total to 22 States. The District of Columbia and Puerto Rico are also eligible.

The *Program* became increasingly active in the last year, reflecting concern growing out of the New York blackout in 1977 and the tight insurance market. Today over 45,000 crime insurance policies are in force.

Crime coverage is sold by local licensed insurance agents or brokers.

Copies of the *Publication* are available free from the *FIA*, Room 5250, HUD, Washington, D.C. 20410 (202/755-5662). A *Spanish* version is available from *HUD's Office of Public Affairs*, Room 9243 (202/755-7174).

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HUD newsletter

U.S. Department of Housing and Urban Development
Washington, D.C. 20410 (202) 755-5499



June 19, 1978

Vol. 9 No. 25

Housing Costs Task Force Reports

On June 7... Secretary Harris released the final report of the *Task Force on Housing Costs*. The report lists 150 specific recommendations... many calling for changes in local and State regulations... and some which would require action by Congress. The *Task Force* findings and recommendations were announced at a joint press conference with Robert E. Strauss, Counselor to the President for Inflation. Following are excerpts from the Secretary's remarks:

"Decent, safe, sanitary, and affordable housing is not something solely reserved for the privileged. It is a right for all Americans, guaranteed since the passage of the *Housing Act of 1949*. Yet, thousands of families in this country are living in dwellings which are far from what we would consider decent or affordable.

"Owning one's own home is still the American Dream, but it is a dream that for many can only be a dream. For too many Americans, the young who are purchasing their first houses, the elderly who live on fixed incomes, and those who have very limited savings, the dream has turned into a nightmare. The primary reason is the high cost of decent housing. Housing is the largest single investment that a family makes and the largest expenditure in a family's annual budget.

"In recent years, the cost of building, buying, and operating a decent home has increased faster than family income. For example, between 1963 and 1972, the median family income increased at an annual rate of 6.6 percent (compounded) and the median price of a new single-family home rose at an annual rate of just over 4.2 percent. However, between 1972 and 1976 family income rose at a rate of just over 7 percent, while the median price of a new single-family home rose at an annual rate of 12½ percent. In fact, between 1972 and 1976 the price for a new single-family home increased almost twice as fast as incomes and prices in general. Furthermore, between 1967 and 1977, the median price of a newly-constructed single-family home more than doubled, rising from \$22,700 to \$48,800. By March of this year, the median price had reached \$53,700.

"Not only is the cost of new homes outpacing income, but the cost of existing housing units is also. And renters fared no better. Since 1972, rents have risen twice as fast as in the preceding decade.

"Last year, I authorized the creation of a *Task Force on Housing Costs* to examine all aspects of the recent increases in escalating housing costs. This *Task Force* was made up of 52 individuals representing the private sector, Federal, State, and local governments, labor unions, and consumer interests. The final report of this task force, which is being made available to you today, is the product of that independent *Task Force*.

"It is clear that the Federal Government cannot deal with all of the issues raised in this report. It is just as clear that we in HUD have a responsibility to promote and lead an intelligent and informed national debate on the critical issues raised. Beginning today we will make every effort to see that the debate on these issues is joined at the State and local levels which must be the origin of many of the solutions.

"Although it is impossible at this time to go into any great detail on the findings and recommendations of the *Task Force*, I would like to share with you some of the *Report's* key findings and recommendations."

(Continued)

Task Force Report--Cont'd

Major Recommendations

Basically...the report recommends that the *Federal Government* lead a nationwide concerted attack on the high level of land, development, and construction costs...and that *HUD* play a dominant role in the effort...and suggests the *HUD* Secretary take on a strong Cabinet-level role in helping set policies that consider needs of the housing sector among national economic goals. The *Task Force* also proposes:

- A concerted effort at all levels of government to eliminate standards and regulations that tend to increase costs, and streamline those dealing with financing, land development, housing construction and rehabilitation. *HUD* would encourage and help localities with this process...and withhold Federal *Urban Development* funds from localities not making a reasonable effort to cut out unjustified, cost-increasing regulations.

- Creation of an office to monitor progress being made in stabilizing housing costs and to coordinate departmental codes policy. The office will also review the remaining recommendations of the *Task Force* to determine how they might best be implemented in their present form or in some adjusted form.

- A thorough study of the cost impact of local property taxation and hazard insurance fees, and exploration of innovative utility, property tax, and insurance practices.

Other highlights:

Land Development

With the cost of land a major factor in housing costs...about 20 percent of the typical single-family house...the *Task Force* recommends that *HUD* establish minimal standards dealing with zoning, public facilities, and related controls...and use them in identifying land-use controls that are cost-increasing and contrary to Federal housing and community development policies.

Also...that to reduce site development costs...*HUD* work through regional councils of government to encourage localities to permit smaller lot sizes and higher density housing such as garden apartments. And...that the regional councils develop regional standards for local fees and charges, and that local review and approval of licensing-permit requirements now faced by builders be speeded. Such processing delays run up builder costs, which are passed through to consumers in higher housing costs.

Localities would not be forced to accept these guidelines or regional standards. But if they did not...*Urban Development* funds would be withheld from non-complying jurisdictions.

Building and Technology

The report recommends in part that *HUD*:

- Encourage States and localities to adopt model building codes;
- Work with model code organizations to develop a revised 1- and 2-Family *Dwelling Code*, and offer financial incentives for mandatory State codes that adopt this revised code;
- Require communities applying for *Community Development Block Grant* aid to certify that their codes do not unnecessarily increase the cost of housing;

(Continued)

Task Force Report—Cont'd

- Support development of a new rehabilitation code that would permit nonskilled workers to do the job;
- Reconcile its own *Minimum Property Standards (MPS)* with a revised *1- and 2-Family Dwelling Model* code, and to cut its own processing time by relying on architects and engineers to certify that construction specifications meet *HUD's MPS*.

With material and labor costs the largest portion of the price of housing... though lower now as a share of the total new house price than in 1945... the *Task Force* further recommends monitoring of price trends for critical building materials, fixtures, and appliances, and suggests *HUD* cooperate with the *Forest Service* and others to ensure a steady supply of lumber and wood projects.

Financing, Money Markets, Marketing

The *Task Force Committee on Financing, Money Markets, and Marketing* re-emphasizes the needs for a strong *HUD* role in setting national monetary and tax policies as they affect the housing sector, and suggests many additional actions to reduce financing costs, among them:

- *HUD* deregulation of the *FHA* interest rates and encouragement for States to repeal or modify their usury laws... to ensure adequate flow of mortgage money for housing;
- Federal use of tax incentives to increase participation by pension funds and life insurance companies in the residential mortgage market;
- That *HUD* streamline and standardize its loan processing procedures to cut red tape and speed up applications for mortgage insurance;
- That *HUD* support statutory changes that would permit development and testing of new financing mechanisms to supply housing for families with special needs... large families, the handicapped, migrant workers;
- Modification of *FHA* authorization to make available 35-year, no-downpayment mortgage loans for first-time home buyers and those returning to the home-purchase market.

Other Recommendations

- Creation by *HUD* of a permanent mechanism to process and support large-scale land and housing development applications for locations in high-density urban centers, using variations of the *Department's Title X Insured Loan Program* and the *New Communities Program*, as well as the *Community Development Block Grant* and *Action Grants Programs*.
- Continued research to find ways of reducing loan-related fees and charges, title insurance charges, sales commissions, attorney's fees, and other settlement costs; and
- *HUD* support for development of a uniform foreclosure procedure... the absence of which now impedes the availability of mortgage money in many jurisdictions.

Single copies of the *Task Force Report* are available from *HUD*, Room B-258, Washington, D.C. 20410. (202/755-6420).



Publication Available

Community Development Block Grant Budgetary and Financial Management... published by the *Municipal Finance Officers Association*. A guide for local government officials consisting of practical approaches to the financial management of the *Community Development Block Grant Program*. Available for \$14.95; members eligible for 10 percent discount. Order from *MFOA*, 180 North Michigan Ave., Suite 800, Chicago, Illinois 60601.

Current Trends

New construction contracts awarded in April... according to the *F.W. Dodge Division of McGraw-Hill*... rose 7 percent over the April 1977 level to \$13.19 billion. There was continued strength in the commercial and industrial segments... important as indicators of future capital investments. These showed a 50 percent increase over the first four months of 1977. Residential contracts in April rose 25 percent from a year earlier... to \$6.85 billion. George W. Christie... *Dodge* Chief Economist... commenting on the housing activity rise... said he expects housing starts to begin a decline during the second half of the year... as mortgage money becomes scarcer. In 1977... contract awards for power plant construction reached high levels... \$2 billion in April. For April 1978... there was a complete absence of such activity... bringing about a sharp drop in heavy construction totals... even though non-building contracts (sewers, water, highways, etc.) rose during the month.

The *Associated Press* reports that *S&Ls* in Denver are restricting mortgage loans to those who intend to live in the houses... in an attempt to curb speculation in the sale of housing and stop the escalation of housing prices. The majority of local associations have adopted the policy... according to the report... and Guy E. Boyer, Executive Vice President of one of the largest *S&Ls* said, "Demand has outstripped the supply of available funds. As a part of our continuing effort to keep funds available for the legitimate home buyer, we now have adopted a strict policy of not making loans for non-owner-occupied homes."



FYI

New York University... Seminar on Energy Conservation in Industrial Plants... San Francisco, July 6-7; Washington, D.C., August 17-18; Toronto, September 11-12; New Orleans, October 19-20; Los Angeles, November 9-10; and Chicago, December 18-19. Details: New York Management Center, 360 Lexington Ave., New York, N.Y. 10017.

New York University... Seminar on Energy Management in Buildings... Montreal, July 11-12; Denver, August 22-23; Atlanta, August 29-30; Los Angeles, September 12-13; and New York City, October 3-4. Details: New York Management Center, 360 Lexington Avenue, New York, N.Y. 10017.

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HUD NEWSLETTER
June 19, 1978

HOUSING COSTS TASK FORCE SUMMARY

HUD newsletter

U.S. Department of Housing and Urban Development
Washington, D.C. 20410-2021/755-5499



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Current Trends

FNMA's mid-June auction of \$492 million of 22-year commitments to buy both Government-backed and conventionally-financed home mortgages continued their months' long rise. The weighted average yield for **FHA/VA** mortgages rose to 9.862 percent, from 9.827 percent in May. In the conventional auction... the yield rose to 10.070 percent... up from 10.008 percent in May.

Housing starts in May declined 4.9 percent from the April seasonally-adjusted annual rate of 2.181 million units to 2.075 million units. Also... permits issued for future housing construction declined 8.8 percent in May. Both these developments were not unexpected... as analysts have been predicting a leveling-off of housing activity for some months. Many experts believe the trend will continue downward until next Spring.

Another expected development occurred... the prime rate banks charge their best customers was raised from 8½ to 8¾ percent... the third such rise in recent weeks... and bringing the rate to the highest level since February 1975. Most money market specialists are expecting a continuation of the upward movement of money costs in the months ahead.



Cost-Cutting Pact Signed

The *National Constructors Association*... a 50-member organization of contractors who build heavy industrial structures... like power plants, steel mills, etc... has signed an agreement with 8 building trade unions to cut the time and cost of construction. The agreement covers 11 Southeastern States... and it is hoped it will be the forerunner of similar pacts in other areas.

While the contract permits certain strike and work stoppage actions in local collective bargaining situations... it rules out... generally... strikes, lockouts, picketing, slowdowns, other disruptive actions, or stoppages... which may result in increases in costs of completing the work underway. Eight of the 17 member unions of the *AFL-CIO Building Trades Department* were signatories: *Asbestos Workers, Boilermakers, Carpenters, Operating Engineers, Iron Workers, Laborers, Cement Masons, and Pipefitters*.

Commenting on the agreement... Labor Secretary Ray Marshall said: "At a time when this Nation faces a severe problem of inflation... this is a significant example of what can be achieved through labor-management cooperation to hold down costs."



Significant Decision

In *Broaden v. Harris, the City of Pittsburgh, et al., Civ. Action 77-899*... the *U.S. District Court for Western Pennsylvania* has granted summary judgment to *HUD* and the *City of Pittsburgh* in an action challenging the *Department's* approval of *Pittsburgh's* 1975, 1976, and 1977 *CDBG* applications, and its monitoring of those programs. The *Court* rejected plaintiffs' claim that the *City* had given too much assistance to homeowners through a home rehabilitation loan program, and not enough to renters who did not have comparable programs. The *Court* found that the *Act* does not require that funds be allocated in proportion to the percentage of renters in the housing population. Similarly... the *Court* upheld the Secretary's judgment that a *CDBG* recipient's use of funds for public works and recreation facilities instead of housing programs did not violate the *Act*.

With regard to *HUD's* monitoring of the *City's* performance... the *Court* held that the *Act* and the implementing regulations clearly contemplate that a recipient will not have completely performed under a previous application when seeking funds for the next year, and that the imposition of remedial action for nonperformance is a matter delegated to the judgment of the Secretary.

FAIR Plan Report Sent To Congress

Inner city property owners are having serious problems getting full insurance coverage according to a report sent to the *Congress* by *HUD*.

The report... *Insurance Crisis in Urban America*... is based on research by *HUD's Federal Insurance Administration* and testimony taken from witnesses during 2 days of public hearings in New York City in January.

Last September *Congress* directed the Secretary of *HUD* to undertake a study of *State FAIR Plans* and their effect on available and affordable insurance. *FAIR* plans are statewide programs designed to assure property owners *Fair Access to Insurance Requirements*. When insurance companies deny coverage... property owners can get insurance protection under a *FAIR* plan... if one exists in their State.

The practice of denying insurance on a home or a business property simply because of the property's location is called insurance 'redlining.'

Secretary Harris said "If we are to succeed in maintaining and restoring our cities, we must stop insurance 'redlining.' The practice denies many urban property owners insurance at affordable prices."

Insurance companies 'redline' by mean of zip codes... according to the report. As a result... property owners are being denied policies because their properties are located in areas generally perceived as high-risk areas. Witnesses said their policies were being canceled without their filing claims for losses or without inspections by the insurance companies.

The report points up the ripple effect of insurance 'redlining.' Once a neighborhood is 'redlined' by insurance companies... mortgage money becomes difficult to get. Businesses cannot expand without affordable insurance protection and as a result the economic life of the neighborhood suffers and job opportunities are limited.

Findings on specific *FAIR* plans are included in the report. It notes that the cost of insurance in the New York *FAIR* plan is three to five times the cost of other insurance available to homeowners throughout the State. Because of the high cost... an increasing number of homeowners and merchants either buy insufficient coverage or none at all. In the event of fire... there is little chance the building will be restored.

According to the report... losses under *FAIR* plans are adjusted on market value... not on replacement cost. The market value of core urban property has dropped sharply because of appraisal practices and an almost nonexistent inner city mortgage market. As a result... claim payments under *FAIR* plans are insufficient for the owner to rebuild the property and the possibility for abandonment is greatly increased.

In combination... mortgage and insurance 'redlining' practices spread urban blight and hasten the decline of neighborhoods and ultimately the entire city.

Copies of the report are available from the *Federal Insurance Administration*, Room 5138, HUD, Washington, D.C. 20410, (202) 755-6904.



Birth and Death Rates Reach Record Lows

The *Census Bureau* reports that both birth and death rates were at record lows in 1976... 3.163 million births and 1.914 million deaths. As a result... the increase in population (including immigration) for the year came to about 1.6 million... 0.7 percent. In the 1950's... the rate of growth averaged about 1.75 percent... when new babies averaged about 4 million a year... although 1948 showed the highest growth rate in recent history... 1.85 percent. In 1956... the population increase peaked at 3.1 million. In 1976... the birth rate was 14.7 per 1,000... down slightly from 1975 and 1974. The record birth rate was in 1820... when more than 55 babies per 1,000 persons were born.

In 1976... people died at the rate of 8.9 for every 1,000 of population... approximately the same as 1975... but down from a 9.2 rate in 1974. The highest death rate... more than 18 persons per 1,000... occurred in 1918.

Mortgage Activity Breaks Record in 1977

HUD has released the figures on mortgage lending for 1-to-4-family homes in 1977. Mortgage lenders closed a total of \$158.6 billion of long term mortgage loans for 1-4 family homes in 1977. This volume broke previous records and was 44 percent larger than the \$110.1 billion of home loans originated in 1976.

S&Ls accounted for 54 percent of the home loans closed in 1977... commercial banks for 23 percent... and mortgage companies 14 percent.

A total of \$14.4 billion of multifamily residential mortgage loans was closed in 1977... up 15 percent from 1976. Nonresidential mortgage loans aggregated \$35.5 billion... or 42 percent more than in 1976. All told... a total of \$220.5 billion of mortgage loans was closed in 1977... 40 percent above a year ago.

Construction lending also rose perceptibly in 1977... reaching \$32.9 billion for homes... up 50 percent over 1976... multifamily construction loans increased by 29 percent to a total of \$7.6 billion.

In the secondary mortgage market purchases of home mortgage loans reached a record \$54.9 billion... 28 percent above a year ago. Purchases of multifamily loans at \$4.2 billion were up by 49 percent.

New commitments for home construction loans during 1977 totaled \$28.3 billion... up 46 percent over the 1976 volume... while new commitments in 1977 for long term mortgage loans for homes at \$137.7 billion were 47 percent higher than a year ago.

New commitments for multifamily construction loans during 1977 came to \$9.3 billion... 51 percent above 1976. New commitments for multifamily long term loans at \$17.1 billion were up by 32 percent from 1976.

At the end of 1977 mortgage lenders had \$98.3 billion of total commitments outstanding, 34 percent above a year ago. Outstanding commitments for long term home mortgage loans at \$30.8 billion were 45 percent higher than in December 1976, while the outstanding commitments for home construction loans at \$13.0 billion were 49 percent greater.

The above statistics are obtained from reports compiled by the *FDIA*, *FHLBB*, *SEC*, *Census Bureau*, *American Council of Life Insurance*, *Mortgage Bankers Association of America*, and *HUD*... under a cooperative arrangement.



Residential Energy Booklet Issued

The changing patterns of residential energy use since 1940 are shown graphically in a new four-color report issued by the *Census Bureau*.

In a series of colorful pie and bar charts and maps, the 8-page report illustrates the trends in home heating, air conditioning, use of autos, and utility costs over the past three and a half decades.

Three U.S. maps... for example, show the primary home heating fuel by counties in 1950, 1960, and 1970. The maps reveal that in 1950, coal or wood was the predominant fuel in about two-thirds of the counties in the Nation. By 1970, however, the use of wood had practically disappeared and coal was the primary fuel for residential heating only in coal mining regions.

The growing use of electricity, utility gas, fuel oil, and bottled gas for home heating is also charted.

Another chart shows that the percentage of households with two or more autos available grew from 21.5 percent in 1960 to 35.3 percent in 1975.

Copies of the report, *Residential Energy Uses, H-123-77*, are available for \$1.00 each from the *Superintendent of Documents*, Washington, D.C. 20402.

FYI

The U.S. Department of Energy and the National Energy Council of Greece... joint sponsors... *International Conference on Energy and Community Development...* Athens, Greece, July 10 to 15. Details: *Secretariat, Environmental Design Co., c/o H.P.O. 36, Voukourestiou Street, Athens, 136 Greece.*

American Institute of Architects and American Consulting Engineers Council... *Workshop on Life-Cycle Cost Application...* Boston, July 19-21; Seattle, August 16-18; Kansas City, Mo., September 20-22; Atlanta, October 9-11; Anaheim, November 15-17; and Denver, December 6-8. Details: *ACEC, 1155 15th St., N.W., Washington, D.C. 20005.*

American Society of Interior Designers... *International Exposition of Designer Sources and Annual Conference...* Washington, D.C., July 21-25. Details: *ASID, 730 Fifth Ave., New York, N.Y. 10019.*

Engineering Foundation... *Seminar on Economic Impact of Energy Conservation Measures...* Henniker, N.H., July 23-28. Details: *EF, 345 E. 47th St., New York, N.Y. 10017.*

National Home Week will be observed September 3-9.

National Environmental Systems Contractors Association... *Solar Energy Seminar...* Houston, September 22-23. Details: *NESCA, 1228 17th St., N.W., Washington, D.C. 20036 (202/296-7610).*

National Association of Home Manufacturers... *Meeting...* Washington, D.C., September 24-27. Details: *Darcy Neil, NAHM, 1619 Massachusetts Ave., Washington, D.C. 20005 (202/234-1374).*

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HUD newsletter

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July 3, 1978

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Current Trends

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The Bureau of Labor Statistics report. . . covering prices for *All Commodities* and for *Construction Materials* for the 12-month period ending May 31, 1978 shows an increase in *All Commodities* of 6.5 percent. For *Construction Materials*, the rise was 12 percent. Among the major items in the *Construction* category that showed larger-than-average increases were: Lumber, 18.4 percent (Southern Pine rose 25.5 percent); Gypsum Products, (29.7); and Asphalt Roofing, (21.7). Smaller-than-average percentage increases were noted for: Clay Tile, 3.2; Plumbing and Heating Fixtures, 6.5; Nails, 3.2; and Paint 6.0.

The National Association of Mutual Savings Banks reports that May was the worst month for new savings inflows since May 1974. Net deposit inflow for May 1978 was \$100 million. . . compared to \$577 million in May 1977. . . but not as bad as the \$182 million outflow in the 1974 month. Saul B. Klamman. . . the *Association's* president said that "early indications are that June might show some improvement. . . in part because of the new 6-month money certificates introduced on June 1." These new type investment instruments. . . tied to the fluctuating money-market rate. . . rather than a fixed-interest-rate. . . are also having a very beneficial effect on savings inflows at most *S&Ls*. . . according to the *FHLBB*.

The monthly report on mortgage activity in May issued by the *FHLBB* showed interest rates rose for the sixth consecutive month. The average effective rate for new homes for the month. . . 9.37 percent. . . was up from the April rate of 9.30 percent. . . and reached the highest level since the *Board* started keeping records in 1963. The May 1977 rate was 8.96 percent. For used homes. . . the rate was virtually the same as for new houses. . . 9.38 percent. . . up from April's 9.35. Officials of the *Board* are predicting that the upward movement in rates is probably "at about their peak. . . and a slow decline of $\frac{1}{4}$ to $\frac{3}{8}$ of a percentage point is likely before the end of 1978."



\$10 Billion Urban Loan Program Announced

A new 5-year *Community Investment Fund Program*. . . under which *S&Ls* and *Mutual Savings Banks* would make \$2 billion a year available for investment in urban areas. . . has been announced. The program will be managed by the *Federal Home Loan Bank Board*. . . with funds borrowed in the private money market by the 12 *Federal Home Loan Banks*. The money would then be loaned to the *S&Ls* and the *Savings Banks* at an interest rate $\frac{3}{4}$ of a percent below the going market-rate for such funds.

The purpose of the program is to encourage the funneling of investment capital into areas (particularly older areas of cities) that otherwise would not be able to attract such low-interest money. The *Bank Board* will encourage *S&Ls* to "hire urban or community lending specialists, market loans to 'mature communities with reasonable emphasis on moderate-cost housing. . . counsel low- and moderate-income home buyers. . . and participate in government or privately-sponsored community preservation or revitalization programs.'"

The President called the program one example of the 'partnership between private industry and Government' that he called for in his *Urban Policy Message* last March.

New Program For Mentally Ill Announced

At a joint news conference. . . First Lady Rosalynn Carter and Secretary Harris announced an \$18 million *Demonstration Housing Program* to benefit victims of chronic mental illness.

The highly original demonstration will mark the first time *HUD* and the *Department of Health, Education and Welfare (HEW)* will attempt to provide combined housing and support service needs that persons with chronic mental illness who live in community-based housing often experience.

Mrs. Carter. . . honorary chairperson of the *President's Commission on Mental Health*. . . has closely followed the *HUD*-initiated program which supports programs to release mentally ill persons from State and county institutions.

"Through this *Program*, we can break the stifling struggle that chronically mentally ill persons are confronted with when they are released from the imprisoning conditions of mental institutions," Mrs. Carter said.

Called *The Demonstration Program for Deinstitutionalization of the Chronically Mentally Ill*. . . the *Program* marks the first time that Federal funds have been used to meet the housing and support service needs of persons with chronic mental disabilities.

HUD will administer the *Program*. . . using \$15 million of funds drawn from its *Section 202 Direct Loan Program* serving the handicapped and the elderly.

Under *Program* regulations, private, nonprofit groups at the community level will be the only eligible sponsors of housing under the *Demonstration Program*. States are asked to submit *Letters of Intent* to *HUD* detailing their deinstitutionalization plans.

By August 15. . . States selected for the demonstration must forward applications from potential nonprofit sponsors within their State for final *HUD* selection. Fund reservations will be announced by Sept. 15 to all sponsors who are selected.

It is estimated that between 400 and 600 units of housing will be developed through the *Program* depending upon the blend of new construction and substantially rehabilitated housing approved by *HUD*.

New Homeseekers Are a 'Tidal Wave'

Nathaniel H. Rogg. . . recently retired *Executive Vice President of the National Association of Home Builders*. . . and now a consultant. . . told the *White House Conference on Balanced National Growth and Economic Development* "A tidal wave of new home-seeking families will sweep the United States for the rest of the century." Taking the number of 30-year olds in the population as a barometer of household formations. . . Rogg dramatized his point by citing these figures:

Period	Number of Persons Reaching 30 Years
1950-55	12 million
1955-60	12 million
1960-65	11 million
1965-70	12 million
1970-75	14 million
1975-80	18 million
1980-85	20 million
1985-90	22 million
1990-95	21 million
1995-2000	19 million

The numbers seem "unbelievable," Rogg said, "but they've been there all along; most of us just didn't look."

HUD Broadens Help To Handicapped Citizens

HUD has taken major action to prevent job discrimination and increase housing opportunities for the Nation's handicapped. . . in a proposed regulation aimed at prohibiting discrimination in a variety of *HUD* programs which affect the social, economic, or housing conditions of persons with physical, developmental, or mental disabilities.

The proposed regulation, was originally published in the *Federal Register* on April 19. Public comment is invited. . . and 10 national meetings are planned among interested persons . . . including those who are protected by the regulation and persons and organizations defined as 'recipients' under the proposal. Written comments may be sent to the *Rules Docket Clerk*, *HUD* Room 5218, Washington, D.C. 20410.

The regulation carries out a provision of *Section 504 of the Rehabilitation Act of 1973*. . . which states that "no otherwise qualified individual in the United States. . . shall, solely by reason of his handicap, be excluded from participation in, be denied the benefits of, or be discriminated against under any program or activity receiving Federal financial assistance."

The public has until August 1 to comment on the draft regulation. *HUD* expects to publish a final regulation by the end of 1978.

The *Section 504* regulation represents a major shift in the philosophy of managing federally-assisted *Housing and Community Development Programs*. . . and can apply to an estimated total of more than 35 million Americans who are handicapped in some way. Prior to the proposing of this regulation. . . traditional forms of residential care of institutional programs were the only alternative forms of housing for persons with mobility problems or those who needed personal assistance with their daily activities. Federal housing programs tended to reinforce those kinds of 'segregated' housing programs for handicapped persons.

The antidiscrimination regulation encourages the *Federal Government* to foster the development of 'integrated,' community-based housing for handicapped persons. It also generates interest in programs which can provide a range of housing program choices which were not available under traditional housing policies.

The proposed regulation covers the activities of all assisted housing programs funded by *HUD*, including low-rent Public Housing and new and substantially rehabilitated rental assistance housing, and the low-income home ownership program. Service programs of the *Department* such as housing counseling, management training, new housing technologies, and technical assistance for contractors are also covered. . . along with *HUD's Community Development Block Grant Program*. . . which awards grants to local governments to fund a wide range of *Community Development* activities.



GNMA Mortgages Total \$56 Billion

GNMA President John H. Dalton told the *Texas Mortgage Bankers Association* that since its founding in 1970. . . *GNMA* has issued more than \$56 billion in mortgage-backed securities. . . and the *GNMA* program has become the third most important source of the country's single-family mortgage credit. . . following *S&Ls* and commercial banks. About 2 million middle-income American families have been helped by *HUD's GNMA* programs.

Dalton said there is an increasing tendency for those who have not previously invested in the *GNMA* securities to do so. "In 1977 alone," he said, "we estimate about half of all new securities issued were purchased by nontraditional investors such as pension, trust, State and local retirement funds. . . as well as individuals."

He said he expects the volume of securities issued in 1978 to drop only slightly from the record volume in 1977 of \$17.4 billion. Higher *FHA* mortgage limits and lower minimum downpayments are the reasons for the expected high level of activity in 1978, he explained.

Union Wage Rates Drop Slightly

The *Labor Department* has reported average hourly union wage rates for building workers increased 5.3 percent from the end of the first quarter of 1977 to the beginning of April 1978. In the previous 12 months... the rise was 5.8 percent. This covers cities of 100,000 or more.

The rates for all trades... and major categories are shown below... together with additional costs to the employer... such as health, welfare, pension, and vacation benefits.

	Average hourly union wage rates in building trades as of April 3, 1978, with changes from one year earlier			Average hourly union wage rates plus employer payments to specified plans		
	Rate	Cents	Percent	Rate	Cents	Percent
ALL TRADES	\$10.19	50.8	5.3	\$12.44	74.1	6.4
Bricklayers	10.59	51.4	5.1	12.83	70.9	5.8
Building laborers	8.02	43.1	5.6	9.97	56.4	5.9
Carpenters	10.39	49.5	5.0	12.65	72.9	6.1
Electricians	11.32	60.9	5.7	13.71	103.3	8.1
Painters	10.08	43.6	4.6	11.71	61.7	5.6
Plasterers	10.18	49.1	5.1	12.11	66.7	5.8
Plumbers	11.04	63.7	6.1	13.83	86.8	6.6



New Publication

The *Urban Land Institute* has announced an update of its 3-volume *Community Builders Handbook*. They are: *Residential Development Handbook*, *Shopping Center Development Handbook*, and the *Industrial Development Handbook*. Price to non-members \$28; for members \$24; plus \$1 handling charge for each order from *Urban Land Institute*, 1200 18th Street, N.W. Washington, D.C. 20036.

HUD newsletter

HUD-318-339-ASI
July 3, 1978

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HUD NEWSLETTER
July 3, 1978

HUD newsletter

U.S. Department of Housing and Urban Development
Washington, D.C. 20410 (202) 755-5499



July 10, 1978

Vol. 9 No. 28

Current Trends

Effective June 29. . . the maximum allowable interest on *FHA*-insured single-family and multifamily mortgage loans were increased to 9½ percent. . . from the previous 9 percent. The new single-family rate was determined after consultation between Secretary Harris and *VA* Administrator Max Cleland. . . who simultaneously announced the same change in the maximum rate for *VA* home mortgage loans. This is the second time in 5 weeks that the single-family rate was changed. Mrs. Harris said that the increase was necessary to bring *FHA* rates in line with other competitive rates in the money markets. The change should increase the availability of *FHA* financing for moderate-income home buyers and sellers. . . and to free much needed capital financing for apartments.

A joint *HUD-Census Bureau* preliminary report on the more than 1¼ million new houses built in 1977 shows that more than half (51 percent) of them had more than 1,600 square feet of living space compared to only 49 percent of those built in 1976.

The latest sale of *Urban Renewal Project* notes showed a slight decline from the last sale. . . as \$58.4 million of short-term notes (average 6.8 months) of 30 issuing *Agencies* were issued. The June rate was 3.895 percent. . . compared to 3.9 in May.

The *FHLBB* reports interest rates on conventional home mortgages increased for the sixth straight month in May. For newly-built homes. . . the rate was 9.37 percent. . . up from April's 9.30. For previously-owned homes. . . the rate was 9.38 percent in May. . . up from 9.35 in April. . . and the highest rate since February 1975.



New Funds for 'Troubled' Projects

Speaking to the meeting of the *U.S. Conference of Mayors* in Atlanta. . . Secretary Harris outlined the details of a new 30-month effort by *HUD* to improve living conditions and upgrade the management of *Public Housing Projects*. About \$180 million of *HUD* funds will be made available for the new *Urban Initiatives Program*.

In describing the objectives of the *Program*. . . Mrs. Harris said "The most troubled *Housing Authorities* and *Projects* will be assisted. The ties between the Mayors and the *Housing Authorities* will be strengthened. Urgent needs of physical rehabilitation will be met. A management program to pinpoint accountability and institute more cost-effective budgeting. . . and a crime/prevention program and crime insurance that will encourage the participation of residents. . . will be instituted. And an *Urban Partnership Program* will make grants available to cities which work with *Public Housing Authorities* in rebuilding neighborhoods."

The *National Association of Housing and Redevelopment Officials*. . . has announced that it will assist cities and *Housing Authorities* in developing local programs that will be eligible for *HUD* funding.

New 6-Month Certificates Favorably Received

Chairman Robert H. McKinney of the *FHLBB* announced substantial public response by both the *S&L* industry and consumers to the newly-authorized 6-month savings certificate.

On May 11. . . the *Bank Board* authorized *S&Ls* to issue this new money market certificate, as well as a new 8 percent, 8-year certificate. The new money instruments provide *S&Ls* with additional flexibility in competing for savings so as to increase the supply of funds available for housing during periods of rising market interest rates.

Initial industry and public response to the new 6-month certificate was measured by a special *Bank Board* survey of the experience of approximately two-fifths of the savings held by all *S&Ls* and including the approximately 20 largest associations in each of the 12 *Federal Home Loan Bank Districts*.

The major findings of the survey covering June 1-7. . . the first week during which certificates could be offered. . . and when the regulatory ceiling rate established for the new certificates based on the *Treasury* bill auction was 7.410 percent, were:

(1) Nearly all (93 percent) of the large associations surveyed were offering the new certificate during the first week of June. Approximately 93 percent of all the large associations doing so were offering the maximum rate permitted by *Bank Board* regulation, although not all institutions were using the most favorable compounding procedures. Practically all (99 percent) of the large associations offering certificates required only the \$10,000 minimum denomination specified by regulation.

(2) The associations surveyed issued slightly more than \$1 billion of money market certificates during the first week of June. On June 7 this represented about 7/10 of 1 percent of total savings at the institutions surveyed. This is a relatively substantial volume of activity for so short a period; monthly net new savings receipts of associations thus far this year have averaged only approximately one-half of one percent of savings balances.

(3) Somewhat less than one-half of the \$1 billion of funds that went into money market certificates at large associations in early June represented new money to these institutions. The remainder reflected transfer of funds from previously existing savings accounts at associations into the new savings instruments. Approximately one-half of the institutions surveyed provided an estimate of the institution and the median of these certificates that were new to the institution. The median of these estimates was in the 40-45 percent range, although there was considerable variation among associations.

These findings, Chairman McKinney said, indicate many associations have been quick to take advantage of the new competitive tool and the new money market certificate has helped them to obtain or retain funds that otherwise would have been invested in other ways.

The substantial response to the new savings instrument in the form of both new money and transfers from existing accounts also shows substantial consumer acceptance of a new, and somewhat more complex savings instrument, said McKinney.

He also explained that the *Bank Board* expects that a larger percentage of the funds going into money market certificates will represent new money in late periods after the transfer of funds from existing accounts is largely completed.

The *Board* will be providing further reports on activity in money market certificates in the months ahead, he said.

The current survey covers only large associations, although they represent a very substantial share of the industry in terms of assets. The initial response of smaller institutions may have differed somewhat but no information on this is currently available.

Tribute Paid to Senator Sparkman

It was an unusual event honoring an unusual man. A testimonial dinner was held in Washington marking the not-too-distant voluntary departure of the veteran Alabama lawmaker from public life. Representatives of all segments of American life gathered to pay tribute to John J. Sparkman. . . who had announced he would not seek reelection to the *Senate* in November. For more than 40 years. . . first in the *House* and later in the *Senate*. . . Senator Sparkman was a leading proponent of Federal housing and redevelopment programs. . . serving from 1967 to 1975 as Chairman of the *Senate Committee on Banking, Housing, and Urban Affairs*. He had to relinquish that post under *Senate* rules when he became Chairman of the *Senate Foreign Relations Committee*. He still retains his chairmanship of the *Housing Subcommittee*.

Among the many people who expressed their admiration and gratitude to the Senator at the dinner. . . *HUD* Under Secretary Jay Janis said: "Housing needs a John Sparkman. What is there about contemporary American urban politics that makes it so absolutely necessary to have a John Sparkman in a leadership role? By 'a John Sparkman,' I mean someone of enormous ability who is located in an important leadership position in the *U.S. Congress*."

"So the need for a John Sparkman in the past. . . and the need for one in the future. . . has been and will be the need for someone to continually remind policymakers and to educate the public at large."

Everybody connected with housing will miss this remarkable man.



Family Homesteading Tested in New York

Two distressed New York City neighborhoods. . . plagued with housing abandonment, population loss, and high unemployment. . . will become the first testing grounds for tenant 'sweat equity' ownership of homesteaded cooperative apartments. . . according to Secretary Harris.

Up to now. . . *HUD's Urban Homesteading Program*. . . successful in 39 cities. . . has involved only single-family dwellings.

Under this inaugural multifamily housing homesteading demonstration. . . the two nonprofit sponsors. . . *People's Development Corporation* and *Interfaith Adopt-A-Building, Inc.*. . . will help tenants of the South Bronx and Lower East Side Manhattan become 'sweat equity' owners of their cooperative apartments by fixing them up themselves.

Besides *HUD* assistance. . . the demonstration has the financial backing of the *Chemical Bank of New York City*, which is negotiating a participation agreement with three other area banks. . . *Citibank*, *Bowery*, and *Morgan Guaranty Trust Company*.

"We want to see this demonstration become a national program, with numerous community organizations working with the appropriate levels of government. This is the best way for the program to benefit the most people," said Juan Villanueva, *Chemical Bank* Vice President and Director of the *Bank's Urban Housing Unit*.

The *City of New York* will deed five abandoned buildings with 74 dwelling units to the *People's Development Corporation* in the South Bronx, and seven abandoned buildings with 79 units to *Interfaith Adopt-A-Building* on the Lower East Side.

Under the 'sweat equity' *Homesteading Demonstration Program*, the city-owned multifamily tenements will be restored by tenants who received job training and pay from *Comprehensive Employment Training Act (CETA)* funds allocated to the *City of New York*.

New York City will allocate \$1.5 million in *CETA* funds to train 77 homesteaders to repair the South Bronx project, and \$1.7 million in *CETA* money to train 80 homesteaders to fix up the Lower East Side buildings. Experienced construction supervisors will train the homesteaders.

The nonprofit organizations will receive interim financing for the reconstruction of the homesteaded buildings from the *Chemical Bank*.

Significant Decisions

In *Marion Taylor, et al. v. Harris, McIntyre, et al.*, *United States District Court for Connecticut*, (C.A. No. 78-86) denied a preliminary injunction sought by tenants of a Section 236 project in Connecticut to prohibit implementation of that portion of a HUD-approved rent increase attributable to increases in taxes and utilities and to require the Secretary immediately to implement the tax and utility cost subsidy program authorized by the *Housing and Community Development Act of 1977*. In denying plaintiffs' claims. . . the *Court* considered the Secretary's plan for implementing the '77 program and found it reasonable in the circumstances. The *Court* noted that the *Act* establishes a maximum subsidy but no minimum, and held that in view of the insufficiency of funds, plaintiffs could not compel the Secretary to make payments to any particular project and acknowledged broad discretion in the Secretary to distribute the funds to those most in need. Further. . . the *Court* held it would not enjoin the collection of the rent increase since the mortgagor's rights were based on statutory criteria entirely independent of the subsidy program.

In *Texas Landowners Rights Association, et al. v. Harris, et al.*, the *United States District Court for the District of Columbia*, (C.A. No. 77-1962) has granted the *Government's* motion for summary judgment. . . rejecting plaintiffs' contention that the *National Flood Insurance Program (NFIP)* violates State sovereignty. The *Court* sustained the constitutional authority of *Congress* to encourage community participation in the *NFIP* by conditioning the availability of *Federal* financial assistance for acquisition and construction purposes in flood hazard areas on such participation. It also held that the *NFIP* did not take property without just compensation and provided affected communities and landowners with procedural due process.

Rehabilitation Forum Scheduled

How rehabilitation can be used to revitalize older neighborhoods is the focus of a *HUD Consumer Forum* on July 14 in Washington. Details may be obtained from John Garrity, *HUD Office of Community Liaison*, Room 4212, Washington, D.C. 20410 (202) 755-6996.

HUD newsletter

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HUD NEWSLETTER
July 10, 1978

HUD newsletter

U.S. Department of Housing and Urban Development
Washington, D.C. 20410 (202) 755-5499



July 17, 1978

Vol. 9 No. 29

Current Trends

Interest rates continued to move upward. Once again the prime rate has been increased . . . for the fifth time since January. . . by $\frac{1}{4}$ percent to a 9 percent rate. At the beginning of the year. . . the rate was $7\frac{3}{4}$. At the same time the *Fed* raised its discount rate from 7 to $7\frac{1}{4}$ percent for 9 of the 12 *Federal Reserve Bank* Districts. It had been raised $\frac{1}{2}$ point in May. . . to 7 percent. Many money experts had expected the *Fed* to post a $\frac{1}{2}$ point rise in the discount rate . . . and feel more optimistic as a result of the smaller boost. . . which may account for the unexpected minor drop in the interest rate for both 13-week and 1-year *Treasury* bills in the latest sale.

A second survey of *S&Ls* by the *FHLBB* of sales of the new money-market certificates covering the period through June 20. . . indicates a slowing-up of sales since the first week they were offered. Reports from 247 of the largest associations showed a \$687 million volume of sales in the June 8-20 period. . . compared to \$1.9 billion during the June 1-7 week. The percentage of new money in the second period. . . 41 percent. . . compares to the estimated 46 percent earlier. Despite the drop-off. . . *FHLBB* Chairman Robert McKinney still feels "encouraged by the role these new instruments are playing in fostering stability of deposits and thus the flow of mortgage credit."

A historic record of new construction contracts set in any month was established in May. . . according to the *F.W. Dodge Division of McGraw-Hill*. The figure for the month . . . \$17.8 billion. . . was 11 percent higher than the \$16 billion contracted for in May 1977. The largest gains for the month were in the *Nonresidential* category. . . up 57 percent . . . while *Residential* gained 32 percent. For the first 5 months of the year. . . *Nonresidential* increased 34 percent above 1977. . . while *Residential* recorded a 24 percent rise.

The *Commerce Department* reports that not only new construction contract awards. . . but actual expenditures for construction rose in May. A 3 percent increase over May 1977 . . . (following a 4.4 percent rise in April). . . resulted in a seasonally-adjusted annual rate nudging the \$200 billion mark for the first time. The largest rise was recorded for the publicly-financed sector. . . 1.5 percent. . . while private construction was up 14.3 percent. . . over May 1977. Residential construction rates showed only a 1.6 percent rise over a year earlier.



HUD Sells Cesar Chavez College

HUD and the trustees of *Colegio Cesar Chavez* have worked out an agreement of sale under which the *HUD*-owned hispanic *College* located in Mt. Angel, Ore., will be purchased by the *College's* nonprofit sponsoring corporation.

Secretary Harris said the property. . . which has been owned by *HUD* since 1976 . . . will be sold to the *Colegio* for \$250,000 with repayment scheduled over a 10-year period. Payments will be made from an escrow account funded by proceeds from the sale of other lands.

The proposed sale will climax a series of developments and long negotiation between the *College* and *HUD* dating back to the late 1960's. *HUD* acquired the *Colegio* in September 1976 and has allowed the *Colegio* to operate and remain in possession of the property during negotiations since that time.

Cities Flock To Apply For Strategy Funds

Applications have flowed in from 148 cities of all sizes for *Federal* funds to rehabilitate more than 50,000 units of housing in 198 neighborhoods under *HUD's* new *Neighborhood Strategy Area (NSA) Program*, Secretary Harris announced.

She called this response to the *Department's* major new initiative in neighborhood revitalization "tremendously encouraging and far beyond our initial expectations."

The *NSA Program* was initially announced Jan. 31 and followed up in February by a *HUD* invitation to cities to compete for their share of special funding to spur rehabilitation of 20,000 housing units in declining neighborhoods of their choice.

The new strategy seeks to coordinate *Federal* and local housing and development efforts and to focus these resources into designated neighborhoods.

Areas selected as *NSAs* will be those in which housing assistance under *HUD's Section 8 Substantial Rehabilitation Program*. . . in combination with other rehabilitation efforts and concentrated community development activities. . . can be expected to reverse deterioration and restore neighborhoods.

The key to the *NSA Program*. . . and a major principle of the administration's *Urban Policy* is the concentration of public and private resources for city revitalization in accordance with a locally-developed and implemented plan. . . and 20 cities have combined their *NSA* applications with requests for *Urban Development Action Grants* and various other *HUD Programs*. This practice of focusing resources showed result in a strong, successful, and coordinated impact on chosen neighborhoods.

The 148 applicant cities range in size from major centers like Boston. . . with five designated *NSA's*. . . to smaller cities such as Beloit, Wisc., and New London, Conn., with one each.



Private Mortgage Insurance Increases

The *Mortgage Insurance Companies of America (MICs)* report that mortgage insurance written by private mortgage insurance companies is increasing by about \$2 billion a month, and dollar volume during the first quarter of 1978 was 48.6 percent larger than the same three months of 1977.

By expanding their role *MICs* will help thousands of families who could not otherwise afford to become homeowners. . . insuring the top 20 or 25 percent of conventional mortgages will enable home purchasers to buy their homes with downpayments as low as 5 percent. . . an increasingly important factor as the price of housing continues to move upward.

Moderate-income families are mostly benefitted; 60 percent of the mortgages insured during the quarter were for families with annual income of less than \$24,000. . . and 30 percent went to families with less than \$18,000.

There were 136,972 new certificates of insurance by *MICs* from January through March. The average mortgage in the period was \$38,787.73. . . an increase of 12.8 percent over the first quarter 1977; and the average purchase prices of the homes involved was \$43,320.22. . . an increase for existing homes of 69.8 percent.

Of the mortgages insured during the first three months of 1978, 65.6 percent were originated by *S&Ls*, 20.7 percent by mortgage bankers, commercial banks about 8 percent, and *Mutual Savings Banks*, 5 percent.



FYI

Wharton School (University of Pennsylvania). . . Seminar: *Real Estate Investment Analysis*. . . New York, July 24-26; San Francisco, September 27-29; Aspen (Colo.), October 18-20; and Palm Beach, December 13-15. Details: Heidi E. Kaplan, Dept. 14NR, *New York Management Center*, 360 Lexington Ave., New York, N.Y. 10017 (212/953-7262).

HUD To Help Savannah Save Historic Houses

A \$160,000 *HUD Community Development Innovative Grant* will help finance a joint public/private historic preservation and development project in Savannah. The project will preserve 893 historic Victorian style homes... and avoid the mass displacement of more than 1,000 low- and moderate-income families.

In announcing the grant... Secretary Harris said:

"The houses in Savannah's Victorian District are not only important to the city's heritage, but they have been home to some people for more than 30 years. This is an exciting use of *HUD's Programs* that will benefit all the people who live in, work in, and care about Savannah."

The \$160,000 in *HUD* funds to the city will be used by a nonprofit, broadly based community organization called *Savannah Landmark*. The local group will then work with private interests... including a minority-owned bank... to buy and rehabilitate the properties.

Savannah Landmark will work through the city government to use other *HUD Programs* for rental assistance for some tenants and rehabilitation loans for restoration and compliance with city housing codes. Throughout the process... the unique architecture of the homes in the Victorian District... will be maintained and emphasized.

"The project proposed by Savannah is more energy-efficient and less expensive than new construction," said Robert C. Embry, Jr., *HUD* Assistant Secretary for Community Planning and Development, "and it is much better than new construction on the site because the plan will prevent major displacement of existing residents."

"The Savannah approach is one which many other cities might emulate and could carry out with their existing *Community Development Block Grant* funds," he said, "and I hope this *Innovative Award* to Savannah will encourage other communities to examine their own local opportunities."

The *Savannah Landmark* organization will use the \$160,000 to make community improvements... including activities that encourage good household maintenance... begin supplemental programs such as community gardens, playgrounds, youth programs, street improvements, and garbage and litter control; plan the rehabilitation and strategies to upgrade the area and encourage private investment; and increase pride in and strength of the neighborhood.



Federal Small Area Statistics Directory Published

The entire range of social, economic, and technical data available from the *Federal Government* on small areas has been assembled in a new directory by the *Census Bureau*. The directory is designed to show data users where to find statistics on small geographic areas... ranging from counties, cities, and Indian reservations... to low-income neighborhoods and fishery districts.

The new edition updates and expands the first edition published in 1966. Covering the period 1966-1976, the directory is organized to be useful to planners, researchers, and market specialists... and includes such new topics as pollution abatement, revenue sharing, and includes twice as much information as the first. The new report abstracts 361 publications and indexes 2,300 subjects. Many of the updates and revisions were made in consultation with reference librarians from around the country.

New appendixes feature: an article on the availability of unpublished statistics on microfilm, data files and special tabulations; and an updated list of some 75 guides to Federal and municipal data... published and unpublished... on both large and small areas. It also shows the population and rank of *Standard Metropolitan Statistical Areas (SMSA's)* and cities of more than 100,000 population.

Single copies of the 363-page volume, *Directory of Federal Statistics for Local Areas: A Guide to Sources, 1976*, are available for \$5.50 from the *Superintendent of Documents*, Washington, D.C. 20402.

New HUD Publications

The following HUD publications are available without charge from HUD's Publications Service Center, Room B-258, Washington, D.C. 20410.

Lower Income Housing Assistance Program (Section 8), Interim Findings of Evaluation Research. . . a compendium of working papers summarizing the results of a nationwide evaluation of early experience in Section 8. The research described in these reports was originally performed for HUD by three different contractors. . . each covering a specific sector of the Nation.

Solar Energy and Your Home. . . answers some of the most frequently asked questions about how solar energy can be put to work at home. . . also includes a reading list for periodicals and non-technical books about solar energy as well as a reading list for general energy topics.

One of HUD's Roles in Home Improvement. . . explains the principal features of HUD-Insured Title I Home Improvement Loans.

Solar Standards: Laying the Groundwork for a Solid Industry. . . a HUD Solar Status Report. . . outlines the progress of the joint effort of government and private industry to establish effective, workable, standards for solar equipment. Also discusses current status on accreditation of testing laboratories, the importance of warranties, and the beginning steps to set up a certification system.

Guide for Ordinance Development. . . designed for use by community officials in preparing flood plain management measures which satisfy the *National Flood Insurance Program's* minimum standards. The guidebook organizes the *Program's* standards into a sample ordinance and provides an explanatory narrative.

Let's Consider Cooperatives. . . the latest update describing FHA's cooperative housing program which insures mortgages on cooperative housing projects of five or more dwelling units.

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HUD NEWSLETTER
July 17, 1978



Hud Newsletter

HUD Announces Two Major Actions

On July 10. . . Secretary Harris announced the unveiling of a \$209 million *Urban Initiatives Program*. . . a multi-faceted effort designed to attack some of the problems of the larger 'troubled' *Public Housing Projects*. On the following day. . . July 11. . . the names of the cities, amounts of grants, and descriptions of the second round of *Urban Development Action Grants*. . . totaling \$111.9 million were released. See pages 2 and 3 for details.

Current Trends

In June. . . residential mortgage interest rates rose to the highest level since the *Government* began keeping such records. The *FHLBB* reported the average effective rate on new homes climbed to 9.46 percent. . . compared to 9.37 percent in May. In June 1977. . . the rate was 8.98. For existing homes. . . the May rate was virtually the same. . . 9.47 percent. . . the highest level since January 1975.

The increase in mortgage interest rates did not surprise money analysts. . . and was a natural consequence of the overall rise in money rates for all types of borrowing. *Treasury* long-term notes reached their highest level in history. . . with 9-year notes bringing 8.62 percent. . . and short-term (6-month bills at 7.84 percent and 1-year at 8.36 percent). . . each up several basis points in the first week of June. Long-term AA Utility bonds were selling at a 9.30 percent rate.

The *Bank Board's* report of single-family home prices in June also showed a substantial rise. For new homes. . . which had recorded a drop in May to an average of \$59,800. . . the June average was \$62,900. For existing homes. . . there was an increase in the month from \$51,700 to \$53,700.

Along with residential mortgage rates. . . interest on apartment and commercial projects also rose in June. . . to the highest level in 4 years. *Citicorp's* report for June showed a 9 3/4 to 10 percent. . . 1/4 point higher than May for new projects. . . and the virtual disappearance of the normal 1/8 percent favorable differential for well-rented existing apartment projects.

While May savings inflows in *S&Ls* "picked up more than seasonally" according to the *Bank Board*. . . the rate was still substantially below the May 1977 level. *S&Ls* closed \$10.2 million in loans during the month. . . 15 percent above the April amount.

FYI

National Urban League. . . 68th Annual Conference. . . Theme: *Better Cities for a Better Nation*. . . Los Angeles, August 6-9. Details: *NUL Conferences Department*, 500 East 62nd Street, New York, N.Y. 10021.

Urban Initiatives Program Unveiled

Secretary Harris has committed HUD to a \$209 million program to upgrade the living conditions and management of large urban *Public Housing Projects*. The Program involves three *Federal Agencies* in addition to HUD. "Since its inception in 1937," said Mrs. Harris, "the low-income *Public Housing Program* has provided housing for millions of families and individuals who could not afford housing in the private market. Despite the fact that the majority of *Public Housing Projects* provide decent homes for many Americans. . . there are some that have not lived up to expectations. . . particularly in large urban areas. Although troubled projects represent only a small percentage of the vast *Public Housing* inventory. . . the problems they generate loom very large for the tenants who have to live in them."

The Secretary attributed the presence of troubled projects to a number of factors including: inadequate initial design, financial difficulties, management problems, crime and vandalism, and neighborhood conditions.

The new Program. . . called the *Public Housing Urban Initiatives Program*. . . is designed to attack multi-faceted problems. . . so that a single approach by one *Department* would. . . in the long run. . . solve nothing. A comprehensive approach. . . combining different elements. . . can provide the necessary tools to solve these complex problems.

The combined effort by HUD and the *Departments of Labor, Justice, and Interior*. . . is an experimental Program that will contain several initiatives including:

- A \$159 million targeted *Rehabilitation Program* designed to upgrade those projects which fall far below acceptable conditions. Among other things. . . the rehabilitation work could involve major structural changes, overall upgrading of the buildings and grounds, and improvements to project security.
- A \$15 million *Management Assistance Program* designed to identify and correct the underlying management deficiencies which may have been responsible for the deterioration of the project in the first place. This could include installation of project-based management, and the upgrading of specific management and financial systems.
- An innovative \$32 million interagency *Anti-Crime Program* designed to improve the security and stability of public housing projects, without which the necessary management and physical improvements cannot be effectively accomplished. HUD, FIA, Labor, and LEAA will participate in this pilot program.
- A \$2.5 million *Urban Partnership Program* designed to encourage city governments to work more cooperatively with PHAs in such ventures as developing neighborhood and commercial revitalization programs in *Public Housing* areas. The funds can also be used to improve the level and quality of community and social services.

It is hoped the *Urban Initiatives Program* will enable communities to deal with the serious problems of *Public Housing*. It will provide better living conditions, safer projects, and jobs for residents. And it will demonstrate what works and what does not in this business.

The new Program will be limited to the large *Public Housing Agencies*. . . those with 1,250 or more units under management. There are 152 *Public Housing Authorities* in this category which represent approximately 55 percent of the total *Public Housing* population.

There are established HUD resources. . . such as the *Modernization Program Operating Subsidies*. . . from which all PHAs will continue to benefit.

The present *Public Housing* inventory consists of approximately 1.2 million dwelling units. . . in more than 2,700 communities. . . which provide shelter for an estimated 3.4 million persons. About 60 percent of *Public Housing* units are occupied by younger families and about 40 percent by the elderly. The median income for families residing in *Public Housing* is \$3,749; for elderly residents that figure is \$2,833.

Second Round Action Grants Announced

In another important step. . . HUD announced awards totaling \$111.9 million for 35 cities in the second round of the *Urban Development Action Grant Program*. . . a key strategy of President Carter's *National Urban Policy*.

The *Action Grants* will be used as part of 39 joint public-private development projects. . . and are backed up by more than \$465.1 million in private financial commitment. The projects will create more than 13,000 permanent new jobs and save 11,600 others, while generating 12,300 construction jobs.

"For the second time this year the *Action Grant Program* has shown the ability to inspire new and creative partnerships between government and the private sector," Secretary Harris said, "to help bring jobs and economic muscle to distressed cities."

"These awards mean that 35 cities will have greater resources to solve problems of physical and economic development and become better places to live, work and grow in."

The largest grant was \$13.5 million, for a neighborhood revitalization project in the heart of Denver's Hispanic community. . . and the smallest. . . \$100,000, for a neighborhood improvement project in Pico Rivera, Calif.

Other cities selected today are as diverse as Waterloo, Iowa (\$3.318 million), Auburn, Me. (\$1 million), Wilkes-Barre, Pa. (\$1.65 million), and Galveston, Tex. (\$3 million).

The *Program* is targeted to urban areas throughout the country which are experiencing physical and economic distress. Before an *Action Grant* can be made to a city, a strong private financial commitment must be shown for the project submitted. Projects may be commercial, industrial, neighborhood, or a combination, and must address the types of problems which affect the city's development.

The 35 cities selected are among 322 metropolitan, or large cities eligible for the *Program* because they meet certain minimum standards of distress from a list which includes slow population growth, high poverty and unemployment, low job and per capita income growth, and a high percentage of older housing.

The 39 projects were selected based on the quality of the joint public-private proposals submitted, and the relative distress of applicant cities.

The *Action Grant Program* has \$400 million authorized each fiscal year through 1980, and receives applications and awards funds on a quarterly basis. Smaller cities will receive \$100 million in funds each year, with the first awards scheduled at the end of July. Metropolitan city applications for the fourth quarter will be received throughout July, with awards scheduled for the end of September.

More information. . . including a full list of the cities and the amount and description of each grant is available from *HUD's Office of Public Affairs*, Room 9243, Washington, D.C. 20410 (202/755-7174). Ask for Release No. 78-211.

'Tandem' Program Expanded

Secretary Harris has announced that the *Targeted Tandem Program* of *GNMA* is being expanded to include all distressed cities and urban counties that meet the eligibility criteria for *Urban Development Action Grants*.

This action will increase the number of jurisdictions within which *FHA*-insured multifamily projects are eligible for *GNMA* below-market mortgage financing from the present 324 to more than 2,100.

Under the *Program*. . . certain non-assisted *FHA*-insured multifamily projects are eligible for permanent mortgage financing at a rate of 7.5 percent. The Secretary said its expansion clearly evidences the *Department's* commitment to assist small distressed communities as well as the large cities. . . and is particularly important for smaller cities that are proposing *Action Grants* in areas where multifamily housing is urgently needed.

Significant Decisions

Haas, et al. v. Harris, et al. United States Circuit Court of Appeals, 1st Circuit, No. 77-1481. The *Court* reversed a judgment granting plaintiffs a preliminary injunction which prohibited the owner of a *Section 236* project from assessing against its tenants that portion of a *HUD*-approved rent increase attributed to tax and utility cost increases. Since plaintiffs are members of the plaintiff class in *Underwood v. Hills*, the *Court of Appeals* concluded that the injunction was barred by the *Stay Order* issued by the *Supreme Court* in *Underwood*.

Ramona Shump, et al. v. Balka, Hills, et al. United States Circuit Court of Appeals, 10th Circuit, C.A. No. 76-2048. The *Court* affirmed the decision of the lower court approving settlement of an action brought by *Public Housing* tenants in Topeka, Kansas against the *Housing Authority* and *HUD* and denying the motion of dissatisfied class members to intervene in the action. The settlement provided that the amounts paid by tenants for a maintenance fee which was assessed by the *Housing Authority* from 1971 to 1974 would be refunded, provided that delinquent rentals and cost of tenant-caused damage to units are deducted from such refunds. The *Court of Appeals* found that the lower court had jurisdiction to permit the setoff of amounts owed by tenants to the *Housing Authority* under the lease and that its refusal to consolidate this suit with a similar suit seeking punitive damages was not clear error.

HUD Publications Available

The following publications have been issued by *HUD's Office of Policy Development and Research*. Limited quantities are available without charge from *HUD, PD&R*, Room 8126, Washington, D.C. 20410. (202/755-5544). Please specify stock number, where shown.

Section 8 Housing Payments Program for Existing Housing. A Field Study. August 1976.

Atlanta Residential Energy Consumption. Final Report. August 1976. HUD-PDR-250-2.

Denver Residential Energy Consumption. Final Report. September 1976. HUD-PDR-250-8.

Published weekly by the Publications and Information Division, Office of the Assistant Secretary for Administration, U.S. Department of Housing and Urban Development. . . Patricia Roberts Harris, Secretary. . . James C. Biller, Editor. Subscription rate \$12.50 per year, domestic. . . \$15.65 foreign. Address all communications regarding subscriptions, change of address, etc. to the Superintendent of Documents, Washington, D.C. 20402. The Secretary of HUD has determined that the publication of this periodical is necessary in the transaction of the public business required by law of this Department. Use of funds for printing this periodical has been approved by the Director of the Office of Management and Budget through September 30, 1979.

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July 24, 1978
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Hud Newsletter

DEPARTMENT OF HOUSING
AND URBAN DEVELOPMENT

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Current Trends

Project notes totaling \$846.1 million. . . representing 78 *Public Housing Agencies*. . . were sold in mid-July at an average interest rate of 4.43 percent. The interest rate last month was 4.072 percent.

Yields were up as *FNMA* issued \$417.9 million in 4-month commitments to purchase both *Government*-backed and conventionally-financed home mortgages at its mid-July auction. There were \$327.4 million in commitments issued on *Government*-backed mortgages at a weighted average yield of 10.024 percent. The average in the previous auction was 9.963 percent. In the conventional auction. . . *FNMA* issued \$90.5 million at a weighted average yield of 10.172 up from 10.125 in the previous auction.

Fed Chairman G. William Miller expects interest rates to peak soon. He sees "some slackening of the pressures that have forced most short-term interest rates to advance between 1 and 1½ percent during the first half of 1978." This is significant to housing because normally when short-term rates stabilize or decline. . . long-term rates. . . including mortgages. . . usually follow. Mr. Miller's comments do not anticipate any near-term reduction in rates. . . but only a leveling-off. It is the first time that he has forecast any letup in the upward spiral of interest rates.

Housing starts in June were at the annual seasonally-adjusted rate of 2.099 million units. This was 8.7 percent higher than the rate in June 1977 and virtually unchanged from May 1978. Permits issued for future construction were 1.8 million in June. . . which was 12.7 percent higher than May 1978 and 3.5 percent higher than a year ago.

It's Flood Insurance Time

The hurricane season is officially here. . . and it is a good time to buy federally-subsidized flood insurance. If residents in the danger areas act now. . . they can insure their homes and businesses against financial losses for hurricane-induced floods.

Gloria M. Jimenez, Administrator of *HUD's Federal Insurance Administration (FIA)* issued a reminder that hurricanes usually strike in the late summer and early fall—August, September and October. "You can buy Federal flood insurance now, at prices you can afford, and be sure of being covered if a hurricane hits," she said. It is important to see your local insurance agent today. Flood insurance becomes effective in 15 days. If you buy a policy today your home or business will be covered in 2½ weeks."

Under the *National Flood Insurance Program*. . . property owners in flood-prone areas can insure homes, business, and contents for as little as 25 cents per \$100 coverage. Tenants can insure their personal belongings. The *Federal Government* makes this subsidized low-cost flood insurance available in most communities.

Rural Assistance Program Announced

HUD has announced the creation of a 2-year *Demonstration Program* designed to find ways of making **HUD** programs more accessible to rural areas. This action follows the findings of a *Task Force* appointed by Secretary Harris last January. The new *Program* is expected to get underway in October.

Sociologists and analysts have contended for many years that rural housing is frequently even worse than urban housing. This fact has been further documented and pinpointed by the *Task Force*. . . which found that forgotten Americans are living in under-developed or distressed communities with overcrowded housing, housing without plumbing. . . and seemingly ~~outside the~~ reach of Government help.

The *Report of the Task Force on Rural and Non-Metropolitan Areas* points out the widespread needs and frustrations of thousands of Americans in small communities and rural areas. "We must make available to these distressed places the **HUD** programs and financial assistance they have every right to as Americans," said Secretary Harris.

The new *Program*. . . to cost an estimated \$465,000 a year. . . will be conducted in States which have a sizable rural population. . . and be the basis for a new partnership between the **HUD Area Offices** and local public and private institutions.

The *Task Force*. . . which prepared the *Report* was made up of top **HUD** staff from Central Headquarters and the field. It obtained information and recommendations from more than 70 organizations and representatives of rural areas and small communities in putting together the report to the Secretary.

Some Highlights:

- There are nearly three times as many rural housing units lacking complete plumbing as urban units.
- While rural rental units account for only 26 percent of the occupied units. . . they constitute 55 percent of the deficient, overcrowded, and excessive cost rural housing.
- The projected demand for federally-assisted rural housing is 240,000 units a year through 1985. . . 40 percent higher than the 1974-76 rates of total production of assisted housing.
- First mortgages on single-family homes have a .9 percent higher interest rate, 3.1 years shorter-term maturity, \$8,100 lower loan amount, and a .5 percent higher downpayment.
- While black households occupy only 6.5 percent of rural housing units, their housing accounts for 33.6 percent of all units lacking plumbing. The median income of rural blacks is less than one-half that of the national median income.

The report concludes that rural America. . . while urgently needing housing and community development help, is not getting all the assistance from **HUD** that it should. Further. . . that the rural and small communities too often do not even know about **Government** assistance programs. . . and. . . even if they did. . . they would not know how to take advantages of them.

In its findings. . . the *Task Force* recommended that **HUD** alter its own administration and program delivery to target aid to the small communities and rural areas.

"**HUD's**" history of help to these needed areas, as documented in the *Task Force* report, is not one we can be proud of," said Secretary Harris. "I want to assure all Americans living in these small communities and rural areas that my administration has already undertaken programs to give them the help they need."

Mrs. Harris pledged a continuation of efforts to work toward putting **HUD's** housing and community development assistance within reach of all small communities that need it.

(continued)

Rural Program—Cont'd

The following groups contributed to the *Rural Task Force Report*: *American Association of Small Cities*; *American Bankers Association*; *Congressional Rural Caucus and the Chairman of the Subcommittee For Small Cities, Wes Watkins*; *Federal Home Loan Bank Board*; *Housing Assistance Council*; *Independent Bankers Association*; *Institute of Cultural Affairs*; *National Association of Homebuilders*; *National Association of Housing and Redevelopment Officials*; *National Association of Regional Councils*; *National Association of Towns and Townships*; *National Conference of Black Mayors, Inc.*; *National Forest Products Association*; *National Rural Center*; *Rural Housing Alliance/Rural America*; *Rural Housing Improvements, Inc. (Winchendon, Massachusetts)*; and, *United States League of Savings Associations*.

Copies of the *Report* are available without charge from *HUD's Office of Public Affairs*, Room 9243 *HUD*, Washington, D.C. 20410, 202-755-7174.

Significant Decision

City of Coos Bay, Oregon v. HUD Harris, et al., United States District Court, D. Oregon, No. 77-725. The *City of Coos Bay* contended that the *HUD* regulations authorizing conditional approval of *Block Grant Applications* had the effect of unlawfully amending the *Housing and Community Development Act of 1974*. Alternatively. . . the *City* argued that *HUD's* conditional approval of its application was arbitrary and capricious. The Magistrate found that the *HUD* regulation governing conditional approval, 24 C.F.R. 570.306(e), was consistent with the *Housing and Community Development Act*, and that *HUD's* conditional approval of the *City's Block Grant Application* was reasonable.

Supreme Court Upholds Landmarks Law

The *National Trust for Historic Preservation* called it a stunning victory for historic preservation efforts across the country as the U.S. Supreme Court in *Pennsylvania Central Transportation Co. vs. City of New York* ruled that New York City's landmark designation statute is constitutional. The decision upholds a city's right to make landmark designations to protect specific properties and to halt their demolition or alteration.

Although the case on which the *Court* ruled concerned only New York's 1913 Grand Central Terminal. . . the decision strongly supports the validity of laws that created more than 500 landmark and historic district commissions in the United States. The *Court* rejected a chief argument used to attack such commissions: The landmark designations deprive the owner of his constitutionally protected right to do anything he wishes with his property. That kind of argument. . . declared Justice William J. Brennan in the majority opinion, is "quite simply untenable."

"Approval by the *Supreme Court* is the ultimate test," said James Biddle, president of the *National Trust*, following announcement of the decision. Justice Brennan's careful analysis will encourage the cities having landmark or historic district laws to use them more vigorously. It should also encourage the passage of such laws in communities where the question of constitutionality has been debated. The importance of this decision is reflected by those who joined the *National Trust* in filing an *amicus curiae* brief in support of historic preservation. Among these were the *National League of Cities* and the cities of New Orleans, Boston, and San Antonio."

Duplicate printed copies of the *Court's* decision are available free from the *National Trust*. Please write to *Director, Landmarks and Preservation Law, National Trust for Historic Preservation*, 740-748 Jackson Place, N.W., Washington, D.C. 20006. Subscribers to the *Commission's* newsletter do not need to write, as they will automatically receive a copy of the ruling. Please allow two to three weeks for delivery of requested copies.

FYI

New York University. . . Seminar: How to Deal With Distressed Real Estate. . . Chicago, August 23-24. Details: Heidi Kaplan, New York Management Center, 360 Lexington Ave., New York, New York 10017 (212/953-7262).

National Association of Women in Construction. . . Annual Convention. . . Boston, September 13-17. Details: NAWIC, 2800 W. Lancaster, Fort Worth, Texas 76107.

American Public Works Association. . . Annual Meeting. . . Boston, September 14-19. Details: APWA, 1313 E. 60th St., Chicago, Illinois 60637.

International Bridge, Tunnel and Turnpike Association. . . Annual Meeting. . . San Francisco, September 17-20. Details: IBITTA, 1225 Connecticut Ave., N.W., Suite 307, Washington, D.C. 20036.

New York University (School of Continuing Education). . . 3-day Seminar: Solar Energy . . . London, September 18-20. Details: Heidi E. Kaplan, Dept. 20NR, New York Management Center, 360 Lexington Ave., New York, New York 10017 (212/953-7262).

National Environmental Systems Contractors Association. . . Seminar on Solar Energy . . . Houston, September 22-23. Details: NESCA, 1228 17th St., N.W., Washington, D.C. 20036 (202/296-7610).

National Association of Home Manufacturers. . . Meeting. . . Washington, D.C., September 24-27. Details: Darcy Neil, NAHM, 1619 Massachusetts Ave., N.W., Washington, D.C. 20005 (202/234-1374).

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Hud Newsletter

Current Trends

Urban Renewal Project notes totaling \$88.7 million... representing 31 local issuing agencies, were sold in mid-July, at an average interest rate of 4.37 percent. The average interest rate for the \$58.4 million notes sold in mid-June was 3.895 percent.

Interest rates on major types of bonds and money market instruments rose substantially from late May to late June... reaching new highs for the current economic cycle. This rise in market interest rates reflected continued large credit demands associated with an expanding economy and a further tightening in monetary policy designed to reduce inflationary pressures. Yields on short-term money market instruments rose 30-60 basis points over the period. Rates on intermediate-term securities increased 15-30 basis points. Rates on all instruments... however, remained well below the modern-day records reached in 1974.

Interest rates on home mortgage loans rose substantially between early May and early June. Conventional loans for newly-built homes rose 9 basis points to average 9.46 percent in early June... while effective rates on loans closed for purchasing previously occupied homes rose 10 basis points to a 9.47 percent average.

During June... 56,888 applications for *FHA* single-family mortgage insurance were received... an increase of 18 percent over June a year ago. Included in the total were 12,000 applications for conditional commitments of *FHA*-mortgage insurance on homes yet to be constructed... a 24 percent increase over June 1977.

AIA Elects

At its annual *Convention*... the *American Institute of Architects* elected Charles Scwing, *FAIA*, of Baton Rouge, La., as first vice president and president-elect.

Current First Vice President Ehrman B. Mitchell Jr. *FAIA*, of Philadelphia, will succeed to the presidency in December, 1978. He was elected at the *Institute's* 1977 convention in San Diego. Scwing will succeed Mitchell as president in December, 1979.

AIA also elected three vice presidents: Robert Broshar, *FAIA*, Waterloo, Iowa; James M. Harris, Tacoma, Wash., and R. Randall Vosbeck, *FAIA*, Alexandria, Va.

Robert M. Lawrence, *FAIA*, Oklahoma City, was reelected to a 2-year term as secretary of the *Institute*. Joseph F. Thomas, *FAIA*, Pasadena, Calif., was elected to a 2-year term as treasurer in 1977.

Scwing, currently an AIA vice president, is president of the small Baton Rouge architectural firm of *Charles E. Scwing & Associates*. He holds a diploma from the *Ecole des Beaux-Arts* in France and Bachelor degrees in science and architecture from *Georgia Institute of Technology*, Atlanta.

HUD Proposes Change In Rent Regulations

Tenants in federally-insured, unsubsidized apartments subject to local rent controls may soon have a direct voice in *Federal* decisions on landlord requests for *Federal* preemption of local rent regulations.

HUD has proposed a rule change designed to grant residents in unsubsidized apartments in rent control areas the right to comment on preemption requests similar to those enjoyed by tenants in subsidized projects in such jurisdictions.

Under the revised rule. . . tenants would be allowed. . . for example. . . to review and comment on the financial data landlords, or mortgagors, must submit when asking *HUD* to preempt local rent controls and approve rent levels above those established by local boards.

They would also be assured:

- At least 30 days advance by the mortgagor of his intent to file a preemption request; and
- Notification by the mortgagor, following *HUD's* decision, of reason for approval or disapproval of the request.

Their written comments, along with submissions by the landlords, would be evaluated by *HUD Field Offices* on a case-by-case basis. At present. . . tenants in unsubsidized, rent-controlled projects do not have the opportunity to present their views to *HUD* on requests for preemption.

Preemption is the legal procedure under which *HUD* supersedes local rent controls wherever controlled rents are inadequate to prevent an apartment owner from defaulting on his mortgage, forcing *HUD* to pay off on the insured mortgage. The Department has preempted local controls on all subsidized projects but will continue to handle preemption requests on unsubsidized projects on a case-by-case basis.

The proposed rule change was published in the July 24 *Federal Register*. . . and written comments and suggestions will be accepted until August 24. Address the *Rules Clerk, HUD, Room 5218, Washington, D.C. 20410*.

Divorce Level Increases

There are 84 divorced persons for every 1,000 persons who are married and living with their spouses. . . according to the *Census Bureau*.

In the seven years since 1970. . . the divorce ratio had increased by 79 percent. . . compared with an increase of 34 percent during the entire decade from 1960 to 1970.

Women are more likely to have been divorced than men (101 per 1,000 as compared to 66 per 1,000). Persons under the age of 45 had 91 per 1,000 compared with 76 per 1,000 for those over 45. These two developments reflect the facts that women remain divorced longer before remarriage and have a lower incidence of remarriage than men; and that most of the recent increase in divorce has been among younger couples.

The postponement of marriage by young adults continues. . . the survey reports. The proportion of women 20 to 24 years old, who had never married, increased by more than one-half between 1960 and 1977, from 28 to 45 percent. Among men. . . 20 to 24. . . the increase went from 53 to 64 percent during the same period. Another postponement indicator is the estimated median age at first marriage—24 for men and 21.6 for women. . . an increase for both sexes of one full year since the mid-1960's.

Highlights in the new report include comparison data which show that (1) the estimated level of divorce is rising; (2) more adults are remaining single or postponing first marriage; (3) the number of households containing only unrelated persons is increasing; (4) more families are being maintained by persons without a spouse; and (5) though the youthful population is decreasing, the number of children living with only one parent is increasing.

The data presented in this report are from the March 1977 *Current Population Survey (CPS)*, and, as in all sample surveys, are subject to sampling variability and errors of response, including underreporting and nonreporting. A detailed explanation appears in the report.

The report. . . *Marital Status and Living Arrangements: March 1977, Series P-20, No. 323*, is available for \$2.30 from the *Superintendent of Documents, Washington, D.C. 20402*.

HUD Reports Mortgage Rise Over Last Year

During the first 3 months of 1978, mortgage lenders closed \$34.6 billion of long-term mortgage loans for 1-4 family homes. . . *HUD* announced. This was 22 percent greater than the volume originated in the first quarter a year ago.

Savings and Loan Associations accounted for 54 percent of the loans closed. . . commercial banks had a market share of 24 percent; and mortgage companies accounted for 12 percent.

Multifamily residential mortgage loans closed in the period totaled \$3.6 billion. . . up 17 percent over 1977. *S&Ls* made \$1.6 billion of these loans. . . or 46 percent.

Construction loans for homes came to \$8.1 billion in the first 3 months. . . 37 percent higher than a year ago. Multifamily construction loans at \$2.1 billion were 38 percent above last year.

In the secondary market. . . purchases of home loans aggregated \$15.1 billion. . . 29 percent more than in the first quarter of 1977. Purchases of multifamily loans at \$1.1 billion were 28 percent higher.

New commitments for home construction loans totaled \$6.9 billion in the first 3 months of 1978, up 1 percent from a year ago. . . while new commitments for long-term home loans at \$33.0 billion were up 18 percent.

New commitments for multifamily construction loans at \$2.1 billion during the first 3 months were 13 percent above a year ago, while new commitments for long-term multifamily loans at \$3.6 billion were 13 percent higher than in the first quarter of 1977.

At the end of March 1978 mortgage lenders had \$34.1 billion of commitments to make long-term loans for 1-4 family homes compared to \$30.6 billion at the end of March 1977. On March 31, 1978 outstanding commitments to make home construction loans totaled \$14.3 billion, compared to \$13.2 billion at the end of December and \$11.0 billion at the end of last March.

Outstanding commitments for multifamily long-term loans totaled \$14.4 billion at the end of March 1978, compared to \$11.3 billion a year ago. Outstanding multifamily construction loan commitments rose to \$6.5 billion from \$5.0 billion last March.

At the end of March 1978. . . total mortgage debt outstanding amounted to \$958.1 billion. . . of which \$592.3 billion were long-term loans for 1-4 family homes and \$94.9 billion were long-term loans for multifamily projects. There were also \$33.6 billion of home construction loans outstanding. . . and \$10.4 billion of multifamily construction loans.

The statistics are obtained from reports filed by about 1,700 lending institutions and agencies that are compiled by *HUD*, the *FDIC*, *FHLBB*, *SEC*, *Census Bureau*, *American Council of Life Insurance*, and the *Mortgage Bankers Association of America* under a cooperative arrangement.

Small Cities Program In Final Funding Stage

The *Department* has received more than 6,000 preapplications for funds totaling nearly \$3 billion under the *Community Development Block Grant Small Cities Program*. After evaluation of the pre-applications, the *Department* anticipates inviting between 1,200 and 1,500 communities with populations of 50,000 or less to submit full applications for the \$614 million in available funds. The *Program* enables smaller communities to fund a variety of projects benefitting low- and moderate-income persons. An additional 194 applications totaling over \$225 million are now being received under the *Urban Development Action Grant Program* for small cities. Funding requests range from a high of \$6 million from Chelsea, Massachusetts. . . to a low of \$35,000 requested by Dowagiac, Michigan. This *Program* requires that public and private funds be combined in projects which help revitalize distressed communities. A total of \$100 million is available for the *Program* this fiscal year.

Publications Available

Human Settlement Systems. . . International Perspectives on Structure, Change and Public Policy. . . . edited by Niles M. Hansen, professor of Economics at the *University of Texas at Austin*. The book is related to research on human settlement systems being undertaken in the *International Institute for Applied Systems Analysis*, Laxenburg, Austria. It reflects the East-West nature of the *Institute* but also takes account of the situation in *Third World* countries. The contributors are leading economists and geographers from Western and Eastern Europe, the U.S., and Japan. 304 pages. . . \$20. Available from *Ballinger Publishing Company*, 17 Dunster Street, Cambridge, MA 02138.

The Builders. . . Houses, People, Neighborhoods, Governments, Money. . . . by Martin Mayer. This is the latest of Mr. Mayer's continuing survey of American institutions. It is a book about every family's biggest purchase. . . and one of the Government's biggest headaches. Its subject is how. . . and where. . . American homes get built, and bought, and paid for. His earlier books were *The Bankers*; *Madison Avenue, USA*; *The Schools*; and *The Lawyers*.

The Builders is about decisionmakers. . . private and public. . . and the limits on what they can decide; about wood, and concrete, and land. . . developers, labor unions, real estate brokers, zoning laws, building codes, environmental controls; about the impact of home financing on inflation (and vice versa); about the efforts toward urban rehabilitation; about the gloomy prospects for rental housing; about costs and prices; about the rapid spread of working-class housing to the far reaches of exurbia (we learn here, for example, that nearly half the members of *AFL-CIO* live outside metropolitan areas); about Public Housing and all the arcane Federal programs. 468 pages. Available for \$15.00 from W.W. Norton & Company, Inc., 500 Fifth Avenue, New York, N.Y. 10036.

Dynamics of Community Planning. . . . by Neil Gilbert and Harry Specht. The authors use data gathered in a nationwide study of the 147 communities that participated in the *Model Cities Program*. The data for the study include: ratings of the 147 cities obtained in a *HUD*-conducted study of the cities that was done prior to the selection of the cities for the *Model Cities Program*; interviews with Federal officials; and data from Federal documents and from questionnaires completed by the executive directors of the local *Model Cities* agencies. In addition, demographic data were used. 224 pages. . . \$16.50. Available from *Ballinger Publishing Company*, 17 Dunster Street, Cambridge, MA 02138.

Published weekly by the Publications and Information Division, Office of the Assistant Secretary for Administration, U.S. Department of Housing and Urban Development. . . Patricia Roberts Harris, Secretary. . . James C. Biller, Editor. Subscription rate \$12.50 per year, domestic. . . \$15.65 foreign. Address all communications regarding subscriptions, change of address, etc. to the Superintendent of Documents, Washington, D.C. 20402. The Secretary of HUD has determined that the publication of this periodical is necessary in the transaction of the public business required by law of this Department. Use of funds for printing this periodical has been approved by the Director of the Office of Management and Budget through September 30, 1979.

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August 7, 1978
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Hud Newsletter

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Current Trends

Auction yields were mixed as *FNMA* issued \$232.5 million in 4-month commitments to purchase both *Government*-backed and conventionally-financed home mortgages . . . of which \$144.1 million were commitments on *Government*-backed mortgages at a weighted average yield of 9.999 percent. The average in the previous auction was 10.024 percent. In the conventional auction . . . *FNMA* issued \$88.4 million in commitments at a weighted average yield of 10.205 up from 10.172 in the previous auction.

HUD has released statistics on mortgage lending activity during the first quarter of 1978. A total of \$34.6 billion of home mortgage loans were closed . . . of which \$2.7 billion or 8 percent were *FHA*-insured . . . while \$3.5 billion or 10 percent were *VA*-guaranteed and \$28.3 billion were conventional loans.

Loans for new homes originated in the first quarter of 1978 aggregated \$10.6 billion or 31 percent and loans for existing homes came to \$24 billion. Of the \$3.6 billion multifamily loans closed in the first quarter \$6 billion or 17 percent were *FHA*-insured. Of \$1.2 billion of the multifamily loans closed 26 percent were for new properties. At the end of March 1978 . . . total mortgage debt outstanding amounted to \$958.1 billion . . . of which \$592.3 billion were long-term loans for 1-4 family homes and \$94.9 billion were long-term loans for multifamily projects. At that date . . . there were \$33.6 billion of home construction loans outstanding and \$10.4 billion of multifamily construction loans.

The value of new contracts for all types of construction awarded in June fell 14 percent according to the *F.W. Dodge Division of McGraw-Hill* . . . to a \$14.2 billion level . . . compared to \$16.5 billion in June 1977. The drop was due to the sharp decline in nonbuilding construction . . . which showed a 64 percent drop from a year ago as a result of the virtual disappearance of power plant construction. Both residential and nonresidential construction showed very healthy improvement over last year . . . each gaining 28 percent. While residential activity . . . was at \$7.7 billion for June 1978 . . . up from the \$6 billion level in June 1977 . . . it was only slightly higher than the May volume. This led George A. Christie . . . *Dodge* chief economist to say that this probably "suggests that current residential expansion may be cresting at a very high level."

Relocation Counseling Program Begins

On August 1 . . . the *National Urban Coalition*. . . under terms of a \$125,000 *HUD* grant began counseling low- and moderate-income families in danger of losing their homes through private development in their neighborhoods. The counseling covers areas of both actual and potential displacement.

Secretary Harris said the grant . . . which covers a one-year period, will enable the *Coalition* to expand the counseling capabilities of its affiliates.

The *Housing Counseling Program* was initiated by the *Housing and Urban Development Act of 1968* which established comprehensive counseling services for low- and moderate-income home buyers under the various homeownership mortgage and interest subsidy programs of *HUD*.

The *National Urban Coalition* works through a network of local affiliates and cooperative organizations in more than 30 cities across the country.

First Action Grants to Small Cities Announced

Secretary Harris has announced the first group of small cities . . . 61 . . . in 23 States . . . mostly under 50,000 in population . . . to receive a total of \$60.6 million in *Urban Development Action Grants*. The *Action Grant Program* . . . signed into law by the President in October 1977 . . . is designed to help smaller cities undertake joint public-private development projects. The awards are part of the President's *National Urban Policy*.

The current list includes 65 projects . . . supported by more than \$581 million in private financial commitments . . . which will open up more than 18,000 new permanent jobs . . . will save 2,200 existing jobs . . . and will create about 9,500 construction jobs.

The small cities segment of the *Action Grant Program* currently provides \$100 million per year in grants. In addition . . . \$300 million goes to metropolitan cities and urban counties. To be eligible to apply for an *Action Grant*, an area must be considered distressed when compared to objective national criteria for per capita income, age of housing stock, percent of poverty, population gain or loss, and . . . for larger cities . . . employment growth and unemployment.

"Because we require strong private sector participation in each project," said Robert C. Embry, Jr., *Assistant Secretary for Community Planning and Development*, "the benefits of these awards are much greater than just the transfer of over \$60 million in Federal funds to areas with stagnant economies or decaying homes and businesses."

The current announcement illustrates how smaller distressed cities can apply *Action Grants* to meet their needs. For example, **Montezuma, Georgia** will use \$5.7 million, backed by \$200 million in private funds, to construct access roads permitting the location of a massive pulp mill which will provide 1,170 new jobs. **Oconto, Wisconsin** will use a \$77,700 grant for site improvements and construction of water and sewer facilities, so that a local manufacturing plant can expand. Almost \$30 million will go for industrial development such as this.

Nearly \$15 million was awarded for neighborhood projects. A \$2.9 million grant to **Burlington, Vermont** will be used for public improvements to a 10-acre tract, creating new housing and business construction along Lake Champlain. **San Pablo, California** will use its \$500,000 grant to write down the cost of land for new housing.

Almost \$17 million of the funds went for commercial projects. **Seminole, Oklahoma** received a \$500,000 grant for downtown improvements to stimulate private revitalization of the 12-block central business district. A \$5 million award to **Morristown, New Jersey** will be used to build a public garage that will attract two office buildings, a hotel and other commercial development.

Since April, **HUD** has awarded more than \$261 million to metropolitan cities for 89 public/private development projects. The *Action Grant Programs*, which receives applications and makes awards every three months, will make the fourth quarter awards to metropolitan cities around October 1.

New applications from small cities are now being received, and the next awards will be made in early November.

A list of the cities, amount of each grant, and details of each project is available from **HUD's Office of Public Affairs**, Room 9243, Washington D.C. 20410. (202/755-7174). Ask for Release No. 78-256.

Fed Chairman Predicts Interest Peak

G. William Miller. . . Chairman of the *Federal Reserve Board*. . . has predicted that interest rates will reach their peak between now and the first of the year. He said that he expected that the pressure on credit would begin to slacken soon. If this occurs. . . it would normally apply to mortgages as well as to shorter-term business loans.

Joint Urban Environment Session Held

Representatives of urban and environmental groups met in Washington, D.C., on July 28 to pool their resources in a common effort to aid America's embattled cities.

The conference at the *Environmental Protection Agency* was sponsored by that Agency and two other *Federal Departments* . . . *HUD* and *Interior*.

The *Federal Agencies* awarded grants to the *National Urban League*, the *Sierra Club*, and the *Urban Environmental Conference* . . . whose representatives attended the conference. *HUD's* contribution amounted to \$40,000.

"*HUD* has joined these other *Federal Agencies* in the effort to enlist the combined strengths of these sometimes divergent groups to address the plight of distressed cities," said *HUD* Under Secretary Jay Janis.

Janis pointed out that these tended to have conflicting viewpoints and objectives, with the *Sierra Club* focusing on the non-urban aspects of our cultural lives, while the *Urban League* and the *Urban Environmental Conference* concentrated on such problems as jobs, the expansion of business, and protection of the rights of minorities.

"All these are noteworthy goals, pursued by patriotic and dedicated organizations," said Janis. "But in the past these goals tended to collide with each other, most often at the expense of the people they were intended to serve."

This session was the springboard for a national conference on the urban environment to be held next Spring.

Homesteading To Become Full-Fledged Program

Urban Homesteading. . . which is now being tested in 39 cities throughout the country. . . will become a full-fledged program under rules proposed by *HUD* and published recently in the *Federal Register*.

The 1978 version of *Homesteading* is a unique urban version of the concept used to help settle the West in the 1880's. Instead of 160 acres of land. . . *Urban Homesteading* allows communities to provide vacant, unrepared, homes to men and women who agree to rehabilitate, maintain, and occupy them for a designated period of time. The 20th Century homesteaders then receive title to the property.

The *Program* thus not only uses the available supply of existing housing but also serves as still another instrument in *HUD's* 'kit of tools' for revitalizing neighborhoods.

Under the draft rules. . . *HUD* will permit cities to request available vacant, unrepared, one-to-four-family properties acquired by *HUD* through foreclosure. Communities will be encouraged by *HUD* to incorporate proposed '*Homesteading*' that are coterminous with *Neighborhood Strategy Areas*.

"*The Urban Homesteading Program* cannot operate by itself to change deteriorated neighborhoods into attractive, livable areas," said Robert C. Embry, Jr., *HUD Assistant Secretary for Community Planning and Development*, "and these draft rules underscore the need for communities to concentrate support and coordinate other Federal and State assistance in designated areas."

The draft rules outline minimum requirements for a local '*Homesteading*' *Program*, including an equitable procedure for selecting capable homesteaders; and agreement between the homesteader and community covering repair, occupancy, and inspection of the property, and conditions for canceling the agreement; terms for conveying title to the homesteader for a nominal fee, and the need for a neighborhood improvement plan that includes upgrading of public services and facilities and encourages private investment in the area.

Also under the proposed rules, "as-is" fair market value of properties to be transferred by *HUD* to localities cannot exceed \$15,000 for each unit of a two-to-four-family residence, and the estimated cost of repairs cannot exceed \$27,000. These values may be waived by *HUD* if the benefits to the community justify it.

Significant Decision

James E. Burns, et al. v. HUD and U.S.A. United States District Court for the District of Minnesota C.A. No. 4-76-237. The Court has ruled that tenants who moved from a HUD-acquired former Section 221(d)(3) project after receiving a notice from HUD to vacate premises scheduled for demolition are displaced persons entitled to relocation benefits under the *Uniform Relocation Act*. HUD is required to accept applications and to provide benefits to tenants who moved as a direct result of HUD's Notice to Vacate at Girard Terrace East in Minneapolis. Whether a notice to vacate is sufficient to trigger relocation benefits under the Act when unrelated to acquisition was one of the issues before the Supreme Court in *Harris v. Cole*, No. 77-1463. . . when certiorari was granted on June 19, 1978.

FYI

University of Chicago Center for Continuing Education . . . Seminar: The Federal Procurement Process . . . Washington, D.C., August 28-29; New York, November 13-14; and Houston, March 26-27, 1979. Details: Heidi E. Kaplan, Dept. 20NR, New York Management Center, 360 Lexington Avenue, New York, N.Y. 10017 (212/953-7262).

National Bureau of Standards and National Conference of States on Building Codes and Standards . . . Joint Conference on Research and Innovation in the Building Regulatory Process . . . Annapolis, September 12. Details: Patrick W. Cooke, NBS, Washington, D.C. 20234 (301/921-3146.)

URBAN DESIGN Magazine . . . First National Conference on Urban Design . . . New York, October 18-21. Details: Margaret Russell, URBAN DESIGN Magazine, 355 Lexington Ave., New York, N.Y. 10017 (212/682-0830).

United State League of Savings Associations . . . 86th Annual Convention. . . Dallas, October 29-November 2. Details: USL, 111 East Wacker Drive, Chicago, Illinois 60601 (312/644-3100).

Institute for Canadian-American Studies . . . 20th Annual Canadian-American Seminar . . . Windsor, Ontario, November 9-10. Theme: *Housing in North America and the Public Interest*. Details: Director, Institute for Canadian-American Studies, University of Windsor, Windsor, Ontario, Canada N9B 3P4.

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Current Trends

The *Commerce Department* reports that construction spending in June rose 1.1 percent above the May level. . . reaching a \$200.5 billion annual rate. . . 14 percent higher than the June 1977 pace of \$176 billion. Of the total. . . private construction represented \$156.7 billion. . . 2.3 percent higher than May. . . and almost 15 percent above June 1977. Residential construction totaled \$92.4 billion. . . 12 percent more than the same month a year ago. Public construction spending was \$43.8 billion. . . 12 percent over 1977.

At the end of June. . . the *Bureau of Labor Statistics* reports. . . prices of some building materials showed double-digit increases from a year earlier. Lumber, plywood, and millwork were the leaders. . . with millwork increasing 27.3 percent. . . lumber 21.1 percent. . . and plywood 15.4 percent. More moderate increases were noted for paint (2.6 percent). . . hardware (.2). . . plumbing (.2). . . concrete products (1.2). . . and roofing (1.1). Flat glass and plumbing fixtures showed fractional declines.

Following the overall trends. . . construction industry unemployment rose to 9.5 percent in July. . . up from 9.3 percent in June. . . according to the *Labor Department*. It was significantly lower than a year ago. . . however. . . when the rate in July 1977 was 11.8 percent.

Strong First Half Recorded

The *Census Bureau* has released final figures for housing starts during the first six months of 1978. The results were considerably better than most analysts had anticipated. Actual starts of 986,800 units this year. . . were 4 percent ahead of the 949,400 units in 1977. The annual rate for the month of June was likewise better than expected. . . 2.099 million. . . 9 percent higher than the 1.931 million units in June 1977. . . and 1 percent above the 2.081 million rate for May 1978.

For the month of June. . . starts at the previously announced annual rate of 2.099 million units were 1 percent higher than the May rate of 2.081 million units. . . and almost 9 percent above the June 1977 figure. The single-family rate of starts for June. . . 1.430 million units. . . was down slightly from May's 1.431 million units. Regionally. . . the Northeast showed a monthly rise of 9.3 percent from May to June. . . while the North Central area dropped 1 percent. . . and both the South and West showed fractional changes. Actual starts remained virtually unchanged from May to June. . . at approximately 213,000. . . but were 8 percent higher than June 1977.

Building permits for future construction likewise rose from May to June. . . by more than 10 percent. . . to 181,000. Multifamily permits jumped by 28 percent. . . to 64,800 units. . . and single-family to 116,300. . . a 3 percent increase over May.

Researcher's Guide Available

Researcher's Guide to HUD Data. . . Second Edition. Published by HUD's Office of Policy Development and Research. Edited by Committee on Facilitating Computer Use. The Guide brings together general descriptions of HUD data. . . along with notes on related information sources. It tells whether HUD collects certain information and which computer system stores the information. Copies are available without charge from HUD Program Information Center, Washington, D.C. 20410. Technical information regarding the publication may be obtained from Paul Burke, 202/755-5590.

HUD Awards \$42 Million For Areawide Low-Income Housing

HUD has announced that 10 areawide planning organizations. . . and the communities they serve. . . will receive more than \$42 million for offering expanded housing choices to lower-income families within their jurisdictions.

As many as 8,000 low-income families may be assisted through this *Program*. The actual number assisted will depend on the type of housing (new, rehabilitated, or existing) finally provided.

“We have created this *Program* because we believe localities and organizations that address the total assisted housing needs of their areas and expand housing choices for lower-income families through cooperative efforts, by working and planning together, deserve our support and encouragement,” said Jay Janis, *HUD* Under Secretary.

The funds allocated. . . \$42.6 million. . . come from three separate *HUD Programs*. Just over \$25 million in contract authority comes from the *Section 8 Housing Assistance Program* and represents annual payments for housing in the selected areas for periods up to 30 years.

Section 8 payments are a rent subsidy for lower-income families which helps them afford decent housing in the private market. *HUD* makes up the difference between 15 percent or 25 percent of a lower-income household's adjusted income and the fair market rent for an adequate housing unit.

Local jurisdictions associated with the planning organizations will also receive a share of about \$16 million in supplemental *Community Development Block Grant (CDBG)* funds to support their *Areawide Housing Opportunity Plans (AHOP)*. The 10 *Areawide Planning Organizations* will share \$800,000 in supplemental *Section 701 Comprehensive Planning Grants* for planning and program development activities which implement their projects.

In addition to the 10 *AHOPs* selected for special allocations. . . 4 regional agencies received approval of their plans to enhance housing choices for low-income persons, giving them an advantage in future competition for *Small Cities Community Development Block Grant* funds. They are: *Central New York Regional Planning and Development Board*, Syracuse; *Northeastern Ohio Four County Regional Planning and Development Organization*, Akron; *Southeastern Virginia Planning and Development Commission*, Norfolk; *White River Planning and Development District*, Batesville, Arkansas.

The 10 areawide awards are:

	<u>Section 8</u>	<u>CDBG</u>	<u>701</u>
<i>Baltimore Regional Planning Commission</i> , Baltimore	\$3,626,000	\$2,322,000	\$114,000
<i>Capitol Region Council of Governments</i> , Hartford	1,350,000	867,000	44,000
<i>Franklin County Planning Department</i> , Greenfield, Mass.	310,000	196,000	29,000
<i>Lane Council of Governments</i> , Eugene, Oregon	301,000	196,000	28,000
<i>Lower Pioneer Valley Regional Planning Commission</i> , Springfield, Mass.	988,000	638,000	36,000
<i>Metropolitan Council</i> , St. Paul, Minn.	3,875,000	2,486,000	122,000
<i>Metropolitan Washington Council of Governments</i> , Washington, D.C.	5,123,000	3,287,000	150,000
<i>Miami Valley Regional Planning Commission</i> , Dayton, Ohio	1,105,000	703,000	39,000
<i>Puget Sound Council of Governments</i> , Seattle	2,789,000	1,799,000	88,000
<i>Southern California Association of Governments</i> , Los Angeles	6,000,000	3,860,000	150,000

HUD Leads Agencies in Minority Deposits and Procurement

In fiscal 1977 HUD led all Federal Government Agencies in both the Minority Bank Deposit Program and in its procurement from minority firms. Daily average deposits were \$40.5 million. . . a substantial improvement over the average daily balance of \$23 million for fiscal year 1976.

HUD's 1977 minority procurement figures totaled \$219.7 million, according to its fourth annual report on Minority Business Enterprise in HUD Programs. Secretary Harris said she expects to double this activity with minority firms by 1979. In this fiscal year. . . she said, **HUD** is committed to a minority procurement goal of \$330 million.

Assistant Secretary Chester C. McGuire, whose *Office of Fair Housing and Equal Opportunity* oversees the minority business enterprise program, said that **HUD** is "moving rapidly to institutionalize" the program.

To give momentum to the effort. . . he said. . . **HUD** has set up a task force under his leadership and that of William A. Medina, Assistant Secretary for Administration, to recommend ways for improving the collection of data, reporting procedure, and credibility.

Copies of the report (*HUD-EO-136-3*, May 1978) may be obtained free from *Office of Fair Housing and Equal Opportunity, HUD*, Room 5202, Washington, D.C. 20410.

'Tandem' Program Expanded

Secretary Harris has announced that the Targeted Tandem Program of GNMA is being expanded to include all distressed cities and urban counties that meet the eligibility criteria for Urban Development Action Grants.

This action will increase the number of jurisdictions within which **FHA**-insured multifamily projects are eligible for **GNMA** below-market mortgage financing from the present 324 to more than 2,100.

Under the *Program*. . . certain non-assisted **FHA**-insured multifamily projects are eligible for permanent mortgage financing at a rate of 7.5 percent. The Secretary said its expansion clearly evidences the *Department's* commitment to assist small distressed communities as well as the large cities. . . and is particularly important for smaller cities that are proposing *Action Grants* in areas where multifamily housing is urgently needed.

Significant Decision

In *Brenda Cable, et al. v. Dayton Metropolitan Housing Authority, Harris, et al.*, U.S. District Court, W. Div., C.A. No. C-3-76-304. . . the U.S. District Court for the Southern District of Ohio granted the Government's Motion for Summary Judgment. Plaintiffs are *Public Housing* tenants in Dayton who contended that the establishment by the **PHA** of a "reasonable fixed amount" as a security deposit without regard to monthly rentals paid by individual tenants violated the intent of the *United States Housing Act* that tenants be charged only an amount in proportion to their income. The *Court* sustained the *Department's* regulation applicable to the conventional *Public Housing Program*, and the discretion of the **PHA** to set a deposit requirement at a level which is reasonably calculated to cover anticipated tenant damage and delinquent accounts. Handbook provisions which suggested that five factors be considered by **PHAs** in setting a security deposit were held to be advisory rather than mandatory.

Realtors Expect Continued Price Rises

The National Association of Realtors has issued its latest forecast of housing prices for the remainder of this year. The expectation is that the end of 1978 will see prices for resale homes 10 to 12 percent higher than the level at the end of 1977. . . which was 12.6 percent higher than December 1976.

The *Association* also reported that two-thirds of all existing homes sold in 1977 were located in the South and South Central regions. Total transactions in these regions (28 States and the District of Columbia) came to 2.4 million residences. Dollar volume of resale home transactions during 1977 totaled a record \$171.1 billion. . . \$44.4 billion higher than in 1976.

The *Realtors* group is the largest trade or professional organization in the country. . . with 600,000 members. An interesting statistic: more than 20 percent. . . 122,500 members. . . reside in California.

Mobile Home Industry Warned on Use of 'HUD Approved' Label

HUD issued a reminder to the Mobile Homes Industry that the use of advertising or promotional statements indicating 'HUD Approved' of mobile home design and construction is prohibited by law.

"Any assertion that the *Department* . . . directly, or indirectly . . . approves the construction or sale of any mobile home or that the *Department* inspects mobile homes is false" said Patricia M. Worthy, *Deputy Assistant Secretary for Regulatory Functions*.

The fact that a mobile home was constructed under the *Federal Standards Program* does not authorize advertising which suggests that the home has been approved by the *Department*. While **HUD** does establish standards governing mobile home construction and requires that mobile home designs and production be reviewed and inspected by primary inspection agencies . . . the Department in no way accepts or approves mobile homes as conforming to the standards.

All mobile home manufacturers, dealers, and others involved in advertising mobile homes were urged to immediately withdraw from circulation any advertising that may be misleading.

Remodeling to Dominate Housing in the 1980's

Harry J. Kane. . . Executive Vice President of the *Georgia-Pacific Corporation*. . . the world's largest plywood producer. . . has told a *Forest Products Executives' Seminar* that in his opinion. . . home remodeling will challenge new homebuilding for the consumer's dollar in the 1980's.

The remodeling market total may approach \$80 billion annually and construction materials manufacturers are working on more efficient techniques for producing the materials that will be required for this market. . . including energy conserving products. . . he said.

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Current Trends

Public Housing Project notes totaling \$1 billion. . . representing 89 Agencies. . . were sold in early August, at an average interest rate of 4.32 percent. The interest rate last month was 4.43 percent.

Auction yields were also lower as *FNMA* issued \$127.6 million in 4-month commitments to purchase both *Government*-backed and conventionally-financed home mortgages. Total issued was \$80.1 million on *Government*-backed mortgages at a weighted average yield of 9.815 percent. The average in the previous auction was 9.999 percent. In the conventional auction. . . \$47.5 million was issued at a weighted average yield of 10.150. . . down from 10.205 in the previous auction.

The *FHLBB* reports that new home prices in July dropped to \$60,600 from the May level of \$62,600. . . and existing homes showed a smaller decline. . . from \$53,900 to \$53,500.

The *Census Bureau* reports that housing starts in July were at the seasonally-adjusted annual rate of 2.085 million units. . . virtually unchanged from the July 1977 rate. . . and .6 percent lower than the 2.124 million (revised) rate in June 1978. Permits for future construction issued during the month dropped 11.3 percent below the unusually high rate for June 1978. . . to 1.616 million units. . . from the previous month's 1.821 million. . . and 3.7 percent lower than July 1977.

Technical Funds Available

HUD has announced that applications for \$14 million in *Technical Assistance Funds*. . . a *Program* to help urban areas meet the objectives of *Community Development Block Grants*. . . are now being accepted.

The funds will be made available to States, local governments, Indian tribes, areas organizations, universities, nonprofit and profitmaking organizations with knowledge of or managerial expertise in the *Block Grant Program*.

The \$14 million will be available for national, regional, and State projects through grants or contracts. An additional \$5 million has been allocated to *HUD's Office of Neighborhood Development* and other *Projects* supported by the *Secretary's Discretionary Fund*.

Priorities include improving technical ability to meet environmental requirements, promoting citizen participation in grant programs, and encouraging the dispersion of low-income housing within communities.

The purpose of the *Program* is to enable recipients of *HUD Program* funds to carry out community development plans more efficiently and effectively through the transfer of technical information of managerial skills.

More information about the *Program* can be received from Rich Coward, Room 7164, *HUD*, Washington, D.C. 20410.

New FNMA Regulations Issued

In the August 15 *Federal Register* (beginning on page 36200). . . the new regulatory framework governing the operations of the *Federal National Mortgage Association* (commonly known as 'Fannie Mae'). . . was published.

At a press conference. . . announcing the issuance of the new regulations. . . Secretary Harris stated:

"Over the past few years. . . the *Federal National Mortgage Association* has been slowly drifting away from its intended purpose of serving the public interest.

"The *Charter Act* established *FNMA* as a *Government*-sponsored private corporation and the subsequent legislative changes made it clear that *Congress* did not create *FNMA* in the image of the usual private, profit-making corporation. Furthermore. . . it is entirely clear that *FNMA* has a public responsibility which among other things includes the support of low- and moderate-income families and assistance in distributing mortgage funds from credit-strong to credit-weak areas.

"*FNMA* has the distinction of being one of the largest single buyer of conventional and *Government*-insured home mortgages. Like any other corporation, *FNMA* raises the funds necessary to buy these mortgages in the money market. However, its *Federal* connections enable *FNMA* to obtain these funds at a very favorable interest rate. . . a rate lower than that available to purely private corporations.

"Unlike other private entities in America. . . *FNMA* also enjoys certain other benefits which clearly show its close relationship with the *Federal Government*.

"Recently, it has become apparent that *FNMA* has not been carrying out the public purposes imposed on it by the *Charter Act* in exchange for the unique Federal benefits it has enjoyed. Therefore, today I am announcing regulations which will for the first time formalize the process by which the *Secretary of Housing and Urban Development* will exercise the authority to regulate *FNMA* as *Congress* intended. The failure of other *Administrations* of this decade will not be repeated. *Congress* has mandated that the Secretary assure that *FNMA* carry out its public purposes, and I intend to fulfill that mandate through these regulations. The establishment of this regulatory framework will benefit both *FNMA* and *HUD*. For too long the *HUD/FNMA* relationship has been carried out on the basis of 'ad hoc' decision-making. For the first time *FNMA* will now know what we expect of it and what it can expect of us."

One of the most significant aspects of the new regulatory framework is the provision requiring *FNMA* to submit data to *HUD* needed to help evaluate and formulate *National Housing Policy*. *FNMA's* reporting of this data will provide the Secretary with information essential to the reasonable and intelligent exercise of her regulatory authority.

Additionally. . . Mrs. Harris pointed out that two key sections of the regulations provide for the establishment of annual goals for the purchase by *FNMA* of conventional mortgages secured by properties located in central cities and by low- and moderate-income housing. She noted that *FNMA* had indicated its readiness to dedicate voluntarily considerable amounts of funding to activities in central cities. She also said that these regulations will allow her for the first time to obtain accurate data on *FNMA's* activities in the central cities. Instead of imposing strict percentage requirements on such purchases, Secretary Harris agreed to rely initially on *FNMA's* efforts to meet these goals voluntarily. This approach is in accordance with the President's policy of avoiding regulation until it is absolutely necessary.

The final regulations represent the efforts of numerous interested parties. . . and over 1,000 comments had been received on the proposed regulations. Many of these were extremely constructive and helpful and were incorporated into the final regulations. Although every effort was made to accommodate all reasonable comments. . . the final regulations make clear the regulatory authority of the Secretary over *FNMA*. Any other action would clearly be in violation of the original intent of *Congress* that such authority be vested in the Secretary for the purpose of protecting the public interest.

FNMA. . . with assets exceeding \$38 billion. . . was once a constituent agency of *HUD*. In 1968. . . under the *FNMA Charter Act*. . . *Congress* authorized private ownership of the *Corporation*. . . but retained regulatory control in the Secretary of *HUD*. *Congress* also established a number of public purposes to be carried out by *FNMA* including:

New FNMA Regulations—Cont'd

- the provision of liquidity for mortgage lenders;
 - the introduction of new sources of mortgage funds into mortgage investments;
 - the distribution of mortgage funds from capital surplus areas to capital shortage areas; and
- the support of sound market-rate mortgages for low- and moderate-income housing.

In order to facilitate *FNMA's* accomplishments of these purposes. . . *Congress* provided it with a number of special benefits unavailable to other corporations including:

- all the assets and liabilities of its 30-year old profitable predecessor;
- a \$2.25 billion *Treasury* backstop authority;
- exemption from most State taxation;
- exemption from *SEC* reporting requirements;
- authorization to use the *Federal Reserve Banks* as a fiscal agent; and
- approval of *FNMA* obligations as lawful investment for all fiduciary, trust, and public funds.

The conferment of these benefits has had several important effects:

- First. . . and most significantly. . . it has permitted *FNMA* to borrow money at the 'agency rate'. . . only slightly higher than that of the U.S. Treasury and substantially lower than the prevailing market rate. This has provided the Corporation with an untouchable competitive edge in the secondary mortgage market.
- Second. . . it has reinforced the impression that *FNMA* securities are somehow backed by the *Federal Government*.
- Third. . . it enhanced the attractiveness of *FNMA's* securities thereby increasing their marketability.

The decision to establish a regulatory framework for *FNMA* was based on the Secretary's determination that contrary to Congressional intent. . . the *Corporation* was not using its privileges in a manner which effectuated its public purposes.

Public comment on the proposed regulations is invited. . . and should be addressed to the *Rules Docket Clerk, HUD, Washington, D.C. 20410. . . not later than September 13*. Copies of the proposed regulations are available from that office (202/755-7214).

FYI

National Association of Women in Construction. . . Annual Convention. . . Boston, September 13-17. Details: NAWIC, 2800 W. Lancaster, Fort Worth, Texas 76107.

National Trust for Historic Preservation. . . Workshop on Historic Preservation Maintenance. . . Little Rock, September 25-29. Details: National Trust for Historic Preservation, 740-748 Jackson Place, N.W., Washington, D.C. 20006.

National Association of Home Manufacturers. . . Meeting. . . Washington, D.C. September 24-27. Details: Darcy Neil, NAHM, 1619 Massachusetts Ave., N.W., Washington, D.C. 20005 (202/234-1374).

MICA Fact Book Published

The Mortgage Insurance Companies of America. . . the organization representing the 14 private mortgage insurers. . . has issued its 1977 Fact Book. It describes the activities of the companies during the year. . . and contains data relating to loan characteristics. . . along with other pertinent information. Single copies are available free from MICA, 1825 K Street, N.W., Washington, D.C. 20006 (202/785-0767).

Have Mortgage Rates Peaked?

There has been a considerable body of opinion in recent weeks that interest rates have already . . . or will reach their peak in the near future. This is true even though mortgage interest rates in July reached record levels. . . having increased steadily for the past 8 months. According to the *FHLBB*. . . average rates in July reached 9.57 percent. . . compared to June's 9.46. . . for new homes. . . and rose to 9.62 percent for existing homes. . . from the June level of 9.48. The previous high rate was in December 1974. . . 9.60 percent. A year ago. . . conventional loans on new houses had an effective rate of 9 percent. . . and existing homes were bringing 9.02.

The feeling that long-term rates in general. . . including mortgages. . . may begin to level off. . . and then decline. . . has been strengthened by the recent drop in both short-term loans. . . and long-term municipal and corporate borrowings. As noted above. . . both *FNMA* 4-month commitments and short-term 9-month *Public Housing* project notes showed significant declines in interest rates.

Whether these developments represent a definite trend. . . or are merely temporary fluctuations. . . cannot yet be judged.

In mid-August. . . the two largest *S&Ls* in California reduced their interest rates on prime home mortgages to 9¾ percent. . . from the 10 percent level that had been maintained since early May. Normally. . . it would be expected that smaller institutions would also cut their rates. . . in order to maintain their competitive positions. Analysts commenting on the move. . . felt that a softening in demand for mortgages prompted the cut. . . but hesitated to predict whether this was the beginning of a general drop in interest rates.

It is interesting to note that while interest rates on traditional mortgages are going down in California. . . rates on *Variable Rate Mortgages*. . . which go up or down as money rates fluctuate. . . are being adjusted upward for the first time since they were initially issued in 1975. . . reflecting the increases in rates that occurred earlier this year.

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HUD Newsletter
August 28, 1978
HUD-318-347-AS1

NEW FNMA OPERATING REGULATIONS ISSUED



Hud Newsletter

DEPARTMENT OF HOUSING
AND URBAN DEVELOPMENT

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Current Trends

Two actions by the *Federal Reserve Board*. . . raising the discount rate $\frac{1}{2}$ point to $7\frac{1}{4}$ percent. . . and the tightening of monetary policy by the *Board's Open Market Committee*. . . seem to indicate a slowdown of some earlier trends toward reductions in mortgage interest rates. These actions were brought on by the continued decline in the value of the dollar overseas. . . and the efforts of the *Fed* to help combat inflation.

The *Commerce Department* reports that the average price of a new single-family house rose 3.7 percent from March to June. . . from \$59,300 to \$61,500. Also reported were sales figures of new homes during the first 6 months of 1978. . . showing a slight decline to 435,000 from 441,000 during the same period of 1977.

Home Buyers Attracted To HUD's New Home Financing Program

Home buyers have been showing sharply increased interest in the new *FHA Graduated Payment Mortgage Program*.

This *Program* enables families. . . particularly young ones buying their first home. . . to make lower monthly payments in the early years of a loan than would be required under a conventional mortgage. Payments then increase for a specified number of years. . . depending on the repayment plan selected . . . and at that time. . . level off. Five plans are available. . . varying in duration and rate of increase.

During the first 6 months of 1978. . . 22,000 families applied for *HUD-FHA* loan insurance under the *GPM Program*. During all of 1977 when the *Program* went into operation. . . only 500 applications were received.

One example of how this new financing vehicle can carry home buyers to their new homes sooner than under traditional financing:

A standard *FHA* home mortgage of \$50,000 at $9\frac{1}{2}$ percent interest over 30 years would call for payments of \$420 monthly. The *GPM* allows for payments starting at \$318 the first year. . . under the most popular repayment plan. Payments will increase in each of 5 years under this plan to \$457 monthly. . . and continue at this level until the loan is repaid in 30 years.

The outstanding principal amount due on a *Graduated Payment Mortgage* increases during the initial years as unpaid interest is added to the mortgage balance. Thus. . . slightly larger downpayments may be required to insure that the outstanding balance does not exceed the maximum permissible mortgage limit. Maximum insurable mortgage limit is \$60,000.

As the housing industry. . . builders, lenders, and real estate brokers. . . become more familiar with the *Program* and acquaint potential home buyers they serve with this home financing opportunity. . . ever greater popularity for the *Program* is expected.

Detailed information about the *Program* may be obtained from *FHA*-approved lenders and *HUD Field Offices*.

Indians With Disabilities Helped By HUD-HEW

A study and demonstration project. . . jointly financed by *HUD* and *HEW*. . . will explore ways to house and care for Indians with limited disabilities. . . in their home surroundings.

Noting that Indian persons with limited disabilities frequently are sent to institutions which often are far removed from their cultural and family base, Secretary Harris said the study and demonstration are an effort to halt that practice.

She called it "offensive to tribal traditions and values" to break up the family life of those Indian persons. The practice applies to those who are disabled or retarded, elderly persons with infirmities, and abandoned or neglected children needing special care.

Preliminary to the demonstration project. . . *HUD* and *HEW* are funding up to \$63,945 of the cost of a study conducted by 5 southwestern tribes. . . the *White Mountain Apache*, the *Hopi*, *Navajo*, *San Carlos*, and *Zuni*. . . in collaboration with the *Native American Research Institute, Inc.*, a nonprofit firm in Lawrence, Kansas. The study will focus on these key needs:

- deinstitutionalization of Indian people, including children, with limited disabilities;
- examination of the policies which constrain construction for groups with such disabilities;
- the need to maintain and reinforce the natural family and extended family concept.

Through the study. . . the tribes will assess their needs themselves and will determine where to put their limited resources. This study is preparatory to the planning and construction of 50 specially-designed housing units to be allocated among the 5 tribes in a demonstration project.

The facilities developed by the demonstration will be owned and operated by tribal government or nonprofit organizations. Federal assistance for developing and constructing these facilities will be shared by *HUD* and the *Indian Health Service* of *HEW*. The Federal assistance for operating and maintaining the facilities, and for the provision of special care, also will be shared by *HUD* and *HEW*, with potential participation by other appropriate agencies.

The concept for the demonstration project was developed by Dr. Karl A. Menninger of the *Menninger Foundation*, who will continue to serve the project in an advisory capacity.

This is part of the ongoing effort by the Secretaries of *HUD* and *HEW* to promote nationally the objective of deinstitutionalization of persons, including children, into alternate facilities with appropriate care.

HEW's Intra-Departmental Council on Indian Affairs is cooperating with *HUD* in oversight and administration of the project.

Mobile Home Program Active

For the second consecutive month. . . mobile home loans have exceeded 2,000. Since January 1978. . . about 12,000 loan guarantees have been made representing \$159 million in mortgage value. This compares with 8,908 loan guarantees for \$107 million during the same 7-month period in 1977. The *General Electric Credit Corporation*. . . the largest mobile home lending institution in the Nation, uses the *Title I Mobile Home Loan Insurance Program* as one of its principal vehicles for originating loans. As of June 30, 1978. . . this company had made over \$1 million in *Title I* loans a week, and has a goal of \$4 million a week.

FYI

U.S. Department of Energy. . . *Public Meeting on Building Energy Systems*. . . Washington, D.C., September 21. Details: George S. Chaconas, *DOE, Technology and Consumer Products*, Room 1204, 20 Massachusetts Ave., N.W., Washington, D.C. 20545 (202/376-4404).

National Association of Housing Specialists. . . *Joint Minority Conference and Workshop*. . . Washington, D.C., September 27-30. Theme: *Urban Revitalization*. Details: *National Association of Housing Specialists*, 6813 Drylog St., N.E., Washington, D.C. 20027 (202/350-0930).

\$10 Million Awarded To Rebuild Hartford (Connecticut) Coliseum

HUD and the Department of Commerce have jointly committed \$10 million to restore and expand the **Hartford Civic Center**. The Federal assistance will help continue the downtown revitalization being carried out by the city.

The project will repair the convention and recreation center which was destroyed last January when the roof collapsed following a severe winter storm. **HUD's Office of Community Planning and Development** has awarded \$5 million of its *Disaster Discretionary Funds* toward the project. . . and the **Commerce Department's Economic Development Administration** has pledged \$5 million.

On announcing the assistance, Secretary Harris said:

"**HUD** is fulfilling its pledge to help Hartford rebuild its coliseum, but our intention goes beyond the restoration of the particular building. The specific intent of this award is to help Hartford move forward with its city-wide revitalization, which is one of the most promising of any taking place in the Nation."

Commerce Secretary Kreps added:

"The **Commerce Department** is pleased to be a partner with **HUD** and Hartford in this revitalization program. The **Hartford Civic Center** has been successful in stimulating the confidence of private investors in the future of this urban downtown area. It has meant jobs and incomes for workers; it has meant a renewal of a major business center."

The total cost of the project has been estimated by Hartford at \$27.2 million, which would replace the coliseum roof, expand its seating capacity and add service facilities and new furnishings. Hartford voted a \$30.5 million bond issue in the early 1970's to develop the Civic Center on the *Trumbull Urban Renewal* site. Since the **Center's** opening in 1975, the area has seen a resurgence of private investments.

Convention revenues. . . which had totaled only \$5 million in the 7 years before the **Civic Center** opened. . . exceeded \$25 million for the years 1974-1977. One month before the collapse, the **Hartford Convention Bureau** estimated revenues for 1978 would exceed \$20 million.

North Carolina County Signs Fair Housing Agreement

Bladen County, North Carolina has become the first county in the United States to pledge its cooperation in a locally-directed effort aimed at assuring equal access to and free choice in housing.

In a *Memorandum of Understanding* signed by officials in Elizabethtown. . . the **County** agreed to participate in the *New Horizons Fair Housing Assistance Project* sponsored by **HUD**.

The *New Horizons Project* is a national effort to assist local governments and regional planning agencies to develop and carry out comprehensive area-wide fair housing plans.

Bladen County consists of the following communities: Elizabethtown. . . the county seat . . . Bladenboro, Whitelake, Dublin, Tarheel, Clarkton, Abbotsburg, East Arcadia, Kelly, and Carvers.

Increase in Older Americans Continues

Another report has been released that should be of interest to demographers and those who chart the future course of housing demand. The **Senate Committee on Aging** reports that the number of Americans 65 years of age and older increased by 18 percent between 1970 and 1977. . . while total population was growing only 5 percent.

In its annual report on the status of the elderly. . . the **Committee** predicts that the typical 65-year old citizen (now 1 in each 9 Americans) can expect to live 16 more years than ever before. The average 65-year-old man can look forward to a 13.7-year life span. . . while a woman of the same age can expect 18 years of life. Since the turn-of-the-century. . . life expectancy at birth has increased 25 years.

In 1900. . . only 40 percent of Americans lived to age 65. . . today the figure is 75 percent.

Federal Crime Insurance Now Available in Puerto Rico

For the first time. . . Puerto Rico residents can buy low-cost burglary and robbery insurance under HUD's *Federal Crime Insurance Program*. . . Gloria M. Jimenez. . . Federal Insurance Administrator. . . has announced.

In addition. . . Puerto Rico has moved into the second phase of the *National Flood Insurance Program*. . . increasing sixfold the amount of flood insurance available to homeowners and making twice as much available to business owners. This program is also administered by the *Federal Insurance Administration (FIA)*.

The announcement was made jointly in San Juan by Administrator Jimenez and Governor Carlos Romero Barcelo in launching '*Federal Insurance Week*' in Puerto Rico. "These programs are designed to help people. . . homeowners, renters, merchants. . . protect themselves, their families, and their businesses from the heavy financial losses often resulting from crime and flooding," Mrs. Jimenez said.

Federal Crime Insurance is available as a result of a review by Governor Barcelo and Mrs. Jimenez which showed that some property owners had problems getting crime coverage at prices they could afford.

Puerto Rico residents have been able to buy *Flood Insurance* under *FIA's Emergency Program* since 1971. . . when the *Commonwealth* first joined the *National Flood Insurance Program*.

Policies for both crime and flood insurance can be purchased from local property insurance agents or brokers.

New Publication

Business and Preservation: A Survey of Business Conservation of Buildings and Neighborhoods. Describes how a number of corporations and groups have recycled and preserved buildings for new architectural and structurally significant uses. The publication was supported by a grant from the *National Endowment for the Arts* (a U.S. Government Agency). Published by *INFORM, Inc.*, a nonprofit research group that analyzes the impact of U.S. Corporations on employees, consumers, communities, and the environment. Softcover \$14; hardcover \$22 . . . from *INFORM*, 25 Broad Street, New York, N.Y. 10004 (212/425-3550).

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HUD NEWSLETTER
September 4, 1978
HUD-318-348-ASI



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Hud Newsletter

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Current Trends

Auction yields were lower as *FNMA* issued \$278.1 million in 4-month commitments to purchase both *Government*-backed and conventionally-financed home mortgages. Of the total. . . \$197.1 million was in *Government*-backed mortgages at a weighted average yield of 9.796 percent. The average in the previous auction was 9.815 percent. In the conventional auction. . . *FNMA* issued \$81 million in commitments at a weighted average yield of 10.073. . . down from 10.150 in the previous auction.

The F.W. Dodge Division of McGraw-Hill reports that second quarter housing construction activity was 15 percent above the same period of 1977. Total actual housing starts for the 3-month period reached 514,500 units. **Houston and Chicago.** . . each with over 15,000 starts. . . led the Nation. Among the other leading cities during the quarter. . . **Dallas, Phoenix, Los Angeles, Minneapolis-St. Paul, and Denver.**

Since mid-year. . . there had been an easing of short-term interest rates. . . and many analysts had predicted this might soon carry over to long-term borrowings (including residential mortgages) as well. However. . . in late August there were signs that the lower-interest trend was slowing. . . at least for the immediate future. Long-term *Treasury* bonds. . . normally the bellwether of interest-rate trends. . . usually bring at least a half-point below the highest-rated corporate issues. . . reflecting the no-risk status of *Government* securities. At month-end. . . *Treasury* long-term bonds were yielding 8.40 percent. . . barely below the 8.45 percent that *Aaa* corporate issues were yielding. A year ago. . . *Treasuries* were bringing 7.5 percent. . . and high-grade corporates were at 8. Two further developments tend to confirm the likelihood that lower interest rates are probably not imminent. The *Fed* boosted its target-interest rate for *Federal* funds from 8 1/8 to 8 1/4 percent. This was the second time in a month that the *Fed* had taken this type of action to bring about tighter credit. . . and also help control the rate of inflation and the declining dollar. The *Fed* action came on top of a significant rise in interest rates in short-term (13-week and 26-week) *Treasury* bills. . . which rose to the highest level since December 1974. . . and major banks raised their prime rate from 9 to 9 1/4 percent. . . the highest since February 1975.

New Canadian Publication

Directory of Canadian Urban Information Sources, 1977 Edition. . . has been published by the *Information Resources Service of the Canadian Ministry of State for Urban Affairs*. A unique guide to sources of information on a wide range of urban-related topics describes the services and holdings of information centers, libraries, and city archives. In addition. . . the objectives and activities of many Canadian organizations and agencies involved in urban affairs and the programs and activities of urban studies and research institutes affiliated with Canadian universities are also shown. The *Urban Literature* section lists annotated entries of bibliographies, basic readings, and recently-published Canadian materials, as well as periodicals, newsletters, and audio-visual sources. 223-pages. Available free in both English and French from the *Information Resources Service, Communications Directorate, Ministry of State for Urban Affairs, LaSalle Academy, 373 Sussex Drive, Ottawa, Canada, K1A 0P6*.

Significant Decisions

P.I. Properties, Inc. v. Harris, et al. United States District Court for the District of Columbia, C.A. No. 78-1401. The **District Court** has denied plaintiff's motion for a preliminary injunction to prevent **HUD's** foreclosure of the *Clifton Terrace Apartments* and granted the **Government's** motion to have the **Department** appointed mortgagee in possession of *Clifton Terrace* prior to the foreclosure sale. On appeal the **U.S. Court of Appeals** for the D.C. Circuit affirmed the denial of the preliminary injunction, and denied an application for a stay of the **District Court's** "mortgagee in possession" order.

Plaintiff as owner and manager of the *Clifton Terrace Apartments* had brought suit for injunctive and declaratory relief against **HUD**, as holder of the mortgage to prevent foreclosure. Plaintiff had claimed as an affirmative defense to foreclosure that **HUD** by failing to provide two 6-month moratoria on the collection of principal and interest and to provide two rent increases, had violated oral contractual obligations, and had thereby frustrated it in the performance of its obligations to **HUD** pursuant to a *Regulatory Agreement* and *Deed of Trust*. Plaintiff also claimed a constitutional right to a full administrative hearing prior to the **Federal Government's** exercise of an extrajudicial power of sale.

Cora Griffin, et al. v. Harris, et al. U.S. District Court for the Eastern District of Pennsylvania, C.A. No. 76-278. Pursuant to the mandate of the **Third Circuit Court of Appeals**. . . the **District Court** has entered a permanent injunction enjoining **HUD** from continuing to enforce a portion of paragraph 3-6 (a) of the *HUD Rent Supplement Handbook 4520.1*.

In the *Handbook*. . . **HUD** has imposed a limitation that permitted no more than 25 percent of the tenants of a project under the *Rent Supplement Program* to receive the maximum supplement of 70 percent of rent cost permitted under paragraph 3-6 (a). The **Court of Appeals** held that the limitation was in conflict with the *HUD Regulations* governing the *Rent Supplement Program* contained in 24 C.F.R. 215.25(a) and 215.45(a). . . in which **HUD** agrees to pay up to 70 percent of a tenant's rent where necessary to reduce the tenant's contribution to 25 percent of tenant's income.

The **Circuit Court** determined that **HUD** could not impose any limitation on the percentage of tenants that should receive the maximum supplement of 70 percent. . . but that all tenants are entitled to whatever supplement (up to 70 percent) would bring the rent payment down to 25 percent of the tenant's income. The **Court** also found that **HUD's** contention that the limitation it had imposed would produce an income mix in the projects was erroneous.

The **Court's** ruling is effective nationwide. The issue of whether **HUD** must retroactively reimburse tenants who were entitled to, but did not receive, the maximum supplement is still pending before the **District Court**.

NAREB Reports on Home Prices

The **National Association of Home Builders** reports that housing sales for the first 6 months of the year exceeded the 1977 rate by about 10 percent. . . despite the unusually steep rate of increase in house prices. Compared to the first half of 1977. . . prices for new homes averaged 15.8 percent higher . . . rising from \$54,400 to \$63,000. For existing homes. . . the increase was even steeper. . . 17.1 percent. . . going from \$46,800 to \$54,800. These prices are national averages. . . with a substantial variation between localities and regions.

A **NAREB** survey of home costs in Minneapolis showed a rise in the cost of building the same basic single-family house in that city of 192 percent between 1964 and 1978. During the same period. . . the general *Consumer Price Index* increased only 88.6 percent. The actual dollar increase. . . in 14 years. . . went from \$16,043 to \$46,825. The mortgage interest rose over the same period from 5½ to 9.75 percent.

The most striking increases in costs were: Building Permits (1,127 percent); Gas and Power (480); Closing Costs (517); Insulation (377) and Roofing and Siding (367). Among the items showing the least increase. . . (there was one decrease. . . Finish Hardware). . . Carpentry and Drywall (193 percent); Ceramic Tile (46); Electrical (239); Land (175); Steel Beams (128); Flooring (92).

Spanish Origin Population Grows

The Spanish origin population in the U.S. totaled about 12 million in March 1978. . . according to a report released by the *Census Bureau*. The estimate for March 1977 was 11.3 million.

Some 7.2 million were of Mexican origin. . . 1.8 million of Puerto Rico. . . 700,000 of Cuban. . . 900,000 of Central or South American. . . and about 1.5 million of other Spanish origin.

Highlights in the report include the following:

- About 42 percent of all persons of Spanish origin were under 18. . . compared with only 29 percent of the rest of the population. Only about 4 percent were 65 and older. . . compared with 11 percent of the population not of Spanish origin.
- Some 57 percent of the Spanish origin population aged 25 to 29 had completed at least a high school education. . . compared with only 30 percent of Spanish origin persons 45 to 64 years old.
- About 85 percent of all Spanish origin families lived in metropolitan areas. . . compared with 65 percent of other families.
- About 21 percent of Spanish origin families had incomes below the poverty level in 1977. . . but only about 9 percent of families not of Spanish origin were poor.

Characteristics presented in the report include age, sex, marital status, educational attainment, employment status, occupation, and income. For families. . . data are shown on residence, income, and poverty status.

The report. . . *Persons of Spanish Origin in the United States: March 1978, Series P-20, No. 328* is available for 80 cents from the *Superintendent of Documents*, Washington, D.C. 20402.

New Head of AIA Research Named

The American Institute of Architects has announced the appointment of Charles R. Ince Jr. as president of *The AIA Research Corp.* Ince succeeds John P. Eberhard, *FAIA*, who has resigned after serving the organization for five years.

The *AIA Research Corp.* is a nonprofit corporation established in 1972 by the *AIA* to conduct research on national issues affecting the built environment. Ince has been vice-president of the *AIA/RC* since May, 1978. . . having first joined the *Corporation* in October, 1976, as executive administrator of energy programs. Before joining *AIA/RC*. . . he was Assistant Administrator for Energy Conservation of the *Federal Energy Administration* (now part of the *Department of Energy*).

FYI

Producers' Council. . . *Construction Marketing Seminar.* . . Chicago, September 26-27. Details: R. Hartley Edes, *PC*, 1717 Massachusetts Ave., N.W., Washington, D.C. 20036 (202/667-8727).

Housing and Development Reporter and the Institute for Professional & Executive Development, Inc. . . *Seminar on Urban Preservation/Adaptive Use.* . . Washington, D.C., September 28-29. Details: *IPED*, Suite 400-South, 1800 M St., N.W., Washington, D.C. 20036 (202/466-8592).

First Annual National Energy Exposition. . . Washington, D.C., October 5-9. Details: *National Society for Energy Awareness*, 1010 16th St., N.W., Washington, D.C. 20036 (202/659-4433).

National Savings and Loan League. . . *Meeting.* . . Honolulu, October 15-19. Details: Sandy Grimes, *NSLL*, 1101 15th St., N.W., Washington, D.C. 20005 (202/331-0270).

Building and Construction Exposition and Conference. . . Chicago, October 16-18. Details: R.E. Flagg, *BCEC*, 331 Madison Ave., New York, New York 10017 (212/682-4802).

Environmental Law Institute. . . *Second Conference on Air and Water Pollution Control Law and Policy.* . . Washington, D.C., October 16-17. Details: Joan B. Habib or Margaret Hough, *ELI*, 1346 Connecticut Ave., N.W., Suite 620, Washington, D.C. 20036 (202/452-9600).

GNMA Procedures Changed

GNMA has announced a change in procedures required for obtaining a GNMA mortgage purchases commitment under the *Section 8 Tandem* and *Targeted Tandem* Programs.

Under the *Tandem Programs*. . . GNMA purchases 7½ percent mortgages on qualified *FHA*-insured multifamily projects. Eligible projects under the *Section 8 Tandem Program* are those having *Section 8 Rental Assistance*. Under the *Targeted Tandem Program*. . . eligible projects are those to be located in cities and urban counties that meet the physical and economic distress factors of the *Urban Development Action Grant Program*.

Financing for such housing. . . which would not otherwise be economically feasible. . . is made available through GNMA commitments to lenders who originate below market rate loans. These loans are later sold to GNMA at favorable prices, and ultimately are resold at the going market price to private investors. . . with GNMA absorbing the difference as a subsidy.

Effective August 14. . . developers seeking *Tandem* financing under either *Program* will have 30 days from the time the projects become eligible for a GNMA commitment to apply for such commitment. If a project is already eligible. . . the developer will have 30 days from August 14. Before the change . . . developers were not required to apply for this commitment within a specified period of time.

The change was made to assure the orderly use of *Tandem* funds available through September 30. . . the close of the current fiscal year.

A project becomes eligible for a GNMA purchase commitment upon issuance by HUD of specific mortgage insurance documents. For projects involving substantial rehabilitation, the relevant document is a feasibility letter, a conditional commitment for insurance or a firm commitment for insurance. For new construction. . . projects become eligible upon issuance of a conditional or firm commitment for insurance. For purposes of the 30 day requirement, the date on the earliest of these documents will govern unless such date is prior to August 14. . . in which case August 14 triggers the 30-day period.

This change in procedures is being distributed to all GNMA-approved lenders. It does not affect the lender's option to pay the 2 percent commitment fee in two stages – ¼ percent at the time commitment is obtained and the remaining 1¾ percent by September 29.

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HUD Newsletter
September 11, 1978
HUD-318-349-ASI



Hud Newsletter

U.S. DEPARTMENT OF HOUSING
AND URBAN DEVELOPMENT
SEP 22 1978
WASHINGTON, D.C.
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Current Trends

The *F.W. Dodge Division of McGraw-Hill* reports that new construction contracts awarded in July reached \$14.7 billion. . . 36 percent higher than the \$10.8 billion recorded in July 1977. Residential building contracts were 18 percent higher than a year earlier. . . \$6.7 billion. . . while nonresidential buildings surged 57 percent above the 1977 month. . . mostly due to large increases in office building and industrial facilities activity. Nonbuilding construction awards (sewers, power lines, etc.) also showed a substantial gain. . . 56 percent higher than 1977. For the first 7 months of the year. . . the rate of new contract awards was 14 percent above the same period of 1977 . . . totaling \$91.8 billion. . . compared to \$80.3 billion last year.

The *FHLBB's* July report on savings flows showed that for the second consecutive month. . . substantial increases in savings inflows occurred. The July rate was 62 percent above June's. . . and was the highest since last summer. The *Bank Board* attributed much of the rise to the popularity of the new 6-month savings certificates with interest rates tied to the *Treasury* bill-rate. . . which first went on sale in June.

The *Council on Wage and Price Stability* has announced that it will hold hearings in October to determine why increases in building material prices have exceeded the price rises in the overall economy. During the first 7 months of the year. . . construction material prices rose 13.2 percent (annual rate). . . while all finished manufactured goods showed an annual rate increase of 9.6 percent for the first 6 months. . . and slowed to a 6 percent annual rate in July. Among the items about which the *Council* is most concerned: lumber, gypsum, cement, and roofing materials.

HUD To Reward State And Regional Urban Strategies

HUD has announced that incentive grants totaling about \$2.5 million are being made available through the *Section 701 Comprehensive Planning Assistance Program* as a reward to States and areawide planning organizations which have demonstrated the best action-oriented State and regional solutions to urban problems.

"We want to emphasize the crucial role of State and regional strategies in aiding distressed urban areas," said Robert C. Embry, Jr., *HUD* Assistant Secretary for Community Planning and Development, "which is in line with our *National Urban Policy*."

States and areawide planning organizations, which include metropolitan clearinghouses and *Councils of Governments*, are eligible for the incentive grants of 701 funds. A dozen groups are expected to receive the awards.

The amount of individual awards will depend on the number of applications and the quality of the proposals. State and metropolitan planning organizations selected will receive between \$100,000 and \$250,000 each. . . and about \$50,000 to \$100,000 will go to nonmetropolitan planning organizations selected.

Requirements and procedures for the *Incentive Awards* were published in the July 21 *Federal Register*.

Applications should be sent to: *HUD*, Washington, D.C. 20410. Attention: Office of Community Planning and Program Coordination.

Building Energy Standards Contracts Signed

HUD has entered into two contracts intended to assist the *Department* in developing and implementing workable regulations for carrying out the energy performance standards for new buildings required under the *Energy Conservation Standards for New Buildings Act of 1976*. Under that law. . . the *Department of Energy* is responsible for the formulation of such standards. . . and **HUD** for their administration. The standards have been prepared jointly by the two *Departments*.

The contracts are expected to assist **HUD** in designing workable regulations for implementing the standards. . . which have been developed for use by State and local governments in controlling the design of new buildings so that significant energy savings can be brought about. Geno Baroni, **HUD** Assistant Secretary for *Neighborhoods, Voluntary Associations, and Consumer Protection*, said use of these standards by the local governments should result in significant energy savings to consumers and the Nation.

In announcing the one-year contracts, Baroni said the projects "support the *Administration's* overall energy program and are part of **HUD's** effort to assure a public voice in the development of regulatory programs."

One of the contracts, for \$135,000, went to the *National League of Cities* and the *U.S. Conference of Mayors* for a variety of services including:

- The preparation of a report identifying the problems which can be anticipated within State and local governments by the adoption and implementation of the *Building Energy Performance Standards*.
- The issuance and dissemination of research reports, guidance materials for local officials, and fact sheets for the use of energy officials.

The second contract, for \$86,662, was awarded the *National Association of Counties Research Foundation (NACORF)* for the development of an information program and guidance materials for counties.

These groups were chosen because they represent the best sources of information about the potential problems created by the impending federally-imposed standards. He noted that *Federal Agencies* are required to involve State and local officials in the development of policies which have significant impact on their jurisdictions.

Beginning in September, the *National League of Cities* and the *U.S. Conference of Mayors* will set up an advisory group of 10-15 elected and appointed local officials to identify issues of concern in implementing the standards, while the *NACORF* will convene a similar task force to identify and rank the issues. *NACORF* is the only national organization representing the country's 3,101 counties.

Further information is available from: Dr. Charles G. Field, **HUD**, Room 4108; Washington, D.C. 20410; phone (202) 755-5860.

New Publications

Urban Primer. . . a reference handbook and text for the formulation of policies, preparation of programs, and design and evaluation of urbanization projects in Third World countries. It illustrates housing projects in Cambridge and in Newton, Massachusetts. . . which are no different from the ones designed for cities in Egypt or other Third World locations. . . and should appeal to anyone involved in the urbanization of developing areas. Available for \$27.50 from the *MIT Press*, 28 Carleton Street, Cambridge, Massachusetts 02142.

Fair Mortgage Lending: A Handbook for Community Groups. . . has been prepared by the *Center for National Policy Review of The Catholic University Law School* in Washington. . . for distribution to fair housing, civil rights, and community groups throughout the country. It describes the new enforcement program and suggests specific action steps that should be taken to ensure that lenders in each community are complying with fair lending laws. Single copies are available from **HUD's Office of Fair Housing and Equal Opportunity**, Room 5204, Washington, D.C. 20410.

HUD Awards to Aid Hispanic American Projects

HUD has announced grants totaling \$870,000 to develop three projects to help meet the housing needs of Hispanics in the United States.

Secretary Harris made the announcement in Washington at the convention of the *National Council of La Raza (NCLR)*. . . a nonprofit corporation dedicated to promoting the social and economic well-being of Americans of Hispanic descent.

Two of the grants. . . totaling \$85,000. . . funded by *HUD's Office of Neighborhoods, Voluntary Associations, and Consumer Protection (NVACP)*, will go to *NCLR*. The third grant of over \$785,000, jointly funded by *HUD's Offices of Community Planning and Development; Policy Development and Research; and NVACP*, will cover a cooperative agreement between *HUD* and the *National Hispanic Coalition for Better Housing (NHCBH)*.

The *NHCBH* project is intended to implement a national program designed to ensure the full participation of Hispanic communities across the Nation in the development of housing and community development programs.

Under the terms of a 2-year agreement, *NHCBH* will administer a program to assess the housing needs of the Hispanic community.

NHCBH will identify local Hispanic groups (Mexican-Americans, Cubans, Puerto Ricans, and Central and South Americans) involved in housing and community development. Staff members from these neighborhood groups will then receive training and technical assistance from *NHCBH*.

The development of an effective communication system to transmit technical, programmatic, and legislative information on housing-related activities to communities is also included in the agreement. This information system is also expected to provide a channel for input from local groups to *HUD* and other *Federal Agencies*.

The two grants to *NCLR* include a \$55,000 award to help promote economic development in Hispanic neighborhoods. The money will be used to develop a technical assistance plan which will aid Hispanic community development groups and public officials in planning and packaging economic proposals which could benefit from programs administered by *HUD* and other *Federal Agencies*.

An additional \$30,000 will enable *NCLR* to provide housing counseling services in the Hispanic community. In announcing this award. . . Secretary Harris said, "The need for specific financial and housing counseling in this community is acute because Hispanics are affected by redlining and other well-known discriminatory housing practices and are often unable to get adequate information because of language differences."

AIA to Review Home Buyers' Claims

HUD has signed a \$120,000 contract with the *American Institute of Architects* to do the preparatory work necessary to reopen and review claims from home buyers of defective homes insured by *FHA*. *Section 518(b)* of the *Housing and Community Development Act of 1974* authorized reimbursement to homeowners who purchased such homes between 1968 and 1973. *Section 518(b)* extended the eligibility to include homeowners who purchased a defective home insured by *FHA* between 1973 and August 1976.

Although this program officially ended under the previous *Administration*, Secretary Harris is giving homeowners who had their claims rejected an opportunity to have them reviewed by an independent third party.

The entire process is expected to take a year to complete since more than 50,000 claims had been wholly or partially denied by the previous *Administration*.

NAHB Summarizes July Housing Picture

In its *Economic News Notes* for August. . . the *NAHB* reports that the actual number of housing units started in July was 188,300. . . down 12.7 percent from 215,800 in June. This is 0.8 percent below the 189,800 units started in July 1977. There were also 100 *Public Housing* units started.

The single-family sector recorded a 12.3 percent decrease to 135,600 starts from 154,600. Multifamily starts in July were down 13.9 percent to 52,800 from 61,300.

In July. . . the actual number of permits for new housing units was down 24.3 percent to 139,000 from 183,600 in June. This was 4.6 percent below the 145,700 permits in July 1977.

Permits for single-family units were down 22.8 percent to 91,000 from 117,800. The multifamily sector declined by 27.2 percent in July to 48,000 from 65,900 in June.

Summarizing the month's record. . . *NAHB* said: "It was a very satisfactory month for both starts and permits. . . way above expectations. The actual drop in starts doesn't really mean anything because it is within the sampling error. The sharp drop in permits also is insignificant. . . permits were inflated in June due to the *California State Energy Law* which forced builders to take out permits before the July 1st deadline.

"Actually. . . it was a much stronger first 7 months than expected. The anticipated drop in starts did not occur, in spite of a substantial increase in interest rates and changes in lendable funds.

"Production has leveled off. However. . . the level is quite high. Anytime starts go over the 2 million mark that's a very good rate. Starts have been supported by better-than-expected sales. Sales of both new and existing homes continued ahead of last year. People are buying. . . even at 10 percent mortgage rates. A 10 percent rate is not the norm. But most builders have commitments for less expensive loans. . . such as 8¾ percent. . . 9, or even 9¼ percent. So buyers of new homes are taking advantage of these less expensive loans. People seem to be just merrily buying homes because of the expectation of a high level of inflation."

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Hud Newsletter

DEPARTMENT OF HOUSING
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SEP 22 1978
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Current Trends

Corporate expenditures on capital spending are expected to rise this year over 1977. How much of the dollar increase is actually increased activity. . . and how much is inflated costs. . . cannot be ascertained at this time. A recent *Commerce Department* survey indicates that businesses plan to spend \$152.5 billion this year. . . up 12.3 percent over the 1977 rate of \$135.8. . . on plants and equipment. This is virtually the same rate of increase as the 12.7 percent rise from 1976 to 1977. The *Department* has made a preliminary estimate that the inflation rate for the year will be 7 percent. . . but a number of analysts disagree. . . feeling the inflation rate will be higher. . . the consensus being that it will most probably reach 8 percent.

The *FHLBB* reports that interest rates on residential mortgages reached an all-time high in August. . . with conventional new home rates reaching 9.69 percent. This was the ninth consecutive month that rates have risen. For existing homes the rate was 9.77. . . up from the July rate of 9.63. . . also a record. Conventional rates for new homes in August were 9.45. . . but these contracts usually include what are known as 'points.' Average purchase price of new homes in August rose to \$63,900 in August. . . from July's average of \$61,900. . . and for existing homes the rise was up from \$53,700 in July to \$54,900 in August.

Auction yields were down as *FNMA* issued \$281.0 million in 4-month commitments to purchase both *Government*-backed and conventionally-financed home mortgages. A total of \$154.7 million in *Government*-backed mortgages were issued at a weighted average yield of 9.778 percent. The average in the previous auction was 9.796 percent. In the conventional auction. . . *FNMA* issued \$126.3 million in commitments at a weighted average yield of 10.019. . . down from 10.073 in the previous auction.

HUD Publications Available

The following publications have been issued by *HUD's Office of Policy Development and Research*. Limited quantities are available without charge from *HUD, PD&R*, Room 8126, Washington, D.C. 20410 (202/755-5544). Please specify stock number when shown.

Evaluation of the Urban Homesteading Demonstration Program. HUD-PDR-273(3).

A Summary Report of Current Findings from the Experimental Housing Allowance Program.
HUD-PDR-303.

The Urban Homesteading Catalogue Vol. I through III. HUD-PDR-264-1-2-3.

A Methodology for Seismic Evaluation of Existing Multistory Residential Buildings Vol. I thru III.
HUD-PDR-288-1-2-3.

Capacity Building Strategies for Management Change. HUD-PDR-241-3.

Capacity Building Strategies for Providing Assistance. HUD-PDR-241-4.

Residential Abandonment in Central Cities. HUD-PDR-257-2(2).

Windfalls for Wipeouts: Land Value Capture and Compensation. An Executive Summary. HUD-PDR-307.

Minnesota and Wisconsin to Promote Fair Housing

HUD has signed agreements to promote fair housing in Minnesota and Wisconsin.

Under terms of the *Affirmative Fair Housing Agreements*. . . signed in St. Paul and Madison. . . the States pledge to take aggressive action to inform all those in the real estate industry of their responsibilities under the *National Fair Housing Law*.

The *Law*. . . *Title VIII of the Civil Rights Act of 1968*. . . also mandates that opportunities in the real estate field be made available to all persons, regardless of race, color, religion, sex, or national origin.

John R. Larson, the *Minnesota Commissioner of Securities*, and Alvin M. Tandbert, Executive Secretary of the *Wisconsin Real Estate Examining Board*, signed for their respective States. . . which are now the fourth and fifth States. . . after California, Virginia, and Georgia to sign the *Affirmative Fair Housing Agreement*. The two officials also pledged their States to a program of monitoring their real estate practitioners to ensure that they abide by the terms of the understanding. Chester C. McGuire, *HUD* Assistant Secretary for Fair Housing and Equal Opportunity, signed the agreement on behalf of Secretary Harris.

Major provisions of the agreement call for:

- A requirement for each real estate licensee and candidate for a license to receive education in fair housing principles and practices.
- Testing on fair housing principles and practices in real estate licensing examinations.
- Disciplinary action against licensees who violate fair housing laws.
- Affirmative efforts to assist minorities and women in entering the real estate business.

The *Affirmative Fair Housing Agreement* was developed by *HUD* in cooperation with the *National Association of Real Estate License Law Officials* under *Title VIII* which provides for joint programs of voluntary compliance aimed at preventing or eliminating discriminatory housing practices.

BOCA Meeting Held

1978-79 officers were elected at the 63rd Annual Conference of Building Officials and Code Administrators (BOCA) International, Inc., the Nation's oldest association of regulatory construction code officials. The meeting was held in Milwaukee.

The new officers are: Glenn A. Erickson, P.E., City Architect, St. Paul, Minnesota, President; Robert H.A. Laudenslager, Director, *Bureau of Inspections*, Allentown, Pennsylvania, First Vice President; Wilbur H. Lind, Director, *Department of Community Affairs*, Hackensack, New Jersey, Second Vice President; Gerald H. Jones, P.E., Building Code Engineer, Overland Park, Kansas, Secretary; and Fred W. Stanley, Director, Buildings and Inspection, Troy, Michigan, Treasurer.

Elected to positions on *BOCA's* Executive Committee were E. Karl Faltz, Director of Building and Zoning, Oak Lawn, Illinois; Billy H. Holcomb, Chief Building Inspector, Lexington, Kentucky; and Magnus Mitchell, Building Commissioner, Windsor, Ontario, Canada, who was re-elected to the Executive Committee. In addition, D. Paul Jack, Building Official, Hampton, Virginia, was appointed to serve in a new at-large position on the *Executive Committee* created by membership-approved changes to the *BOCA By-Laws* at the *Annual Business Meeting*. Jack's appointment is for the duration of the 1978 term.

A number of changes in the *BOCA By-Laws*, as proposed by the *BOCA By-Laws Committee* and recommended by the *BOCA Executive Committee*, were approved by the membership of the *Annual Business Meeting*. In other *Conference* activity. . . *BOCA's* two annual awards were presented to distinguished individuals of the Code Administration profession. The *Walker S. Lee Award* for outstanding contribution to the *BOCA* organization was presented to Clayton O. Diebel, Director of Building and Safety Engineering, Southfield, Michigan, and 1973-74 *BOCA* President. The *Albert H. Baum Award* for outstanding contribution to the Code Administration profession was presented to Alfred A. Schmidt, Chief Building Inspector, Plainfield, New Jersey. The *Baum* and *Lee Awards* are named after Past Presidents and founding members of *BOCA International*.

From the States

In **Kentucky**. . . Where the Beverly Hills Supper Club fire resulted in renewed interest in fire protection legislation. . . a bill that would revise the State fire and building laws was favorably reported to the *Kentucky House of Representatives* by its *Cities Committee*.

The measure would require inspection and permits for nearly every building erected in the State. The only exceptions are farm dwellings and other farm buildings.

The bill also provides for the creation of a *State Department of Buildings, Housing and Construction* and a 17-member board to set policy for the *Department*.

Other provisions: All local governments shall employ a building official or inspector to enforce the codes; a unified building code for the entire State will be formulated within 1 year; local governments will issue permits for, and conduct inspections of, buildings of up to 20,000 square feet and three stories high. The government would establish fees to pay for inspections and permits.

The *Department* becomes responsible for inspecting all other buildings; local governments are allowed to appoint appeals boards to oversee the local inspection program; and the *State Board of Education* is required to adopt a *Uniform State Building Code for Schools*.

The new law also would incorporate the *State Plumbing Code* and the *National Electrical Code*. State agencies responsible for enforcement of electrical and plumbing codes and the fire marshal's office would be included in the new Department.

In **Maine**. . . both houses of the *Maine Legislature* overrode Governor Longley's veto of a bill authorizing an additional \$75 million in housing bonds.

The *Maine Housing Authority* is now authorized to issue the bonds to finance housing for the poor and the elderly and to help provide mortgages for single-family homes.

The Governor objected to the measure because he was concerned that it would hurt the State's credit rating. Proponents said it would help provide decent housing for the needy and jobs for the construction workers.

In **Massachusetts** Governor Dukakis signed into law a bill authorizing \$100 million in bonding for construction or rehabilitation of some 3,300 housing units for the elderly across the State.

The new law also provides \$2.5 million to eliminate architectural barriers to the handicapped in existing housing projects. . . and will provide new or rehabilitated housing for the elderly in some 40 communities across the State.

For the first time in Massachusetts State Housing Program history. . . some units will be designed for congregate living, combining individual living spaces with shared cooking and recreation areas.

Further flexibility is provided in allocating adequate units for the handicapped in new projects. While the handicapped in general will get preference for 5 percent of the units in each project. . . local authorities in areas with heavy concentrations of handicapped people will be allowed to give them preference for a greater number of units.

The Governor announced he was taking steps to encourage homeownership in cities by fighting the alleged lending practice, known as 'redlining.' He said he planned to file two anti-redlining bills during this legislative session. He also said the situation in Boston has improved since creation of the *Boston Urban Mortgage Review Board*.

The 166-member *Savings Bank Association of Massachusetts* announced that they will support the legislation. Vice President Herbert W. Gray, of the *Savings Banks Association*, said "redlining is contrary to the philosophy and policies of all savings banks" in the State.

Publication Available

Municipal Government Reference Sources . . . published by the *R.R. Bowker Company* . . . is a basic reference source for librarians and researchers. 341 pages . . . index . . . \$19.95 postpaid. Order from *R.R. Bowker Company*, 1180 Avenue of the Americas, New York, New York 10036 (212/764-5100).

HUD Asks Comment on RESPA Program

Two years ago. . . *HUD* distributed a booklet describing the *Real Estate Settlement Procedures Act (RESPA)* which calls for disclosure to the public of the various costs involved in buying a home.

The *Department* now is asking the business community and the general public just what they think of the *RESPA Program* and the way it is being administered by *HUD*. No changes in the law or procedures have been made in *RESPA* since 1976.

The deadline for written comments. . . including criticisms and suggestions. . . is December 1 and comments should be sent to the *Rules Docket Clerk*, Room 5218, *HUD*, Washington, D.C. 20410.

The purpose of the *RESPA Program* is to disclose to homeowners the details of the various financing and settlement charges before actual closing. It does this by requiring lenders to give a 'good faith estimate' of such charges to borrowers when they apply for a mortgage loan. At that time. . . lenders must give borrowers the *HUD* booklet, *Settlement Costs and You*.

RESPA also requires the use of a *HUD Settlement Statement* at the loan closing. Borrowers have the right to inspect this *Statement* one business day before settlement and to get a copy at settlement.

The official notice requesting comments was published in the September 6 *Federal Register*. This notice also covers other *RESPA* matters on which *HUD* desires comment. . . such as regulations on tax and insurance escrows, the need for changes in the existing *Settlement Statement Form*, and the requirement for disclosure of relations between the lender and the particular settlement service provider.

Copies of the *Federal Register* have been sent to a number of Federal and State agencies. . . as well as to consumer groups, real estate, title insurance, and lending organizations.

Further information. . . including free copies of the *Federal Register* notice. . . may be obtained from Cynthia D. Lewis, Acting Director, or Richard H. Heidermann, Special Assistant, *Real Estate Practices Staff*, *HUD*, Room 4114, Washington, D.C. 20410 (202/755-5860).

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Hud Newsletter

Current Trends

The joint *HUD-Commerce* report for July shows the seasonally-adjusted annual rate of completion of privately-owned housing units rose for the third month in a row. . . to 1.924 million. . . up from 1.898 million in June. The rate was 15 percent above the July 1977 rate of 1.671 million units. The rate for single-family houses was 1.253 million in July. . . compared with the June rate of 1.342 million. The rate for buildings with five-or-more units rose to 541,000 million in July from the June rate of 440,000. During the first 7 months of 1978. . . 989,300 housing units were completed. . . compared with 856,200 units for the same period last year. . . a rise of 16 percent. The rate of housing under construction rose slightly from June's rate of 1.3 million units to July's 1.307 million units.

NAHB reports that the seasonally-adjusted annual rate of existing single-family houses sold in July rose to 3.89 million units. . . up 2.9 percent from the June rate. . . and 10.2 percent ahead of the July 1977 rate. The *Association* said it expects the current trend to continue and set a record of 3.8 million transactions for the year. . . up from the 3.572 million units sold last year. The increases from July 1977 to July 1978 by regions were: South, 16.5 percent; North Central, 2 percent; Northeast, 8.8 percent; and West, 9.1 percent. The median sales price of an existing single-family home rose \$1,000 from June to July to \$49,400. It was 13 percent higher than last July's price of \$43,700. Regionally. . . the median price increases from July 1977 to July 1978 were: South, 11.6 percent; North Central, 15.7 percent; Northeast, 7.2 percent; and West, 13.6 percent.

At mid-month. . . most of the major banks of the country boosted their prime rate. . . the second increase in a month. . . this time from 9¼ to 9½ percent. . . and brought predictions from money analysts that another rise. . . to 9¾ should be expected within the next 30 days.

The *Commerce Department* reports that privately-financed housing starts in August were at the seasonally-adjusted annual rate of 2.029 million units. . . compared to 2.085 million units in July 1978. . . a drop of 4.7 percent. The rate in August 1977 was 2.038 million units. Permits for future housing construction were issued during the month at the rate of 1.571 million units. . . 4.7 percent lower than the July 1978 rate of 1.632 million units. . . and 11.3 percent below the 1.770 million units in July 1977.

Project notes totaling \$750 million. . . representing 81 *Public Housing Agencies*. . . were sold in mid-September at an average interest rate of 4.404 percent. The interest rate last month was 4.32 percent.

Congress Acts on 1979 Budget

The *Independent Offices-HUD* Budget for fiscal year 1979 moved closer to enactment on September 13 when *House* and *Senate* Conferees reached a compromise agreement. . . which was accepted by the *House* on September 19. *Senate* concurrence is expected before the pre-election recess. The *Bill* provides nearly \$32 billion in budget authority for *HUD Programs*. . . including over \$24 billion for *Section 8* and *Public Housing Programs*.

Secretary Urges Corporations To Return to Cities

Speaking to a meeting of the *National Association of Mutual Savings Banks* in Washington, D.C. . . HUD Secretary Harris emphasized the importance of the partnership between the public and private sectors in President Carter's *National Urban Policy* and that she had initiated a dialogue with American corporate leaders to encourage them to locate new corporate facilities and outlets in the cities.

She said the purpose of her dialogue with corporate leaders was straightforward. "I hope to encourage these corporations. . . and others like them. . . to renew their commitment to cities by planing to locate new facilities and new outlets in the cities. These discussions are being continued by members of my staff."

Secretary Harris said that more than any Administration in recent history, the Carter Administration is "aware of the fundamental partnership which must be forged among individual citizens, government at all levels and the private sector of business, industry, the financial community, and private voluntary associations."

The Secretary also discussed an innovative new proposal. "We are now studying, at several levels, whether HUD should serve neighborhood preservation and revitalization through mortgage insurance of commercial properties," she said. "Further analysis will be necessary before we can determine whether to make a legislative proposal for such authority for FHA."

She said that when the *Department* had arrived at a position, it would welcome the "expert analysis and evaluation" of the proposal by the *Association of Mutual Savings Banks*.

Why the Housing Boom?

Many persons have asked why there has been such a tremendous demand for housing in the past 2 or 3 years. . . with the accompanying record escalation in prices. Still another question has been asked. . . "Should I wait to buy until prices stabilize, or maybe even drop?" The answers to these questions are tied to the same phenomenon. The baby boom of 1947-1957 has resulted in the greatest home-buying surge in history. . . as these babies reach the age when they become home-seekers. And it isn't likely there will be any abatement of this demand in the near future. The highest birth-rate in American history occurred in 1957. . . just 21 years ago. . . and it is not until the 1957 babies become 25 to 30 they will become active homebuyers.

This same baby boom caused the tremendous increase in the need for school facilities in the '50s and '60s. First. . . in the elementary schools, and then in the high schools. Now they want homes. . . and will continue to want them for some years. Another important factor is the change in buying habits of young Americans. They are buying homes at an earlier age than ever before. . . and are buying them whether they have families or not. . . and in many cases. . . even though they are not married.

Analysts are saying that homeowners. . . who represented 64 percent of Americans in 1970. . . have now exceeded the two-thirds rate. . . and will reach 70 percent in 5 years. So. . . it would appear that the demand for housing is not likely to go down, and that housing prices are going to stay up. The economics of the situation are that in spite of the inflation in home prices. . . people can afford to buy. Since 1960. . . the number of wives working has increased from 30 percent to 44 percent. . . and is constantly rising. With more than one income. . . more families can afford to buy. . . and at higher prices. Actual housing costs. . . land, construction, financing, and other costs, continue to rise. Demand remains high. These factors do not indicate any drop in home prices in the foreseeable future, according to the experts.

Call for Manuscripts

The *Journal of the American Association of Housing Educators* is planning a special issue on *Neighborhood Revitalization*. Manuscripts covering housing's social, political, economic, psychological or esthetic role in neighborhood or neighborhood revitalization are being accepted.

Manuscripts should not exceed 30 typewritten pages, be doubled spaced, with lines no longer than 7 inches. Submit two manuscripts to Dr. Abraham K. Farkas, 419 Harris Building, *University of Tennessee*, Knoxville, TN 37916. Deadline: February 1, 1979.

Title I Loans at New High

FHA reports that over 40,000 *Property Improvement Loans*. . . representing almost \$159 million. . . were insured during August. . . making it the best month in the last 4 years. This exceeds by 8,000 loans the number insured in May, the previous high month for the year, and by 4,000 the number insured in August 1977, which had been the highest month in the 4-year period.

FYI

National Savings and Loan League. . . *Meeting*. . . Honolulu, October 15-19. Details: Sandy Grimes, **NSLL**, 1101 15th St., N.W. Washington, D.C. 20005 (202/331-0270).

Building and Construction Exposition and Conference. . . Chicago, October 16-18. Details: R.E. Flagg, **BCEC**, 331 Madison Ave., New York, New York 10018 (212/682-4802).

American Institute of Architects. . . *World Congress of the International Union of Architects*. . . Mexico City, October 23-27. Details: Maurice Payne, **AIA**, 1735 New York Ave., N.W., Washington, D.C. 20006 (202/785-7300).

National Center for Housing Management. . . *National Conference on Management of HUD-Assisted Housing*. . . Arlington, Va., October 23-25. Details: **NCHM, Inc.**, Suite 611, 1133 15th St., N.W., Washington, D.C. 20005 (202/872-1717).

National Association of Home Builders. . . *Production Management Seminar*. . . Minneapolis, October 23-25. . . and Nashville, November 15-17. Details: **Department of Training and Education, NAHB**, 15th & M Sts., N.W., Washington, D.C. 20005.

American Institute of Architects. . . *Architects in Industry Seminar*. . . San Francisco, October 24-25. Details: Maurice Payne, **AIA**, 1735 New York Ave., N.W., Washington, D.C. 20006 (202/785-7300).

Architectural Wordwork Institute. . . *Convention*. . . Washington, D.C., October 25-27. Details: **AWI**, 5055 South Chesterfield Rd., Arlington, VA 22206 (703/671-9100).

Hardwood Plywood Manufacturers Association. . . *Annual Fall Meeting*. . . Monterey, Calif., October 25-27. Details: **HPMA**, P.O. Box 6246, Arlington, Virginia 22206 (703/671-6262).

American Land Development Association. . . *8th Annual Conference and Exposition*. . . New Orleans, October 25-29. Details: **ALDA**, 1000 16th St., N.W., Washington, D.C. 20036 (202/659-4582).

Mortgage Bankers Association. . . *Convention*. . . Atlanta, October 29-November 1. Details: Ann Cohen, **MBA**, 1125 15th St., N.W., Washington, D.C. 20005 (202/785-8333).

National Academy of Engineering. . . *Annual Meeting*. . . Washington, D.C., November 1-2. Details: **National Academy of Engineering**, Washington, D.C. 20418.

National Association of Housing Cooperatives. . . *Annual Conference and Cooperative Housing Exposition*. . . New York City, November 30-December 3. Details: **NAHC**, 1828 L St., N.W., Suite 1100, Washington, D.C. 20006 (202/872-0550).

Union Wage Rates Up

Average hourly rates of unionized building trades workers in cities of 100,000 or more rose 4.3 percent during the second quarter of 1978, the **Labor Department** reported. This compares to the 3.7 percent increase during the second quarter of 1977.

In the 12 months from mid-1977. . . the wage increase was 5.9 percent. . . about the same as recorded for 1 year earlier. Excluding 1973. . . when wage controls were in effect. . . 1977 and 1978 both experienced the smallest 12-month increases at mid-year since July 1967-1968. . . when 5.5 percent was recorded. The 12-month increases for wages (excluding benefits) reached a peak of 12.3 percent in the first quarter of 1971; and were 4.4 percent in the fourth quarter of 1973. They were double that rate by the fourth quarter of 1974 and have declined steadily to 5.3 percent by the first quarter of 1978.

Rates for the 7 major building trades averaged \$10.63 an hour on July 1, 1978. . . up 58.5 cents. . . or 5.9 percent. . . over the year. The addition of employer payments to health, welfare, pension, and vacation plans raised the average to \$13.01. . . up 90.6 cents. . . or 6.7 percent. . . over the year.

Minorities in Public Service Study Begins

The award of a \$99,890 HUD contract to the *Joint Center for Political Studies* of Washington, D.C. has been announced.

The contract. . . funded by HUD's *Office of Policy Development and Research*. . . calls for the assessment of the status of minorities in public services at the local, State, and Federal levels.

In addition to identifying former studies on minorities and the public service. . . the program will seek information on State and local governments' hiring and advancement practices for minority administrators.

The *Center* is a nonpartisan organization which provides technical support to elected and appointed officials who are members of minority groups. It has as its objectives to respond to minorities interested in becoming active participants in the political process and in enhancing their effectiveness at every level of government.

"The *Center* will report to HUD the barriers to minority public employment," Secretary Harris said, "and provide options for the *Department* to consider. . . including cost estimates. . . in the further conduct of its *Program on Women and Minorities for Public Service*."

During the course of the 9-month contract, the *Joint Center* will conduct seminars on minority employment at public service group and professional association meetings to share information and promote strategies for increasing minority employment in public service.

Appraisers Promise Affirmative Action

The *Society of Real Estate Appraisers* has promised to develop an *Affirmative Action Program* after HUD brought suit against it for violations of the U.S. *Fair Housing Law*. The litigation was dismissed "with prejudice," obligating the *Society* to work with the *Department* in developing their *Affirmative Action Program*. Such a program will better ensure equitable appraisal practices and result in easier access to the housing market by minorities.

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Hud Newsletter

Current Trends

For the fifth time this year. . . the *Federal Reserve Board* has raised its discount rate. . . the rate of interest member banks must pay when they borrow from the *Fed*. The rise. . . to 8 percent. . . equals the highest rate ever before charged. This was for a brief period in late 1974.

As is usually the case. . . the increase in the discount rate brought a further rise in the prime interest rate. . . this time from $9\frac{1}{2}$ to $9\frac{3}{4}$ percent. This is the eighth time since January 1 that the prime rate has been upped. As part of the same trend. . . the *Fed* raised its target rate on Federal funds by $\frac{1}{8}$ of a percentage point. . . to $8\frac{5}{8}$. And *Treasury* short-term bill yields also went up. . . to 8.106 percent. . . the highest in 4 years.

Urban Renewal Notes totaling \$51.6 million. . . representing 21 *Local Agencies*. . . were sold in mid-September at an average interest rate of 4.35 percent. The interest rate on the notes sold in mid-August was 4.464 percent.

ABA To Study Housing Disputes

HUD has signed an 18-month, \$247,000 contract with the *American Bar Association's Special Committee on Housing and Development Law* to study a means of making the resolution of housing disputes fairer, faster, and more equitable. The project. . . to be known as the *National Housing Justice and Field Assistance Program*. . . will evaluate in depth the experience of at least 12 American cities. . . both those that have experimented with housing or landlord-tenant courts and those that do not have specialized systems. It will also look to methods that avoid the courts altogether, including the use of volunteer mediators and other community services.

The *ABA* study will involve:

- Examination of court records and intensive interviews in the major municipalities with judges, representatives of various groups, and individuals who frequently appear in housing courts.
- Surveying 100 metropolitan areas which contain over 60 percent of the Nation's population to determine how housing cases are handled and to search for alternatives to courts such as special panels, mediators, mayors' hotlines, or emergency eviction centers.
- Work with local governments, bar associations, and others to design unique solutions to housing justice problems in several specific jurisdictions.

The *HUD/ABA* project forms the central part of a major concentration on housing and urban development within the *ABA's Division of Public Service Activities* in Washington. Joining the *ABA* to direct the new program is Randall W. Scott, currently an Institute Fellow at *Washington's Environmental Law Institute*. Scott, an attorney and planner, has written in the field of fair housing and civil rights and participated in the previous *ABA* study entitled *Housing For All Under Law*.

The *Program* will produce a free newsletter service for the many individuals and organizations interested in the study. . . and further information and copies of the newsletter may be obtained from Randall W. Scott, *ABA*, 1800 M Street, N.W., Washington, D.C. 20036.

HUD Earmarks \$630 Million for Housing Elderly-Handicapped

HUD has set aside \$630 million for this fiscal year to finance construction or substantial rehabilitation of some 19,200 housing units for the elderly and handicapped in 46 States, the District of Columbia, and Puerto Rico.

About 16,900 of the units are for the elderly and 2,300 for the handicapped. Funds reserved for these categories are. . . respectively. . . \$562.3 million and \$67.4 million.

This funding. . . in the form of direct loans. . . will go to 288 private, nonprofit sponsoring organizations, selected from almost 900 applicants. . . who had requested \$2.2 billion for more than 74,000 units.

The reservations are authorized under *Section 202 of the Housing Act of 1959*, as amended. *Section 202* offers direct, long-term Federal loans to eligible private, nonprofit groups to finance rental housing and related facilities for the elderly or the handicapped.

Special structural features could include ramps, bathroom grab bars, raised electric outlets, level doorway thresholds, and shallow, broader steps, for example.

Although the *Program* is designed primarily for people of low and moderate incomes, the occupants of *Section 202* housing are expected to have a wide range of incomes. . . including some who need no financial assistance. Subsidies will be available. . . however. . . under *HUD's Section 8 Rental Assistance Program* for those who do need help in paying their rent.

Under *Section 8*. . . *HUD* pays a rent subsidy in behalf of lower-income families, enabling them to live in decent, safe, and sanitary housing they otherwise couldn't afford. Eligible families are those whose incomes do not exceed 80 percent of the median incomes in their areas.

Interest-free 'seed money' loans to pay for certain preliminary costs prior to construction may also be available to qualified sponsors whose projects were selected, Secretary Harris said.

More than 90 of the nonprofit sponsors plan to develop group homes or independent living residences for the disabled. Generally. . . the group homes are limited to a maximum 12 people per home and the independent living residences are limited to 24 apartments per site. *HUD* further is requiring sponsors to scatter their facilities through their communities, rather than in single neighborhoods, in an effort to normalize living environments for disabled people.

Processing of applications for specific projects proposed by the winning applicants will be handled by *HUD's Field Offices*, where final approval of detailed proposals will be made.

Eligible applicants for *Section 202* assistance may borrow direct from *HUD* up to 100 percent of total development costs for their projects. Loans may be repaid over a 40-year period at an interest rate based on the average rate paid by the *Treasury* in its borrowing activities.

Names of winning sponsors, by State, and basic details on their planned projects are available from *HUD, Office of Public Affairs, Room 9243, (202/755-7174)*. Ask for Release No. 78-306.

Design for Elderly Publication Available

Environments and Aging. . . has recently been published by the *Association of Collegiate Schools of Architecture*. It reviews in detail recent innovations in the developing field of design for the elderly. . . including methods and research in architectural education. Thomas Byerts was guest editor as part of a *Gerontological Society* project, *Design Education Resources Development in Environments and Aging* funded by *HEW's Administration on Aging*. Additional support for the publication came from the *National Endowment for the Arts*, and the *National Retired Teachers Association/American Association of Retired Persons*. Available on microfilm from Xerox University Microfilms, 300 North Zeeb Road, Ann Arbor, Mich. 48108.

\$75,000 HUD Contract to SCLC

HUD has awarded a \$75,000 technical assistance contract to the *Southern Christian Leadership Council (SCLC)* of Atlanta.

The contract will enable the *SCLC* to provide technical assistance to increase the ability of its church affiliates and voluntary associations in the Southeast to work with local officials in identifying and planning for low-income housing. The project is to be completed in 9 months.

Secretary Harris said "The *SCLC* is noted for its efforts to meet the needs of low-income people in the Southeastern States. . . and it is fitting that the *SCLC* should receive funding to address the housing needs of a population it has long strived to serve. This contract will enhance the ability of *SCLC* to work with churches and volunteer groups to advise local governments of low-income housing needs and to plan for those needs in the future."

The technical assistance provided through the *SCLC* will focus on working with local county officials to plan for *Housing and Community Development Programs*. . . including the *Section 8 Rent Subsidy Program* (to help lower-income families afford decent housing in the private market); *Section 202* (direct Federal loans to private, nonprofit sponsors to provide housing and related facilities for the elderly and handicapped); *Section 312* (direct Federal loans to property owners and selected tenants to assist rehabilitation of properties in *Community Development* areas funded under the *Community Development Block Grant Program*); and *Community Development Block Grants*. The *SCLC* will also plan and host a conference on low-income housing needs in the Southeast with follow-up workshops.

The *SCLC* is the largest network of black voluntary associations and active church organizations involved in the needs of low-income people in the Southeastern region.

New Housing Program for Chronically Mentally Ill

More than \$17 million of HUD direct loan and rent subsidy funds has been authorized to produce 488 units of residential housing in 14 States for persons with chronic mental illness.

The new demonstration program was initially announced in a joint press conference at the White House on June 15 by Secretary Harris and First Lady Rosalyn Carter. . . who has been deeply involved with Federal programs to serve the mentally ill.

This program will demonstrate that there is a way Federal and State governments can form a partnership with private, nonprofit sponsors to provide suitable housing for persons with mental illnesses while at the same time insuring that there are support service programs which are cost effective, easily controlled, and efficiently delivered.

The 14 States participating in the national demonstration were selected from a total of 45 States which provided detailed *Letters of Intent* to participate in the program. Selections were made on the basis of the level of State financial commitment to provide community-based housing and service programs for the chronically mentally ill.

States in which the demonstration program will be conducted are: Colorado, Florida, Georgia, Kentucky, Maryland, Massachusetts, Michigan, Minnesota, New Jersey, New York, Oregon, Pennsylvania, Rhode Island, and Vermont.

NCHP Directors Named

President Carter has announced the appointment of three directors to serve on the board of the *National Corporation for Housing Partnerships*, established to encourage the participation by private investors in low- and moderate-income housing projects. The nominees are: Patricia K. Ritter, former president, *Connecticut Housing Investment Fund*; Herman J. Russell, chairman, *Citizens Trust Co. Bank of Georgia*; and Kennon V. Rothchild, chairman, *H & Val J. Rothchild, Inc.*, a mortgage bank in Minnesota.

New HUD Program Aids Chicago Housing

Secretary Harris has announced that a rehabilitation effort involving over 1,400 units of housing in the *North Lawndale Section* of Chicago is the first to benefit under a new *HUD Program*.

The initiative. . . the result of an amendment to the *Section 8 Existing Housing Assistance Program*. . . allows the sale of *HUD*-owned housing units with *Section 8 Rental Assistance*. . . under which the apartment owner receives a subsidy to make up the difference between what low-income tenants can afford to pay (not to exceed 25 percent of annual income) and the fair-market rent.

In making the announcement. . . the Secretary said, "This new approach will complement the *Department's* present effort to restore housing. . . which it owns and intends to sell. . . to decent, safe, and sanitary conditions. The new approach also will assist the *Department* in attaining several objectives, namely: to increase and maintain the amount of decent, safe, and sanitary housing affordable by lower-income families, to minimize displacement of tenants, to preserve and revitalize residential neighborhoods, and to reduce the number of *HUD*-owned properties in a manner consistent with meeting the *Department's* disposition objectives."

Implementation of this approach in the *North Lawndale Section* is subject to approval of the court administering the *Gautreaux* case, Secretary Harris said, because that case restricts the use of subsidies in minority-impacted areas of Chicago.

The *North Lawndale* project, which consists of 1,463 multifamily units in 135 buildings, is being sold to *Illinois Limited Partnership*. . . which was established by *Pryamidwest Realty Management, Inc.* . . . a local community-based management firm which now manages 1,048 of the project's units.

The sales agreement calls for a price of approximately \$2,000 per unit with provision for *Section 8 Housing Assistance* and an insured mortgage of \$21.9 million to cover the cost of acquisition and rehabilitation.

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Hud Newsletter

Current Trends

HUD's private mortgage data for August reveals that private mortgage insurance activity rebounded sharply that month. . . well above normal seasonal variation. During August, private mortgage insurers issued 72,404 new certificates of insurance on 1-4 family home mortgage loans carrying a total dollar volume of \$2.8 million. Both figures represent new monthly records for such activity and. . . compared to July levels. . . were substantially above normal seasonal increases with certificates issued up 14.5 percent and dollar volume up 13.8 percent. So far this year, new certificates issued are 20 percent ahead of last year's pace while new insurance written is 34 percent greater.

The *Federal Home Loan Bank Board* reports that July's slight decline in housing activity continued in August as housing starts fell 4.7 percent to a seasonally adjusted annual rate of 2.03 million units from 2.13 million units. However. . . this is still a high rate of starts. Single-family starts in August were at 1.44 million units. . . little changed from July. Multifamily housing starts in structures with five or more units fell to 453,000 units in August. . . a decline of 15.6 percent.

The *Census Bureau* reports that the West and South saw the largest increases in the formation of households from 1970 through 1977. The West had the biggest percentage increase during the period. . . 25.6 percent. . . for a total of 14 million households. The South had the largest number of new households for a total of 23.7 million. . . a 23 percent increase since 1970. Alaska had the highest annual growth rate for households of any single State. . . 5.5 percent. . . but it still has only 118,000 households. . . the smallest number of any State. California had the greatest number of households in 1977. . . an estimated 8.1 million.

After 9 years, and almost 500 issues, *Jim Biller*, who has edited the *HUD Newsletter* since its inception, has retired.

New Publication

Green Bans. The Birth of Australian Environmental Politics . . . by Richard J. Roddewig. Published jointly with the *Conservation Foundation* of Washington, D.C. Describes Australia's unique response to the environmental question through the 'Green Bans' method . . . 'bans' being the Australian equivalent of 'greenbelts.' Available for \$17.50 from *Allanheld Osmon & Co.*, 19 Brunswick Road, Montclair, N.J. 07042.

Newsletter Subscription Rate Increase

The *Superintendent of Documents* has increased the subscription rate of the *HUD Newsletter* from \$12.50 per year, domestic, to \$23.00 per year. The foreign rate was upped to \$28.75 from \$15.65. The new prices are effective immediately. The increase reflects new mailing and postal rates.

Additional Assistance for Distressed Public Housing Projects

Secretary Harris announced that 67 of the Nation's most severely distressed *Public Housing Authorities (PHAs)* will share nearly \$264 million in a concentrated Federal effort to upgrade living conditions in troubled housing projects and improve the management efficiency of *Public Housing Authorities*.

The funds will come from a new *Public Housing Urban Initiatives Program* which combines and coordinates efforts of the *Departments of HUD, Labor, Justice, and Interior* "to restore rundown public housing projects and revitalize neighborhoods, particularly in large urban areas," Secretary Harris said. She described the new program as "another step in our efforts to turn the President's *National Urban Policy* into meaningful and long term reality."

"In the past," noted the Secretary, "the solution to distressed housing projects was to demolish them. This is not the approach of this administration. Quite often, these projects can be turned around to provide an atmosphere in which the disadvantaged can live with pride and dignity."

The bulk of the money. . . nearly \$259 million. . . will be used by 33 *PHAs* to upgrade projects which fall far below acceptable conditions. . . many in areas where revitalization efforts already are underway. Among other things, the rehabilitation work involves structural changes, conversions to lower density, overall upgrading of the buildings and grounds, improvements to project security, and innovative approaches to give tenants a sense of "belonging." A portion of the money also will be used to improve the basic management procedures of *PHAs* in an effort to ensure that the improvements made to a project are maintained and not lost over a period of time.

An additional \$5 million will be used by 34 other *PHAs* to help install or modernize a project-based budgeting system. With the installation of this system, *HUD* will be able to collect data for the various kinds of housing developments (i.e., low-rise family, high-rise family, high-rise elderly, etc.). This information. . . together with objectives and subjective performance indicators. . . will assist the *Department* in establishing realistic management performance standards that can be applied to every Public Housing Authority.

This announcement deals with only part of the entire *Urban Initiatives Program*. Recognizing that the problems which beset troubled housing projects are multifaceted and cut across the jurisdictions of several Federal agencies, the *Urban Initiatives* approach is comprehensive, combining a number of different elements necessary to help turn around a distressed housing project.

Mortgage Bankers Make Most V.A. Loans

Mortgage bankers made 22,774 mortgage loans through the *Veterans Administration Loan Guaranty Program* during July. . . representing 77.5 percent of all VA loans made that month. . . according to the *Mortgage Bankers Association of America (MBA)*.

The average VA loan was slightly more than \$40,600. Under the VA program. . . eligible veterans generally are not required to make any downpayment. . . and their mortgage interest rate cannot exceed the limit set by VA, currently at 9.5 percent.

Since the beginning of the VA programs, mortgage bankers have closed over \$91.5 billion in VA home loans. . . amounting to 60 percent of all VA originations.

Mortgage bankers also closed \$3.2 million in VA mobile home loans in July. . . or 63 percent of the total VA mobile home loans. The average mobile home loan was \$13,845. To date. . . the VA has provided over \$114 million in mobile home financing, with over 42 percent being written by mortgage bankers.

MBA also reported that long-term delinquency rates for home mortgage payments on June 30 were unchanged overall from the previous quarters. The seasonally-adjusted 90-day delinquency rate for all types of home loans was 0.51 percent. . . the same as was reported on March 31. This includes all loans 3 or 4 months in arrears.

HUD To Fund Solar Systems

Funding of 96 grants totaling \$5.8 million to install solar heating and domestic hot water systems in 4,849 housing units in 35 States and D.C. has been announced by HUD.

The grants are under the *HUD Residential Solar Heating and Cooling Demonstration Program* and will support installation of the equipment in projects across the Nation.

The demonstration. . . managed by *HUD's Office of Policy Development and Research*. . . is part of the national program directed by the *Department of Energy* for solar heating and cooling of buildings.

These awards. . . together with grants of \$2.6 million for 2,002 units announced in March. . . complete the fourth series of cycle grants under the *HUD Demonstration Program*. The first cycle was announced in January 1976.

Since enactment of the *Solar Heating and Cooling Demonstration Act of 1974*. . . 470 residential projects have been funded under the *HUD Program*. . . and more than 300 residential solar projects have been funded under the *Department of Energy's Demonstration Program*.

Recipients of the latest grants were selected from 455 applications solicited by HUD in May. These new projects involve additional builders, developers, and other members of the housing industry in producing and marketing solar equipped homes.

The new awards include 17 grants, totaling \$1,308,027, for 776 units sponsored by neighborhood and community development groups. An additional nine grants have been made for *Public Housing Projects*. . . including 442 units at a cost of \$710,569.

A list of the project grants, designated Cycle 4A, is available from HUD, OPA, Room 9243 (202-755-7174). Ask for Release No. 78-326.

Chicago's Block Grant Funding Contingent on New Housing Construction

The City of Chicago has been notified that approval of the \$117.8 million fourth year *Community Development Block Grant (CDBG) Program* activities. . . is contingent on action to build housing for low-income families.

In a letter from the Chicago Area Office Manager, Elmer C. Binford, Mayor Michael A. Bilandic was told that while "progress has been made toward achieving your *Housing Assistance Plan Goals*, we continue to firmly believe that there are additional actions the city can and should take" in order to "meet the continuing need for housing assistance for families and large families of low-income. . . "

The City should use HUD resources during 1979 to build new housing under the *Section 8 Rental Assistance Program*, and use CDBG funds for site acquisition, preparation, or in other ways to facilitate construction.

"The City must make substantially improved progress in meeting the goals for large family new construction and substantial rehabilitation of rental units identified in its *Housing Assistance Plan*," the letter stated.

"Failure to accomplish these actions may constitute cause for the Secretary of HUD to reduce the *Community Development Block Grant* of the City of Chicago for fiscal year 1969 as provided in Section 570.911 of the CDBG regulations."

Once the Mayor has signed and returned the Grant agreement, HUD will make the new *Block Grant* funds available through a letter of credit.

The City will report to HUD on January 15 and June 30, 1979, its progress in carrying out HUD's recommendations to assure acceptable performance under the program.

Government Employment Still Rising

There were approximately 15.4 million civilian public employees in October 1977. . . an increase of 394,000 or 2.6 percent over October 1976. . . according to the *Census Bureau*. Most of the increase occurred in State and local governments where employment rose by 389,000 workers (3.2 percent) to a total of 12,558,000. The number of Federal civilian employees rose only slightly. . . increasing by 5,000 workers (0.2 percent) to a total of 2,848,000.

Public civilian payrolls for October 1977 totaled \$15.2 billion. . . nearly \$1.3 billion more than just 1 year ago. State and local government payrolls for October 1977 were \$11.3 billion. . . and Federal civilian payrolls were \$3.9 billion.

The full-time equivalent of all State and local government employment was 10.5 million workers for the same period. This figure is calculated by dividing the average monthly pay of full-time employees into the total pay for all full- and part-time employees. Local governments accounted for 72 percent, or 7.6 million, of the full-time equivalent total.

Nearly one-half (5.1 million) of the full-time equivalent employment of State and local governments was in the education field in October 1977.

Civilian Federal employment peaked at about 3.4 million during World War II. . . dropped to 2 million in 1947. . . and rose to 2.5 million in 1951. Then, after several years of little change. . . it reached nearly 3 million in 1967, when it again began falling to its present level of about 2.8 million. Among the States. . . California had the most Federal civilian workers (292,000), and 7 States had fewer than 10,000 each: Delaware, Maine, Nevada, North Dakota, Rhode Island, Vermont, and Wyoming.

State and local government employment dropped slightly during World War II from 3.4 million in 1941 to 3.2 million in 1945. According to the report. . . it has increased significantly nearly every year since.

Full-time State and local government employees were paid an average of \$1,078 for the month of October 1977. . . \$57 a month more than in October 1976.

The report, *Public Employment in 1977, GE-77, No. 1*, is available for 90 cents from the *Subscriber Services Section (Publications)*, Bureau of the Census, Washington, D.C. 20233.

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HUD NEWSLETTER
October 16, 1978
HUD-318-354-ASI

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Hud Newsletter

Current Trends

The *F.W. Dodge Division of McGraw-Hill, Inc.*, reports that the seasonally adjusted *Dodge* index of construction activity rose to 289 in August from 286 in July and 267 in August 1977. In the index, 100 represents the year 1967.

In California. . . mortgage rates are being raised back to 10 percent from 9¾ percent by the big savings and loan associations. . . reversing one of the few downward trends in interest rates. In mid-August. . . *S&Ls* dropped rates for prime mortgages to 9¾ from the 10 percent level that had prevailed since May. Now. . . however. . . many *S&Ls* state they are raising the prime. . . or minimum. . . mortgage rate back to 10 percent. The *California S&Ls*. . . which account for about 20 percent of the Nation's home lending by thrift institutions. . . cited strong loan demand and rising costs of funds for the decision.

The *Federal Home Loan Bank Board* reports that interest rates on home mortgage loans increased again in September. . . but increases were less than those in recent months. The average effective interest rate on conventional loans for new homes rose to 9.73 percent in September. . . the tenth consecutive monthly increase. . . from 9.70 percent in August. The average effective rate for previously owned homes rose to 9.84 percent from 9.77 percent in August. A year earlier. . . effective rates were 9.04 percent for new homes and 9.05 percent for existing homes. Conventional loans are those that are not backed by a Federal agency.

FHLBB also reports that mortgage loans closed by federally insured associations totaled \$10.1 billion in August. This was up a more-than-seasonal 14 percent from July, but was 5 percent less than a year earlier. When seasonally adjusted, August lending activity was the largest since last March, when it had begun to decline significantly as a result of the reduction in savings inflows during the first half of the year. Commitments for future mortgage lending by associations also showed more than seasonal strength in August. Volume outstanding totaled \$21.8 billion at monthend. . . for a decline of \$0.4 billion. This was considerably less than the usual July-August decline in commitments. Consequently, outstanding commitments. . . when seasonally adjusted. . . rose for the second month in a row to the highest level since early spring. At the end of August. . . they were also 1 percent larger than a year earlier.

Auction yields were higher as the *Federal National Mortgage Association* issued \$445.5 million in 4-month commitments to purchase both government-backed and conventionally financed home mortgages. On October 2. . . the corporation issued \$278.6 million in commitments on government-backed mortgages at a weighted average yield of 9.913 percent. . . which converts to an average price of 97.23 for 9½ percent *FHA/VA* mortgages. The average in the previous auction was 9.785 percent. In the conventional auction. . . *FNMA* issued \$166.9 million in commitments at a weighted average yield of 10.096. . . up from 10.012 in the previous auction. The range of accepted bids was from 10.064 percent to 10.170 percent.

\$131 Million Action Grant Awards to 40 Cities

The first year of the *Urban Development Action Grant* program was marked on October 5 as *HUD* Secretary Harris announced the award of \$131.4 million in fourth quarter *Action Grants* to 40 metropolitan cities to create jobs and stimulate public-private development. The funds will go to 43 joint development projects which have more than \$670 million total private financial commitment behind them. The *HUD Action Grants* will create 22,867 permanent new jobs, save 8,400 existing jobs, and provide 24,331 jobs for construction workers.

"When President Carter signed the program into law in October 1977," Secretary Harris, said, "it gave us the tools to build our new partnerships between the private and the public sectors."

She added: "These fourth quarter awards bring the past year's private commitment to Action Grant projects to over \$2.7 billion. That represents almost 6 dollars of private sector investment for every *Action Grant* dollar invested. I think this shows that the new partnership is on a very solid foundation."

Awards will go to metropolitan cities. . . most over 50,000 population. . . ranging from **Oakland** to **San Juan**, and **Bridgeport** to **Biloxi**. The amounts are based on the merits of the projects, but only cities that meet special criteria for economic and physical distress, and have good overall records for equal housing and employment, can apply.

The awards ranged from the largest ever made, \$14 million for **Charleston, W.V.**'s "superblock," a downtown regional shopping center and nearby convention center, to the smallest award yet made to a metropolitan city, \$75,000 for **Oshkosh, Wisconsin's** Northern Industrial Park Development.

Of the awards announced, 20 are commercial, 15 are neighborhood, and 8 are industrial projects. The awards will create more construction jobs than any previous round of *Action Grants*, and also will create more permanent new jobs per dollar than any earlier metro city awards.

New Publication

Alabama County Data Book. . . published by the *Alabama Development Office*. . . contains the most recent data. . . generally 1976. . . on a wide range of subjects including economics, finance, population, education, natural resources, transportation, recreation and health. Available for \$2.00 from the *Alabama Development Office*, State Capitol, Montgomery, Alabama 36130.

NHP's Role in Urban Revitalization Benefits 10,500 Persons

More than 10,500 persons of lower income in New York, St. Louis, Washington, D.C.; Minneapolis, Philadelphia, Norfolk, and Savannah will have the opportunity to live in new or rehabilitated housing through the urban revitalization activity of the *National Housing Partnership* during the past year.

Serving also to stimulate rejuvenation of their inner city areas, the more than 3,000 apartments costing \$121 million run the gamut from rehabilitated units in small structures to attractive accommodations in two of the largest complexes yet constructed under the Section 8 program of Federal rent assistance. Many in between are in smaller garden and townhouse groupings.

Local partners of *NHP*, which supplies equity capital and expertise as the largest private producer of low- and moderate-income housing in the Nation, range from church and community groups to large developers and builders. **New York City** will have the greatest number of units from this activity with 1,270 apartments underway in five developments.

Study on Rising Pension Costs

A \$49,617 HUD research grant will be used to analyze the impact of escalating pension costs on State and local governments. Recipient of the two-year competitive grant, awarded after interagency review, is a consortium headed by the *Urban Institute*, in association with *Howard Winkelvoss & Associates*, and the *Government Finance Research Center* of the *Municipal Finance Officers Association*.

In announcing the award, Secretary Harris said: "Public retirement systems are a significant factor in the cost of government. The provisions and structures of the funds create serious implications for the functioning and future of various governments, as well as for the economic security of the retired population."

Agencies on the grant review panel were: the *Departments of Labor and Health, Education and Welfare*; *National Science Foundation*, and the *Congressional Budget Office*.

26 Cities Receive Urban Renewal Settlement Funds

Some 26 cities have been selected to receive more than \$78.4 million for completion of urban renewal project activities, or financial settlement of other renewal projects which have reached their planned objectives, HUD has announced.

Awards are made from HUD's *Financial Settlement Fund*, authorized at \$100 million per year through 1980 by the *Housing and Community Development Act of 1977*. They are intended to give supplemental assistance to local governments for categorical programs, primarily urban renewal, which were administered by HUD prior to 1973 and the enactment of the *Community Development Block Grant* program.

Earlier this year, 12 cities were selected to receive \$29.7 million. . . bringing the total to 28 localities selected to receive \$108,086,850. (The amount over \$100 million are funds turned back to the program, from urban renewal recapture, reallocation or disapprovals.) Applications were received from 69 localities, and requests totaled \$350 million.

Localities receiving awards this year will be required to spend at least 20 percent of their *Community Development Block Grant* awards for the next three years toward the required activities, in tandem with *Financial Settlement Funds*.

Insulation Tax Credit

House and *Senate* energy conferees have agreed to give homeowners a tax credit of as much as \$300 for installing insulation. . . storm windows or other energy saving equipment. . . retroactive to April 20, 1977, the date of President Carter's energy message, to remain available through 1985. The insulation credit would be 15 percent of the first \$2,000 of outlays, or a maximum credit of \$300, which could be subtracted from taxes due. Besides insulation and storm windows. . . the credit would be available for better furnace burners, devices for modifying flue openings, ignition systems that replace gas pilot lights, storm doors, thermal windows and doors, clock thermostats and caulking or weather stripping.

Housing Counseling Grants Awarded in FY 78

HUD awarded \$730,000 to 11 national and community-based organizations for comprehensive housing counseling to low-income persons. Awards went to such groups as the *National Urban League*, the *South Minneapolis Community Federal Union*, the *Sac and Fox Indian Housing Authority*, and *Rural America*. The expanded housing counseling program stems from an earlier five-city demonstration program which showed that counseling was effective in reducing mortgage foreclosure rates by as much as 46 percent. The program not only helps lower-income persons learn to manage their housing finances, but can also help to reduce default on loans guaranteed by HUD.

Increase Inner City Lending Activities

Harold W. Greenwood, Jr., president-elect of the *National Savings and Loan League*, told the *Savings Association League of New York* that inner city lending is not only vital to the Nation, but also can be profitable to the lender.

Greenwood said the savings and loan industry, as major source of home mortgage financing, is well-equipped to exert a positive influence in reviving central city areas. One factor that stands out. . . Greenwood said. . . is local cooperation. He cited the success of the *Neighborhood Housing Services*. . . which began as a local cooperative in Pittsburgh. . . and has been effectively used in other cities.

He described his plan for a *Home Owners Loan Insurance Corporation*, which is modeled after a successful housing program of the 1930s. Elements of the program include the use of private capital, elimination of risk to the lender, a break on interest costs to borrowers, and no burden on the taxpayer.

FYI

National Leased Housing Association. . . *Seminar: New Tools for Nonprofit Housing*. . . New York City, November 10. . . Kansas City (Mo.), November 15. . . and San Francisco, November 17. Details: *NLHA*, Janet S. Charlton, 1800 M St., N.W., Suite 400 South, Washington, D.C. 20036 (202/785-8888).

Government Information Services. . . *Seminars: Federal Dollars for Local Programs*. . . Washington, D.C., November 13-15; *How to Write a Winning Proposal*. . . Washington, D.C., November 16. Details: *GIS*, 752 National Press Bldg., N.W., Washington, D.C. 20045 (202/638-5095).

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Hud Newsletter

Current Trends

Interest rates increased between early August and early September 1978. . . on conventional home mortgage loans closed. . . according to the *Federal Home Loan Bank Board*. The latest increases were considerably less than those during most recent months. Moreover. . . rates offered on mortgage commitments were essentially unchanged, indicating at least a pause in the sharp rise in mortgage rates which began in the second quarter of this year. The average effective interest rate on loans closed for purchasing newly-built, single-family homes increased by 3 basis points to 9.73 percent in early September. This rise was moderate compared to recent increases that averaged 11 basis points per month during the prior 3 months. . . but nonetheless. . . the average rate rose to a high alltime peak.

Mortgage commitment rates cited by major lenders for the purchase of newly built single-family homes were essentially unchanged from early August to early September. The average effective rate offered for loans with a 75 percent loan-to-price ratio and a 25-year term to maturity increased by a single basis point to 9.91 percent. The proportion of lenders offering commitments for 75 percent, 25-year loans increased from 85.0 to 85.4 percent.

The Federal Home Loan Mortgage Corporation will buy refinance loans on one- or two-family dwellings which have loan-to-value ratios of 90 percent if the proceeds have been used for rehabilitating, refurbishing or making energy conserving improvements.

Mobile home production was just over 20,000 units in July, "only slightly better than July of 1977," according to the *Manufactured Housing Institute*. It also reported that on a cumulative basis, production totaled 158,051 homes and represented an 8 percent increase over the same 7-month of 1977.

The *Federal Reserve* has raised the rate at which it lends to the Nation's banks to the highest level in history following a move by *Chase Manhattan Bank* to increase their prime rate to 10 percent. More than 3 dozen banks quickly followed Chase as the prime reached double digit level for the first time since January 1975. The Fed action increases the so-called discount rate from 8 percent to 8½ percent. . . just 2 weeks after it was increased from 7¾ percent to 8 percent.

A cement shortage of serious and growing proportions has developed over most of the country. . . the *National Association of Home Builders* reports. By Spring of this year, strong demand in California had produced sold-out conditions at many plants. Shortages developed in Texas, areas of the Rocky Mountain States and most recently in the Mid-West. . . particularly in the areas of Chicago and Detroit. As a consequence of the excess of demand over capacity. . . homebuilders and commercial contractors are searching far and wide for supply. Also. . . premium prices (including extra transportation charges) are being paid.

Housing starts climbed again in September to an annual rate of 2.073 million units. . . up slightly, 1.4 percent, from the 2.044 million in August. . . the seventh consecutive month that new home construction has been at an annual rate of more than 2 million units, the *Census Bureau* reports. The September 1977 rate was 2.012 million units. Permits for future construction were issued at an annual rate of 1.707 million units. . . up from the previous month's 1.563 million. . . and 1.695 million units a year ago.

HUD Seeks NAHRO Support

Commending the *National Association of Housing and Redevelopment Officials (NAHRO)* for the key role it has played in improving the quality of life in American cities, *HUD* Secretary Harris has called on *NAHRO*'s continued support.

In remarks before *NAHRO*'s 30th National Conference in Seattle, Secretary Harris pointed out that *NAHRO* has been a working partner with *HUD* from the beginning. "You worked to establish the *Department*, supporting President Johnson's position that the severity of urban problems made them a high national priority and agreeing that the future of urban development required continued attention from the highest levels of government."

The Secretary pointed to the *New Partnership* of President Carter's *National Urban Policy* as proof that urban problems once again have attention from the highest level, a partnership which she said was necessary if we are to reach the goal of providing all Americans with decent housing in suitable environments.

More Women in Public Life

Highly trained women must continue to seek and accept political responsibilities if there is to be widespread participation of women in government in the 1980's. . . Donna E. Shalala, Assistant Secretary for Policy Development and Research told a Task Force of the *National Association of Housing and Redevelopment Officials (NAHRO)* in Seattle. She stressed "the responsibility of those of us who hold government positions to help open the doors for our qualified female colleagues." The *NAHRO Task Force of Women in Housing and Community Development* session was a part of the *Association's* 39th National Conference.

She described two undertakings of *HUD's* Office of Policy Development and Research that focus on issues of particular importance to women.

A national study of *Women and Credit*. . . a 2-year education and research project. . . is to be launched this year. The research phase is to determine the exact nature of discrimination in mortgage lending and to facilitate women's entry into the market by eliminating discriminatory practices. The aim of the education phase of the program is to supply women with new informational tools necessary in making credit decisions.

A summary report. . . scheduled for publication by the end of the year. . . the second undertaking in Dr. Shalala's office that deals with women's concerns. . . details housing conditions of female-headed households. It reveals that differentials such as age, race, and ethnic background determine how well these female-headed households live.

Dr. Shalala said that "women are not overlooked by other women." She said proof of the observation can be seen at *HUD* where, since appointment of Patricia Roberts Harris as Secretary, a full half of the people appointed have been women, with 44 percent of them at the executive level.

\$111 Million for College Housing Loans

HUD has reserved approximately \$111.3 million to finance construction, acquisition, and rehabilitation of student housing and related dining facilities at 68 colleges and universities.

Of the 68 successful applicants for loans, 43 will receive reservations totaling \$28.045 million to rehabilitate student housing and related dining facilities to reduce fuel consumption and other operating costs. The remaining 25 applicants will receive reservations totaling \$83.210 million to construct new or to rehabilitate existing housing and related dining facilities to reduce a severe student housing shortage at the institutions.

Funds for college housing improvements are made available through repayments of previously made loans and from interest income.

New Post Stresses Private Sector Involvement

A new post at HUD to strengthen and broaden local partnerships for revitalizing urban areas will be headed by Richard C.D. Fleming, General Deputy Assistant Secretary designate for the Office of Neighborhoods, Voluntary Associations and Consumer Protection under HUD Assistant Secretary Geno C. Baroni.

Creation of the new position further implements President Carter's National Urban Policy, *A New Partnership to Conserve America's Communities*, announced last March, to include more systematically the private business sector, citizen and neighborhood groups and local governments to broaden and give definition to this partnership.

* *HUD's Office of Neighborhoods* was created in 1977 to help neighborhood development organizations improve their management capabilities; formulate local cooperative efforts; and encourage voluntary and other nongovernmental organizations to work with HUD in areas of mutual interest and concern. It also serves consumers and regulates interstate land sales, real estate practices, and energy standards in construction.

In making the announcement of Fleming's appointment. . . Secretary Harris indicated that an additional mission for NVACP on behalf of HUD would be that of developing a set of institutional relationships with the private sector and foundation community in the context of the *administration's* new urban partnerships.

\$30 Million Challenge Grants Awarded by Arts Endowment

Some 133 cultural institutions, including 7 consortia, will receive up to \$30 million in *Challenge* grants for fiscal 1979, Livingston L. Biddle, Jr., Chairman, *National Endowment for the Arts* has announced. The grants are expected to generate a minimum of \$100 million in new funds for the participating cultural institutions. Each Federal grant dollar must be matched locally from new sources of contributions at the ratio of \$3 or more.

The 102 grantees include 95 individual organizations plus 31 other arts groups which banded together into the 7 consortia in order to make a joint fund raising effort.

Biddle said, "Last year, the first for *Challenge*, \$27 million was awarded. This has already been matched with more than \$55 million even though the 59 grantees are not required to complete their fund-raising campaigns until 1980. We are confident that the second round grantees will similarly demonstrate the great effectiveness of this program in stimulating non-Federal support for the arts."

The *Challenge Grant Program*. . . created by Congress. . . is separate from the *Endowment's* regular grants programs. It provides one-time grants to cultural organizations to help achieve a stronger, broader and more reliable funding base; improved management and planning; increased audience participation and appreciation of programs; more effective links between related organizations; and greater citizen participation in planning and developing community programs.

Newark is Top 'Problem City'

The *Congressional Budget Office* has recently released a list of the 39 U.S. cities that are in need of Federal help because of their various problems. The listing is based on a composite index devised by the *Budget Office*. . . which measures each community's problems. . . including such items as high unemployment and low per capita income.

Newark is listed as the "most needy" of the 10 "high-need" cities. Also in this group are: St. Louis, Cleveland, Detroit, New Orleans, Buffalo, Miami, Gary, Baltimore, and Tampa. "Moderate-need" cities are Birmingham, Philadelphia, Jersey City, Atlanta, Boston, Chicago, Cincinnati, Louisville, Rochester (N.Y.), Pittsburgh, New York City, Sacramento, Milwaukee, San Jose, Akron, Columbus, San Diego, Norfolk, and Oklahoma City. "Low-need" municipalities are: Kansas City (Mo.), Los Angeles, Phoenix, San Francisco, Houston, Indianapolis, Denver, Minneapolis, Seattle and Dallas.

Publications Available

Condominium and Homeowner Associations That Work: On Paper and In Action. . . published jointly by the **Urban Land Institute (ULI)** and the **Community Associations Institute (CAI)**. . . focuses particularly on two major areas: drafting the necessary legal documents, and operating the resultant association. Features sample wording for 23 separate "resolutions" commonly used by associations, association documents that facilitate project financing and protect future development options, and covenants and restrictions that pass the scrutiny of public agencies. Available from **ULI, 1200 18th St., N.W., Washington, D.C. 20036; \$12 to ULI members and \$16 for nonmembers.**

1978-79 Fact Book. . . issued by the **Mortgage Insurance Companies of America (MICA)**. . . explains how the private mortgage insurance industry continues to expand its role in making homeownership available for thousands of moderate-income families who could not otherwise afford it. . . and includes the addresses of the 166 insuring offices of **MICA** members. **Single copies of the new Fact Book may be obtained free by sending a stamped self-addressed envelope, not less than 6x9 inches in size, to MICA, 1825 K St., N.W., Washington, D.C. 20006.**

The Fiscal Outlook for Cities: Implications of a National Urban Policy. . . assesses the fiscal outlook for cities, against a background of current Federal policy toward cities and in light of the Carter Administration's proposed *National Urban Policy*. Covers four important topics regarding Federal policy. . . the particular case of distressed Northeastern cities, capital obsolescence and financing, Federal grants, and the impact of the Federal budget. 150 pages. . . clothbound. . . **\$8.95, paper. . . \$3.50 from Syracuse University Press, 1011 East Water Street, Syracuse, New York 13210.**

The County Year Book 78. . . published by the **National Association of Counties (NACo)** and **International City Management Association (ICMA)**. . . a comprehensive and up-to-date information source on county government is a useful tool to aid officials in the decisionmaking process and to bring those interested in county government the latest data, information, and trends in the management of counties. Includes a comprehensive directory section that lists over 12,000 county officials as well as 64 professional, special assistance, and educational organizations serving local and State governments. 260 pages. . . 50 tables and charts. . . 9x12, casebound. . . subject index. **For sale for \$23.50 each postpaid, or \$22.00 if payment accompanies order, from NACo/ICMA, Joint Data Center, 1140 Connecticut Ave., N.W., Washington, D.C. 20036.**

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Hud Newsletter

Current Trends

The prime rate was raised again. . . on October 23. . . to 10½ percent from 10 percent. . . the highest since January 1975. The expected increase resulted from credit tightening by the *Federal Reserve*.

The *Federal National Mortgage Association (FNMA)* announced an increase in the maximum loan amount for *Veterans Administration*-guaranteed mortgages it purchases from \$70,000 to \$100,000. *FNMA* traditionally purchased *VA* mortgages with original loan amounts of up to four times the amount of the *VA* guarantee. President Carter signed legislation increasing the *VA* loan guarantee from \$17,500 to \$25,000.

Project notes totaling \$583,070,000. . . representing 76 *Public Housing Agencies*. . . were sold in mid-October at an average interest rate of 4.805 percent. Last month's interest rate was 4.404 percent. Bids ranged from 4.28 percent to 4.98 percent. . . average maturity of the notes sold was 8.5 months. Proceeds of the note sale will reimburse the *Federal Government* for funds advanced to *Public Housing Agencies* and refund maturing notes for low-income housing projects.

HUD announced that the volume of long-term mortgage loans closed in July for 1-4 family homes totaled \$15.3 billion. . . an 8 percent increase over the volume of home loans originated a year ago. This brings total loan originations by all lenders to \$94.5 billion for the first 7 months of this year. . . an 11 percent increase over the same period in 1977. Savings and loan associations accounted for 48.7 percent of the loans closed (\$7.5 billion). . . commercial banks had a market share of 24.5 percent (\$3.7 billion). . . and mortgage companies accounted for 16.8 percent (\$2.6 billion). In addition. . . loans originated by commercial banks and mortgage companies are up by \$460 million and \$785 million. . . respectively. . . from July 1977. . . while savings and loan institutions showed a decrease of \$397 million from the same period a year ago.

Median sales price of the 69,000 new houses actually sold during August was \$56,000. . . which was \$1,600 above July's median price and \$7,600 above the median sales price of \$49,000 during August 1977.

The *Government National Mortgage Association (GNMA)* announced that bids on 97 mortgages totaling approximately \$290 million were accepted at the project mortgage auction held in mid-October. *GNMA* offered to sell \$525 million in *FHA*-insured project mortgages and sold about 55 percent. Total offers received by *GNMA* were in excess of \$1.5 billion.

The *Federal Crime Insurance Program* had 50,046 policies in force as of July 31. This compares to 37,331 as of July 31, 1977. *Federal Crime Insurance* provides individuals and businesses affordable insurance against burglary and robbery losses without fear of cancellation and at uniform rates in 21 States and the District of Columbia.

HUD Offers Aid to Tenants

Tenants of a federally-subsidized apartment housing program whose rents were increased by soaring taxes and utility costs may soon get relief in the form of reimbursement from HUD.

An agreement to settle numerous lawsuits, including a national class action brought by tenants was announced by HUD Secretary Harris. The *Housing and Community Development Act of 1974* permitted payment of a subsidy to tenants to cover increased rents caused by rising tax and utility costs. The program never got off the ground and became embroiled in litigation when the first tenant suits were filed in 1975 to force HUD to pay the subsidy. Two of the lawsuits reached the *Supreme Court*.

"This agreement represents part of the effort made by this *Administration* to deal with the financial problems of these HUD-subsidized projects — problems that predated this *Administration* and formed the basis for extensive litigation," Secretary Harris said. "We are offering this settlement in order to reimburse tenants who suffered considerable hardship as a result of having to pay rent increases that could have been subsidized by HUD."

The agreement covers apartment houses subsidized under *Section 236* of the *Housing and Urban Development Act of 1968*. Tenants who resided in a *Section 236* project, including projects financed by State housing agencies, between February 1, 1975, and September 30, 1977, and who paid in excess of 30 percent of their adjusted monthly income for rent (25 percent in cases where tenants directly paid one or more utility charges) may be eligible to receive retroactive tax and utility cost subsidy payments under the terms of the settlement.

Parties to the settlement will present the agreement to the various courts across the country in which litigation is pending in order to obtain court approval of the agreement. If approved, the Courts will supervise the distribution of the settlement fund. The courts are expected to hold hearings on the settlement before approving the agreement.

For further information about the filing of claims, contact the nearest *HUD Field Office*.

Symposium on Housing for the Retired

Several hundred retirees from around the country have responded to the *Federal National Mortgage Association's* request that they write the corporation about their housing needs and preferences. Their comments will form the basis of a symposium on housing for the retired to be held at the Capital Hilton Hotel in Washington, D.C., January 10-12, 1979.

More than 100 of those who write the corporation, chosen to provide a broad geographic, age-group and economic cross section of moderate- and middle-income retirees, will be invited to take part in the symposium at *FNMA's* expense.

State Governments Revenue Exceeded Spending in FY '77

Total State government revenue in fiscal 1977 increased 11.2 percent over the prior fiscal year to \$204.5 billion. . . while expenditures increased 5.1 percent to \$191.2 billion. . . according to a *Census Bureau* report.

Taxes provided \$101.1 billion. . . or 59.5 percent. . . of total State general revenue. State tax revenue was up 13.3 percent in 1977 from the 1976 total. Included in the tax revenue were general sales and gross receipt taxes which provided \$30.9 billion. . . followed by the sales tax on motor fuel, \$9.1 billion. Motor vehicle license taxes amounted to \$4.2 billion; tobacco sales tax collections, \$3.5 billion; and sales taxes on public utilities, \$2.4 billion. Yield from individual income taxes, imposed by 44 States, total \$25.5 billion. . . up nearly 19 percent from 1976. Corporation net income taxes amounted to \$9.2 billion in 1977. . . or 26.1 percent more than the previous year.

The 50 States continued to spend more for education than for any other function. In 1977. . . they spent \$64.0 billion or 7.4 percent more on education than in 1976. Expenditure for public welfare totaled \$32.8 billion. . . an increase of \$3.1 billion over the previous year.

Single copies of the report, *State Government Finances in 1977, GF77, No. 3*, may be obtained for \$1.40 from the Subscriber Services Section (Publications), *Census Bureau*, Washington, D.C. 20233.

The Second Family Income

The typical American home buyer can count on a monthly housing expense of \$400. . . including real estate taxes and utility bills. . . but big-city buyers often must budget substantially more. . . according to Joseph T. Benedict, vice president of the *United States League of Savings Associations*. He notes "Housing remains one of the brightest spots in the national economy. In spite of rising costs, Americans are continuing to buy homes in near-record numbers."

Two main reasons the housing market has remained so strong: An increasing number of home buyers who use a working spouse's income to help meet monthly expenses; and, a "great many" home buyers are willing to stretch their housing budgets beyond once-standard rules of thumb to accommodate inflation-fueled higher costs. An additional factor, Benedict added, is that mortgage lenders help "by writing a surprising amount of low downpayment — generally 10 percent or less — loans."

Benedict made his comments at a Washington, D.C., news conference where the *U.S. League* released a detailed study of monthly housing costs. Data for the study, titled "*Homeownership: Affording the Single Family Home*," were drawn from 8,500 conventional mortgage loans made last year at 200 cooperating savings and loan associations. Savings associations are the Nation's primary source of home mortgage credit. The *U.S. League* is the largest trade organization serving the \$510 billion savings and loan business.

According to the study, by *League* economists Dennis J. Jacobs and Thomas J. Parliment, home buyers in 1977 had to budget a median \$400 for monthly housing expenses. Those expenses included \$273 for mortgage principal and interest payments; \$60 for monthly utility bills; \$54 for real estate taxes; and \$13 for hazard insurance.

In contrast, home buyers in medium-sized *SMSA's*, those with population between 250,000 and 1.5 million, could count on median housing costs of \$382 per month. In the smallest *SMSAs*, those with populations of less than 250,000, the median monthly housing cost was just \$351.

Benedict emphasized that in spite of still-escalating housing costs, "mortgage demand has been strong all year." A major reason for housing's strength has been the two-income family, Benedict said.

"Low downpayment mortgages have become increasingly important to home buyers, too," Benedict said. "So have positive decisions by many buyers to forego spending on some other items and use that money for housing. Consequently, those old 'rules of thumb' about home buyers making at least a 20 percent downpayment and spending no more than 25 percent of their incomes on housing rapidly are becoming outdated."

TAP to Aid Multifamily Housing

To help preserve the country's present supply of multifamily housing. . . *HUD* is establishing a *Target Area Preservation (TAP)* demonstration program to test the feasibility of *Section 233 (f)* mortgage insurance in older declining neighborhoods. . . and is proposing an *FHA* mortgage coinsurance program for the refinancing and selling of conventionally financed housing projects in areas where there may be deterioration.

Appearing before the *House Government Operations Subcommittee on Manpower and Housing*. . . Marilyn Melkonian, *HUD* Deputy Assistant Secretary for Insured Housing. . . said the innovative *TAP* program "can stimulate extensive modest and moderate rehabilitation in target areas where it would not otherwise take place. It is intended to provide a 'catalyst' for preservation, complementing *HUD's Section 8* substantial rehabilitation program for rental assistance housing, and its direct loan program for rehabilitation under *Section 312*. At the same time, it is intended to renew interest in investment by local governments and private enterprise in the selected target areas."

The public has been invited to comment on the proposal and particularly on these points: what impact it would have on the mortgage market; the availability of mortgage credit to borrowers dependent on *HUD's* regular mortgage insurance programs; and the flow of credit to older, declining areas and purchasers of older and low-cost housing.

The proposed regulation was published in the September 26 *Federal Register*. The comment period is open until November 13. Responses should be addressed to *HUD*, Rules Docket Clerk, Room 5218, Washington, D.C. 20410.

FDA Deputy Appointed

HUD Secretary Harris announced the appointment of Thomas R. Casey as Deputy Administrator of the *Federal Disaster Assistance Administration (FDAA)*. Casey was Regional Director of the FDAA's Region II office, with headquarters in New York, since January 1972.

As Deputy, he will be principal assistant to FDAA Administrator William H. Wilcox. His duties include sharing responsibility for the supervision of governmental and humanitarian relief agency activities following an emergency or major disaster declaration by the President.

New Publication

Federal Government And Urban Problems. HUD: Successes, Failures, And The Fate Of Our Cities. . . By M. Carter McFarland. . . a former HUD official. Introduction by Paul Ylvisaker. Contains chapters on HUD's creation; its organization performance; urban planning; renewing the inner cities through *Urban Renewal*, *Model Cities*, and *Block Grants*; housing needs; *Public Housing*; *FHA's* various interest-subsidy programs; and *Section 8*; cycles in mortgage credit; reducing housing costs; equal opportunity in housing; urban research; and people and policies. Former HUD Secretary Robert C. Weaver has said, "The book provides invaluable facts and insights to professionals in the field and to students of public administration." Available for \$20.00 from *Westview Press*, 5500 Central Ave., Boulder, Colorado 80301.

FYI

Government Information Services. . . 1-day seminar: *Protecting your General Revenue Sharing and Anti-Recession Aid.* . . Washington, D.C., Nov. 17; Boston, Nov. 20; Atlanta, Nov. 27; Louisville, Nov. 30; Columbus, Dec. 1; Chicago, Dec. 4; Minneapolis, Dec. 8; Seattle, Dec. 11; San Francisco, Dec. 13; Denver, Dec. 15; Dallas, Dec. 18; Orlando, Jan. 15; and Houston, Jan. 18. Details: *GIS*, 752 National Press Bldg., N.W., Washington, D.C. 20045 (202/638-5095).

Questor Associates (Information Services Division). . . *Third Annual Real Estate Structuring Institute: Structuring Real Estate Investments.* . . San Francisco, Nov. 20-21; Honolulu, Nov. 27-28; and Los Angeles, Nov. 29-30. Details: Ms. Gail Wong, *Questor Associates*, 115 Sansome St., San Francisco CA 94104 (415/433-0300).

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Hud Newsletter

DEPARTMENT OF HOUSING
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Current Trends

HUD data for September showed that private mortgage insurance activity declined from August levels by more than the normal seasonal variations. New applications received by the companies total 64,840. . . 11 percent below August levels. . . and mark the second month in a row that applications were below year-ago levels. Private insurers issued 61,694 new certificates of insurance carrying a total loan amount of \$2.5 billion. The number of new certificates was 15 percent below August levels and was below year-ago levels for the first time this year. The dollar amount of new insurance written declined 12.6 percent from August. However. . . September's loan amount volume remained well above year-ago levels. . . despite the fact that fewer certificates were issued than last year. . . because the average loan amount is currently 15.2 percent greater.

Greater than normal declines were attributed to the response by thrift institutions to tighter monetary conditions. In periods of credit stringency when the marginal cost of funds becomes high relative to mortgage market rates, such lenders normally act to reduce risk. One method requires higher downpayments which cut down on the number of loans requiring private mortgage insurance. Insurance in force at the end of September totaled \$76.1 billion. . . \$17.2 billion greater than a year earlier.

The rental market is shrinking, and even a drop in interest rates won't bring it back. . . according to a survey, *U.S. Housing Markets*, released by *Advance Mortgage Corporation* and *Citicorp Real Estate, Inc.* The survey indicated it could be at least 20 years. . . if ever. . . before we see a rental construction boom like that of 1966-73. Since then. . . rental absorption has declined by a third, with steeper declines expected for the future. The bulge in the population. . . caused by the postwar baby boom. . . is leaving the rental market and moving on to the home buying age.

Urban renewal project notes totaling \$108,115,000. . . representing 24 local issuing agencies. . . were sold in late October at an average interest rate of 4.951 percent. Bids ranged from 4.07 percent to 5.07 percent. The average maturity of the notes sold was 7 months. The notes will be dated November 21. The average interest rate for the \$51,579,000 of project notes sold in mid-September was 4.395 percent.

The gain in savings at the Nation's savings and loan associations set a new record for the month of September. . . according to the *U.S. League* survey of 918 associations holding 48.2 percent of the assets of the business. September's savings gain rose to an estimated \$6.8 billion. . . topping the \$6.0 billion increase in September 1977 by 14.1 percent.

Housing starts and permits continued to defy high interest rates and high prices registering a better performance in September than in August of this year or September 1977. There are two explanations: the high level of savings being deposited into high-yielding certificates of deposits and a record number of Section 8 units (subsidized government rental housing) started in September.

Need to Simplify Housing Statutes

Speaking before the *Mortgage Bankers Association of America* at the *MBA's* annual convention in Atlanta, *HUD* Secretary Harris said the capacity to respond to the Nation's housing needs would be enhanced by greater simplicity and less confusion in those housing statutes under which it functions. *HUD* is keenly aware of, and committed to doing something about, those statutes and *HUD's* own regulations that often are too technical and obscure for effective use by the public and/or lenders attempting to finance city revitalization, she said.

Secretary Harris told the audience that a review of existing housing law reveals:

- There is no one basic departmental housing statute, "or even two or three laws" that put all programs together in a package;
- The proliferation of housing bills, often several each year with numerous changes, takes its toll on program performance and flexibility;
- Housing law is laden with "old baggage," including some provisions seldom used or not at all; and
- Some statutes are complex and largely obscure, "unfathomable to the nonexpert outsider."

She conceded these problems of necessity carry over into *HUD* regulations, and said the agency will be looking into ways to simplify its own program guidelines as well. She said that simplification of the housing statutes would:

- Encourage more effective planning and management, and improve the focus of Congressional oversight;
- Produce a law more meaningful to the interested citizen, organization official or member of Congress;
- Permit a substantial reduction in the bulk and complexity of departmental regulations, "a reduction that cannot be accomplished any other way";
- Make it easier to deal with day-to-day and unanticipated problems in direct, straightforward ways, "without resorting to strained or elaborate legal interpretations"; and
- Provide a structure for regular, periodic Congressional authorization and review that "would encourage greater continuity in housing planning and execution."

She cautioned *MBA* delegates that "these and numerous other programs and initiatives are predicated on the assumption that the requisite financing will be provided by the Nation's thrift institutions," and urged their continued support "in helping to restore the Nation's cities, its small towns and rural areas."

New Publications

Urban Community: A Guide to Information Sources. . . is an annotated bibliography, which focuses on studies of the urban community from a variety of disciplines: municipal government, urban sociology, urban economics, and environmental psychology. 286 pages. . . \$22 from *Gale Research Co.*, Book Tower, Detroit, Michigan 48226.

Building Technology Publications Supplement 2: 1977. . . authored by the *Center for Building Technology* of the *National Bureau of Standards*. . . is a comprehensive listing of publications and includes an abstract of each *NBS/CBT* publication, titles and abstracts of papers published in non-*NBS* media, key work and author indexes and general ordering information and instructions. Available for \$3.25 from the *Superintendent of Documents*, Washington, D.C. 20402. Stock No. 003-003-01962-3.

The Housing Assistance Council has announced two publications. Both are available from *HAC*, 1828 L St., N.W., Washington, D.C. 20036, at prices indicated, prepaid.

Equal Opportunity and the Farmers Home Administration 1968-1977. . . analyzes *FmHA* service to minorities in basic rural home loan programs during this time period, and presents major policy recommendations for reorganization of *FmHA's* Equal Opportunity responsibilities as well as that agency's service to minorities. \$3.50.

Federally Assisted Housing Programs for the Elderly in Rural Areas. . . reviews Federal housing programs which can assist development of housing for elderly residents of rural areas. \$2.00.

Costs of American Housing

In 1976 renters spent about 24 percent of their income on housing, while owners of single-family homes with mortgages spent 18 percent. . . according to a study released by the *Census Bureau* and *HUD*.

Costs for both renters and homeowners include utilities and fuels. Also included for homeowners are the costs of real estate taxes, insurance, and trash collection. For those homeowners who had no mortgage, housing costs represented 11 percent of their income. These figures are contained in a report on the Nation's housing issued jointly by the *Census Bureau* and *HUD*.

The term "homeowner" is limited to resident owners of one-family homes on less than 10 acres with no business located on the property. Residential owners of mobile homes and trailers and cooperative and condominium units are excluded. The term "renters" excludes one-family homes on 10 acres or more of land.

The report. . . based on data collected in the 1976 *Annual Housing Survey* conducted by the *Bureau* for *HUD*. . . shows that suburban households pay higher median rents and have homes with higher median values. . . and also have higher median family incomes. . . than either central city dwellers or residents who live outside of *Standard Metropolitan Statistical Areas (SMSA's)*.

Median gross rent of renter-occupied housing units rose 7.1 percent from 1975 to 1976. . . from \$156 to \$167. . . while the median income for renters rose 3.8 percent. . . from \$7,900 to \$8,200.

In addition to presenting detailed cross-classification of housing characteristics by income, value, and gross rent for the Nation as a whole, the report has similar data for the black and Spanish origin populations. Data are also shown for the U.S. by region, and by inside central cities of *SMSA's*, outside central cities of *SMSA's*, and outside *SMSA's*.

Copies of the report, *Part C, Financial Characteristics of the Housing Inventory for the United States and Regions: 1976, Series H-150-76*, are available for \$4.50 each from the Superintendent of Documents, Washington, D.C. 20402.

Program to Improve Reading Skills

An academy to help disadvantaged youths and adults in Greenville, Miss. improve their reading skills in preparation for employment has been formally established by *HUD* and the *Department of Health, Education and Welfare*.

A *Memorandum of Understanding* for administering the "Reading Academy" was signed in Washington by Assistant Secretary Geno Baroni of *HUD's Office of Neighborhoods, Voluntary Associations and Consumer Protection*, and Ernest L. Boyer, U.S. Commissioner of Education at *HEW*.

Baroni emphasized that the students in the academy will be mainly those participating in a national *HUD-Department of Labor Youth Employment Demonstration Project*.

The Academy is funded through a one-year, \$80,000 contract awarded under the Right to Read program of *HEW's Office of Education*. It will be operated by *Mississippi Action for Community Education, Inc. (MACE)*, a nonprofit, multipurpose community development corporation in Greenville.

The *Memorandum of Understanding* stipulates that the *U.S. Office of Education* will furnish training and technical assistance to *MACE* administrators and instructional staff. *HUD* representatives will participate in conferences and workshops and in monitoring activities at the project.

For its part, *HUD* will furnish approved guidelines for the project, assist *MACE* in the development and implementation of a career-building program, and encourage public and private interests to make jobs available to advanced trainees.

MACE was founded in 1967 to assist the mostly black low-income residents of 14 highly rural Mississippi Delta regions and adjacent hill counties.

Publications Available

The Annotated Bibliography on Housing Rehabilitation. . . compiled by the **Pennsylvania Department of Community Affairs** as a result of the almost 200 communities in Pennsylvania which have initiated housing rehabilitation programs in the last few years. It is meant to serve as a single resource for those seeking information on any phase or aspect of housing rehabilitation. . . from planning through implementation. Contains references to materials of a general nature and such specific problems as energy conservation techniques in rehabilitation. **Available free from the Commonwealth of Pennsylvania, Department of Community Affairs, 502 South Office Building, P.O. Box 155, Harrisburg, Penna. 17102.**

1977 Annual Report of the Federal Home Loan Bank Board. . . covers the operations of the **Federal Home Loan Bank Board, the Federal Home Loan Bank System, the Federal Savings and Loan System, and the Federal Savings and Loan Insurance Corporation**. Single copies may be obtained from the Editor, **Federal Home Loan Bank Board Journal, 17th & G Streets, N.W., Washington, D.C. 20552**. Subscriptions to the *Journal* are available at \$24.50 a year from the **Superintendent of Documents, Washington, D.C. 20402**.

Housing For All Under Law. . . *New Directions in Housing, Land Use, and Planning*. . . Richard Fishman, editor. . . examines some of the major legal interrelationships among land use controls, planning, and housing, with the aim of formulating legislative, administrative, and judicial alternatives and reforms that will increase housing opportunity and choice, and promote a more rational urban growth process. The report is designed to serve as a resource for private attorneys and planners as well as for courts and public policymakers. . . **704 pages. . . \$25.00. . . available from Ballinger Publishing Company, 17 Dunster Street, Cambridge, Mass. 02138.**

Earthscope. . . *A Manual of Environmental Planning*. . . by John Ormsbee Simonds. . . offers ideas on planning for better neighborhoods, communities, and cities so that they are in harmony with the natural landscape. . . includes numerous illustrated case studies on important aspects of environmental planning and design. Simonds is a graduate of the Harvard School of Design and a former president of the American Society of Landscape Architects. His earlier book, *Landscape Architecture*, has been a major force in landscaping. *Earthscope*. . . **340 pages. . . \$24.95. . . available from McGraw-Hill Book Company, 1221 Avenue of the Americas, New York, New York 10020.**

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Hud Newsletter

Current Trends

The median price of new homes sold during 1979 is expected to rise 9.8 percent to \$61,500. . . down substantially from the 14.7 percent rise to \$56,000 seen for 1978, the *Chicago Title Insurance Company* predicted. In its latest housing review, the firm projects a modest decline in the national housing market beginning this Fall and continuing through the middle of 1979. . . followed by a recovery in the second half of 1979 and a strong year for housing in 1980.

Congress has voted to raise the maximum guaranty on VA mobile home loans to \$17,500 and eliminate separate loan maximums for single-section and multi-section mobile homes, substituting a maximum guaranty of \$17,500 for both. The length of the loan has been extended to 15 years.

The prime rate was raised to 10¾ percent from 10¼ percent by Citibank. . . quickly followed by most major banks. The increase. . . to the fee's highest level since January 1974. . . came after the *Federal Reserve* again tightened credit in an attempt to help the dollar, raising to a record 9½ percent from 8½ percent its discount rate. . . the fee it charges on loans to member commercial banks.

Auction yields were higher as the *Federal National Mortgage Association* issued \$557.5 million in 4-month commitments to purchase both government-backed and conventionally financed home mortgages. *FNMA* issued \$377.6 million in commitments on government-backed mortgages at a weighted average yield of 10.203 percent. . . which converts to an average price of 95.34 for 9½ percent HUD-FHA/VA mortgages. The average in the previous auction was 9.977 percent. The range of accepted bids was from 10.179 to 10.453 percent. In the conventional auction. . . *FNMA* issued \$179.9 million in commitments at a weighted average yield of 10.306. . . up from 10.182 in the previous auction. The range of accepted bids was from 10.270 percent to 10.402 percent.

MBA Elects

The Mortgage Bankers Association of America (MBA) has elected its officers for 1979: president, Claude E. Pope, president and chief executive officer, *Cameron-Brown Company*, Raleigh, N.C.; first vice-president, Robert G. Boucher, president, *First Denver Mortgage Company*, Denver; second-vice president, Thomas T. Shealy, senior vice president, *Fickling & Walker, Inc.*, Macon, Ga.; treasurer, Sidney Kaye, vice chairman, *Advance Mortgage Corporation*, Detroit.

The elections were held at *MBA's* 65th Annual Convention, October 30-November 1, in Atlanta.

FYI

Wharton School of the University of Pennsylvania. . . Seminar: *Fundamentals of Finance and Accounting for Nonprofit Organizations.* . . Dallas, December 4-6; New York City, February 5-7; San Francisco, April 2-4; and Chicago, June 30-July 1. Details: Heidi E. Kaplan, Dept. 20NR, *New York Management Center*, 360 Lexington Ave., New York, New York 10017 (212/953-6262).

HUD Outreach to National Retailers Continues

Assistant Secretary for *Community Planning and Development* Robert Embry and David Cordish, *Urban Development Action Grant Office* Director designate, met in Chicago with representatives of *Montgomery Ward* to discuss the *HUD Action Grant Program* and ways it can be of assistance in the revitalization of cities. By informing leaders of key corporations about the *Action Grant Program*, it is hoped they will be persuaded that it can be to their advantage, financially, to remain in distressed cities or to locate in them. Similar discussions have been conducted with *Sears*, and will be held later with *Penney's*.

Households Numbered 76 Million In March

There were 76 million households in the Nation in March 1978 and. . . since 1970. . . the number has increased by 12.6 million. . . according to the *Census Bureau*.

Three out of every four households in 1978 consisted of families. Since 1970. . . households maintained by families have increased at a rate of 11 percent. . . and have accounted for 44 percent of the total increase in the number of U.S. households.

Family households maintained by a woman with no husband present comprised 11 percent of all households in 1978. . . but they have increased by 46 percent since 1970. In contrast. . . households maintained by married couples accounted for 62 percent of all households in 1978. . . though they have increased by only 6 percent during this decade.

Persons living alone constituted the vast majority. . . 88 percent. . . of nonfamily households. In recent years. . . the rapid increase in the number of such households has contributed substantially to the decline in average household size from 3.14 persons in 1970 to 2.81 persons in 1978, according to the report. Other factors contributing to the decline in household size include a period of low birth rates which reduced the average number of children in households and high rates of separation and divorce which often result in splitting one large household into two smaller ones.

The proportion of households maintained by persons who had never been married increased sharply between 1970 and 1978. . . up from 7 to 11 percent. . . and this change is apparently related to an increasing tendency for young men and women to either marry at a later age or not at all.

The steady increase of single, young adults. . . many of whom were born in the so-called baby boom years. . . has been partially responsible for the rapid growth of nonfamily households. Nonfamily households maintained by unmarried men have increased at a higher rate than any other type during the 1970's; almost half (48 percent) of these men had never been married.

The proportion of households maintained by a married couple actually declined from 70 percent in 1970 to 62 percent in 1978. During the same period, the proportion of households maintained by a divorced or separated person increased from 8 to 12 percent.

Other highlights:

- about 66 percent of all families lived in metropolitan areas and 27 percent lived inside the boundaries of a central city.
- there were about 60 million children under 18 living in families with one or two parents. About 17 percent of these children were living in families which did not include their father, as compared with only 1.5 percent in families which did not include their mother.

The advance report. . . *Households and Families by Type: March 1978, Series P-20, No. 327*. . . is available for 60 cents from the *Superintendent of Documents*, Washington, D.C. 20402.

Low Cost Rehab Funds on Annual Basis

HUD has targeted funds for the entire fiscal year for low-cost rehabilitation loans in 369 cities, Secretary Harris announced. "For the first time, local governments can plan a full year's program with our popular *Section 312 Rehabilitation Loans*," she said, "because they know for the first time just how much money will be available to them."

The localities are targeted to receive annual allocations of \$126 million. . . about 80 percent of the \$170 million available under the program for general uses including single-family and commercial and nonresidential rehabilitation. The total amount of funds available for fiscal year 1979 is \$260 million, for all uses including multifamily rehabilitation and support of urban homesteading.

The *Section 312 Rehabilitation Loan* program makes long term (up to 20 years), low interest (3 percent), direct Federal loans in areas scheduled for concentrated improvements, such as those designated for *Community Development, Code Enforcement, or Urban Homesteading*.

HUD will monitor local progress on a quarterly basis to determine if funds should be reduced or the amount increased, up to an annual ceiling limit (110 or 130 percent of the annual target).

Special attention has been given to the needs of smaller communities and many are included among those announced. Other small cities not named but otherwise eligible for funding and which are seeking rehabilitation loan funds will receive primary consideration in local **HUD** decisions.

Kindergarten Enrollment Drops

What could be an omen of a long-term impact on housing demand is in a new *Census Bureau* report that shows enrollment of children in kindergarten declined by about 300,000 between 1976 and 1977. This was the first decline reported in kindergarten enrollment since these data were first collected in the *Bureau's* monthly *Current Population Survey* 30 years ago and partially reflects the fact that birth rates, in general, have been declining in the U.S. Eighty percent of the children enrolled in kindergarten were 5 years old.

The report points out that the total number of persons 3 to 34 years old enrolled in school in October 1977 was 60 million. . . down 1 million from 1975. The decline was largely due to an overall decrease in elementary school enrollment which dropped 1.2 million between 1975 and 1977. In 1970. . . elementary school enrollment was 56 percent of all enrollment; by 1977 it had dropped to 49 percent.

The report shows that students in private schools made up 11 percent of all elementary school students in 1977, down from 15 percent in the mid 1960's. High school enrollment was about the same in 1977 as in the previous two years.

Survey results contained in the report showed about 10.2 million persons under 35 enrolled in college in 1977, not significantly different from the number enrolled in 1976. In addition, there were 1.3 million persons 35 years old and over enrolled in 1977. Among students under 35 years old the number enrolled part time increased about 9 percent between 1976 and 1977, while the number enrolled full time did not change. The number of women in college remained at about 47 percent of all college students; they constituted half of students of traditional college age (under 22 years old) and 44 percent of those 22 to 34.

The report notes that the significant changes in total college enrollment by age were among students 25 years old and over, as colleges continued to attract more persons above traditional college age. The number of students 25 years old and over increased from 3.7 to 4.1 million from 1976 to 1977.

The number of black students enrolled in 1977. . . 1.1 million. . . was twice the number enrolled in 1970. For whites, the increase during the same period was about 30. Blacks in the fall of 1977 constituted about 11 percent compared with 7 percent in 1970.

The report. . . *School Enrollment—Social and Economic Characteristics of Students: October 1977 (Advanced Report)*, Series P-20, No. 321, is available for 70 cents from the *Superintendent of Documents*, Washington, D.C. 20402.

Minneapolis Corporation Creates Development Firm

The Control Data Corporation. . . a Minneapolis-based computer and business services firm. . . has for some time been proclaiming that "taking care of society's problems and being a good corporate citizen is good business." In the past. . . it has offered to share its expertise in urban revitalization with municipal governments and other businesses. Now it is going further. It has just formed **City Venture Corporation.** . . a private firm that will plan and manage programs designed to improve conditions in inner-city neighborhoods and to help persuade businesses that these locations are good for them.

Control Data will manage the new firm and be its major stockholder. Other shareholders include: the **Minneapolis Star and Tribune Company** (newspapers) and **Bertrand Goldberg and Associates** of Chicago (architecture). Initial capitalization is \$3 million.

Control Data said that it had moved in this direction because its highly successful experience in constructing and operating plants in poverty areas in Minneapolis, Washington, and Compton, Kentucky, brought about a number of inquiries from other firms, such as: "How did you do it, and how can we get involved with you in doing this?"

According to the *Wall Street Journal*. . . **Control Data** officials will consider similar projects in other cities where interest has been expressed. The program can result not only in producing jobs, but also improving education and training opportunities for rundown areas. **City Venture** would also become 'a national center' providing a computerized informational exchange system so that people all over the country will know what's going on in the cities where revitalization programs have been instituted.

New Publication

New Industries of the Seventies. . . published by **Conway Publications.** . . the first comprehensive report listing the plants built in this decade, reveals that during the 70's there was a higher-than-average investment per worker in new plants being located in the South Atlantic (\$21,250) and East South Central (\$33,333) regions. . . the national mean being \$16,566. 360 pages. . . 8½ x 11, with charts and illustrations. Available for \$65 from **Conway Publications**, Peachtree Air Terminal, 1954 Airport Rd., Atlanta, Ga. 30341 (404/458-6026).

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HUD NEWSLETTER
November 20, 1978
HUD-318-359-ASI



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Hud Newsletter

Current Trends

The *Federal Home Loan Bank Board* announced that both savings inflow and mortgage lending activity of savings and loan associations continued relatively strong in September, when allowance is made for usual seasonal variation. September's substantial savings flow to associations resulted largely from the issuance of the 6-month money market certificates first authorized in June, which had also been responsible for strengthening savings flow during the summer.

Mortgage loans closed by federally insured associations totaled \$9.0 billion in September. This was 12 percent less than a month earlier. . . and 7 percent less than a year earlier. The month-to-month drop. . . however. . . was slightly less than seasonal in magnitude, so lending volume for that month on a seasonally adjusted basis rose slightly and was the largest since last March.

GNMA has tentatively scheduled to offer for sale by auction approximately \$500 million of *FHA*-insured project mortgages on Wednesday, December 13. Mortgages to be offered were purchased by *GNMA*, through the *Federal National Mortgage Association (FNMA)*, under *Special Assistance Programs 17, 21, and 23*. The *FHA*-insured project mortgages offered for sale will not be eligible for inclusion in pools of project mortgages that support issues of *GNMA*-guaranteed mortgage-backed securities. This sale will be conducted for *GNMA* by *FNMA* under procedures, terms, and conditions described in a bidding invitation to be issued in mid-November. A listing of the mortgages offered for sale will be included in the invitation.

Low-Cost Rehab Funds on Annual Basis

HUD has targeted funds for the entire fiscal year for low-cost rehabilitation loans in 369 cities, Secretary Harris announced. "For the first time, local governments can plan a full year's program with our popular *Section 312 Rehabilitation Loans*," she said, "because they know for the first time just how much money will be available to them."

Localities are targeted to receive annual allocations of \$126 million. . . about 80 percent of the \$170 million available under the program for general uses including single-family and commercial and nonresidential rehabilitation. The total amount of funds available for fiscal year 1979 is \$260 million, for all uses including multifamily rehabilitation and support of urban homesteading.

The *Section 312 Rehabilitation Loan* program makes long term (up to 20 years), low interest (3 percent), direct Federal loans in areas scheduled for concentrated improvements, such as those designated for *Community Development, Code Enforcement, or Urban Homesteading*.

HUD will monitor local progress on a quarterly basis to determine if funds should be reduced or the amount increased, up to an annual ceiling limit (110 or 130 percent of the annual target).

Special attention has been given to the needs of smaller communities and many are included among those announced. Other small cities not named but otherwise eligible for funding and which are seeking rehabilitation loan funds will receive primary consideration in local *HUD* decisions.

Ford Foundation Grants

The South Bronx has been called "a legendary symbol for the despair of the 70's". . . and television has presented it as an urban desert. But just as there is activity in a desert. . . so too there is in the South Bronx.

On a street bordered by abandoned and fire-gutted buildings one can suddenly come upon a small group of residents rehabilitating a 4-story house. On what was once a rubble-strewn lot. . . vegetables are growing in neat, well-tended rows. Dozens of such gardens have been planted in the South Bronx, thanks to the efforts of the *Bronx Frontier Development Corporation*, aided by the *Cornell Cooperative Extension Service*.

A *Ford Foundation* grant of \$50,000 over 18 months will add the *Foundation's* support to that of a number of other contributors for *Frontier's* programs of neighborhood gardening and nutritional education. The funds will also aid *Frontier's* composting operation. Using refuse from the nearby wholesale fruit and vegetable market at Hunts Point, leaves from a suburban community, and manure from the city's riding academies, *Frontier* is making its own topsoil. . . the costliest item in the gardening operations. Eventually the corporation hopes to be able to sell surplus topsoil.

For further details: Irma Fleck, *The Bronx Frontier Development Corporation*, 738 Kelly St., Bronx, New York 10455.

Among other programs aimed at neighborhood revitalization in the Nation's older cities that received *Foundation* grants were:

Detroit Renaissance Foundation. . . \$66,000. . . over 2 years. *Detroit Renaissance* was created in 1970 by Henry Ford II with 50 other business and community leaders. It has encouraged major investment in downtown Detroit, which was in danger of becoming a wasteland. Its most visible sign of achievement is *Renaissance Center*, which includes a new hotel, office space, and shopping areas. *The Foundation's* grant. . . supplemented by matching funds. . . will help *Detroit Renaissance* acquire additional land for a planned middle-income housing development.

For further details: Robert McCabe, *Detroit Renaissance Foundation*, 100 Renaissance Center, Detroit, Michigan 48243.

Neighborhood Housing Services of America (NHS). . . \$100,000. *NHS* is based on a strategy of saving declining neighborhoods through the efforts of homeowners, lending institutions, city agencies, local foundations, and the *Federal Urban Reinvestment Task Force*. The procedure involves code inspection of houses; home improvement loans from participating banks or, from special loan funds established by local foundations; technical assistance from the local *NHS* staff, and provision of city services for neighborhood improvement. The program is now operating in 46 cities. *NHS* was formed to provide a secondary market for loans made by local *NHS* programs.

In a related action, the *Foundation* arranged a \$200,000 program-related guarantee of a \$1 million loan by the *Equitable Life Assurance Society of America* to provide for the purchase by *NHS* of loans made by local *NHS* groups. *Equitable's* loan will permit local loan funds to expand their activities.

For further details: Mary Lee Widener, *Neighborhood Housing Services of America*, 1970 Broadway, Oakland, California 94612.

New Publication

Urban Primer. . . by Horacio Caminos and Reinhard Goethert. Covers project assessment, site analysis, design criteria for sites and services, or similar dwelling environments in developing areas, with a documentary collection of photographs on urbanization. Available for \$27.50 from *MIT Press*, 28 Carelton Street, Cambridge, Massachusetts 02142.

ABA Elects

New president of the *American Bankers Association* is John H. Perkins, elected at ABA's 104th annual convention. Perkins is president of the *Continental Illinois National Bank and Trust Company of Chicago*.

Elected with Perkins were C.C. Hope, Jr., vice chairman of the board of the *First Union National Bank* in Charlotte, N.C.; and Thomas R. Smith, president of the *Fidelity Breton Bank and Trust Co.*, Marshalltown, Iowa. Hope will serve as ABA's president-elect. Next October he will be the official nominee for the ABA presidency. Smith was re-elected to another 1-year term as ABA's treasurer.

A.A. "Bud" Milligan, immediate past president of ABA, assumed the post of chairman of the Association's Governing Council.

More 'Nonfamilies' Buy More Homes

A study by the *U.S. League of Savings Association* reveals that the housing market not only is flush with many new faces but is witnessing increased demand by households not usually associated with homeownership.

Perhaps more interesting than the impact of the post WWII baby boom is the rapid increase in nonfamily household formations. These nonfamily households are composed of single, divorced, widowed or separated individuals who have no children present.

This trend can be explained by several factors. Young people are accounting for more than the usual number of household formations as more of them remain single.

Higher rates of divorce and separation are also giving impetus to the growing number of nonfamily households as the one-family household splits to form two.

Homebuilders, real estate people and home lenders will all verify this trend. The study, entitled *Homeownership: Realizing the American Dream*, showed that 17 percent of all buyers of single-family homes who received mortgages from savings associations in 1977 were single.

More young people with good incomes and without substantial debt are opting to become homeowners. Similarly, nonfamily households composed of older individuals are also increasing their level of homeownership.

Apartment Owners Urged to Keep Rent Increases within Anti-Inflation Guideline

Supporting the price guideline of President Carter's anti-inflation program. . . the head of the *National Apartment Association* called upon all owners of rental housing to restrict any future rent increase to not more than the average increase of the 2-year 1976-77 period. . . less ½ percent.

Pointing out that winning the fight against inflation is vital to the future of the rental housing industry, Timothy M. Schaefer, of Madison, Wisc., further urged owners not to make any increase over 9.5 percent even though their 2-year average might have exceeded this. However. . . he added. . . this restraint should be contingent upon comparable constraint by local taxing bodies, labor, and building material producers and distributors.

The president of NAA. . . which represents developers, owners, and operators of multifamily housing nationwide. . . warned that unless inflation is curbed the long-expected upturn in rental housing construction will not materialize. This contingency would result in a widespread shortage of rental housing, rather than the pinch felt only in certain areas now.

Energy Efficient Homes Designed

Twenty design firms have developed new designs for energy-conserving, single-family dwellings. The designs were developed as part of a national research project run by the *American Institute of Architects Research Corporation* intended to demonstrate the maximum reduction in energy consumption that is now technically possible.

Designers of these firms took part in a project being sponsored by *HUD* and the *U.S. Department of Energy (DOE)*. Under Congressional legislation passed in 1976 and 1977. . . *DOE* must develop and *HUD* must implement energy performance standards for the design of new buildings by 1980. The results of this particular project will provide information for comparison with data on the energy consumption of existing dwellings.

These professionals. . . participating in teams with a designer, a mechanical engineer and, in some cases, a homebuilder. . . were charged to develop a model design for an energy-conserving dwelling using available conservation technologies and design strategies without the use of active solar or wind systems.

AIA Research Corporation, established in 1972 by the *American Institute of Architects*, conducts a wide variety of applied research projects focusing on national issues related to the built environment. A major portion of its work has been devoted to research on energy and energy conservation issues.

FYI

Wharton School of the University of Pennsylvania. . . Seminar: *Condominiums and Planned Unit Development*. . . Houston, December 14-15; Washington, D.C., April 26-27; and San Francisco, August 9-10. Details: Heidi E. Kaplan, Dept. 20NR, *New York Management Center*, 360 Lexington Ave., New York, New York 10017 (212/953-7262).

National Association of Home Builders. . . Seminar: *Income Property Financing*. . . Scottsdale, Arizona, December 11-13. Details: *NAHB, Department of Training and Education*, 15th & M Street, N.W., Washington, D.C. 20005.

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Hud Newsletter

Current Trends

Housing starts remained strong in October. . . an overall annual rate of 2.080 million units. . . compared to a revised 2.081 million in September. . . and 2.139 million units a year ago. This was the eighth consecutive month that new home construction has been at an annual rate of more than 2 million units, the *Census Bureau* reports.

Building permits declined 2.8 percent in October to an annual rate of 1.681 million units from September's revised 1.731 million units. The figure previously had been reported as a 1.707 million unit annual rate.

According to the *Federal Home Loan Bank Board*. . . interest rates on conventional home mortgage loans increased between early September and early October to new peaks. . . reflecting the rise in the overall level of short-term interest rates prior to the most recent increase in the Federal Reserve discount rate. The average effective interest rate on loans closed for purchasing newly built, single-family homes increased by 11 basis points to 9.84 percent in early October. . . compared with a 3 basis point increase during September. . . and about equaled the average monthly increase registered since midyear.

Project notes totaling \$663.408 million. . . representing 93 *Public Housing Agencies*. . . were sold in mid-November at an average interest rate of 5.532 percent. The interest rate in October was 4.805 percent. Bids ranged from 4.59 percent to 5.84. The average maturity of the notes sold was 9.02 months. Proceeds of the note sale will be used to reimburse the Federal Government for funds advanced to *Public Housing Agencies* and to refund maturing notes for low-income housing projects.

Results of HUD's November 1 opinion survey on conditions in the mortgage market shows a pronounced decline in HUD/FHA secondary market prices and a corresponding sharp rise in mortgage yields compared to the previous month. Nationally. . . the secondary market price for immediate delivery of HUD/FHA insured new-home mortgages with 30-year terms and minimum down payments decreased 3.1 points to an average \$94.8 per \$100 of outstanding loan amount. The equivalent gross yields to investors at this price was 10.22 percent. . . a 44-basis point increase from the yield reported for October 1.

Auctions yields were higher as the *Federal National Mortgage Association* issued \$381.9 million in 4-month commitments to purchase both government-backed and conventionally financed home mortgages. *FNMA* issued \$182.4 million in commitments on government-backed mortgages at a weighted average yield of 10.268 percent. . . which converts to an average price of 94.93 for 9½ percent *FHA/VA* mortgages. The average in the previous auction was 10.203 percent. *FNMA* received 568 bids totaling \$452.8 million. . . and accepted 332 bids, including 214 noncompetitive bids. In the conventional auction. . . *FNMA* issued \$199.5 million in commitments at a weighted average yield of 10.486. . . up from 10.306 in the previous auction.

HUD Announces Joint Neighborhood Projects

HUD and the National Peoples' Action. . . the national network of neighborhood organizations. . . have agreed on three joint projects that will result in greater involvement by neighborhood groups in HUD programs.

In announcing the agreement. . . Secretary Harris reiterated her position that "HUD's business is to help, not hurt, America's many neighborhoods."

NPA Chairperson Gale Cincotta said, "This agreement is the most significant news that neighborhoods have received in a long time. We look forward to an ongoing working relationship with HUD."

Cincotta added that the success of this new relationship "depends on how well HUD will follow through on the details." The three projects:

- A joint work group consisting of HUD and NPA representatives and local government officials will evaluate HUD's monitoring of the *Block Grant Program*. HUD expects to improve the monitoring of local performance as a result of the working group's recommendations. The working group will begin its study in two or three cities. Special attention will be given to administrative costs, benefits to low- and moderate-income people, and local expenditure rates in the Block Grant Program.
- A letter will be sent to city officials stressing the importance of helping neighborhoods develop *Action Grant* proposals. Where an effective working relationship exists between the city government and neighborhood organizations, HUD has announced that it is ready to provide technical assistance to neighborhood groups in developing *Action Grant* proposals.
- HUD and NPA will develop a new programmatic approach for using HUD's *Mortgage Assignment and Property Disposition Programs*. HUD and NPA staff will analyze key neighborhoods with a concentration of defaulted HUD loans and HUD-owned homes. The staff will develop a target approach in the use of HUD programs to help FHA homeowners avoid losing their homes through default, and to preserve and revitalize neighborhoods.

This target program will also consider increased rehabilitation of HUD-owned properties in the particular zip code areas that NPA research shows to be hardest hit by the concentration of defaults and abandonments.

New Approach to Housing Elderly

An innovative grant of \$655,000 to the City of Pittsburgh, Pennsylvania, to help house the elderly has been announced by HUD Secretary Patricia Harris. Under this program, grants are made to encourage new and innovative approaches to solving long standing urban problems.

The award will be used to acquire at least 20 existing housing units in the City's North Side neighborhood. The City and State will contribute additional funding to renovate and convert the units into "residential clubs for the elderly."

"The concept of residential clubs," Secretary Harris said, "is a unique approach to avoiding displacement and unnecessary institutionalization of the elderly in revitalizing urban areas."

FYI

American Society of Mechanical Engineers. . . Annual Meeting. . . San Francisco, December 10-15. Details: ASME, 345 E. 47th St., New York, New York 10017.

Association of Energy Engineers. . . *Plant Energy Conservation Seminar*. . . New York City, December 19-20. . . Atlanta, February 22-23. . . Chicago, April 23-24. . . and Los Angeles, June 21-22. Details: Association of Energy Engineers, 464 Armour Circle N.E., Atlanta, Georgia 30324.

Pennsylvania Developer Faces Indictment

A Pennsylvania land developer has been indicted by a Federal grand jury on 30 counts involving mail fraud and violation of the *Interstate Land Sales Full Disclosure Act*. The indictment . . . returned in the *U.S. District Court for the Middle District of Pennsylvania*. . . alleges that James J. Justofin, president of *Evergreen, Lake, Inc.*, and developer of Evergreen Lake Estates in Beaver Township, Pa., sold lots to consumers using a property report filed with *HUD* that contained false and fraudulent representations and promises.

Evergreen Lake Estates is a recreational or second home subdivision of 778 lots on 322 acres located in Columbia County, Pa., some 13 miles from Hazelton and 25 miles southwest of Wilkes-Barre.

The indictment. . . which came as a result of a 6-month investigation by postal inspectors with the assistance of *HUD's Office of Interstate Land Sales Registration*. . . alleges that the developer, among other things, reneged on promises to buyers to:

- build a 100-acre lake and a recreational area in the subdivision by the end of 1973.
- furnish a deed to lot buyers within 30 days.
- set up companies and place funds in escrow for the construction of water and sewer systems in the subdivision.
- ensure that none of the lots would require drainage or fill prior to construction of homes.

Majority of Workers Drive to Work Alone

More than half of the workers in 20 metropolitan areas drive to work alone. . . according to a report issued by the *Census Bureau*.

The report reflects the travel to work habits of 12.6 million workers in the surveyed metro areas. While a vast majority (89 percent) of workers used vehicles of some sort to get to work. . . 5 percent walked to their jobs and 2 percent worked at home. Of those who used vehicles to get to work 62 percent drove alone. Another 17 percent were in carpools. . . 19 percent rode on public transportation. . . and 1 percent used motorcycles, bicycles and other types of vehicles.

The report is the second in a series on commuting behavior from the *Travel-to-Work Supplement* to the *Annual Housing Survey*, sponsored by the *U.S. Department of Transportation*.

Among the surveyed metro areas. . . New York evidenced by far the largest use of public transportation in 1976. . . with nearly half of its workers riding public transit. The highest rates of transit use among the other areas occurred in Baltimore (12 percent), Honolulu (12 percent), and Cleveland (11 percent).

Copies of the report, *Selected Characteristics of Travel to Work in 20 Metropolitan Areas: 1976, Series P-23, No. 72*, are available for \$1.40 each from the *Superintendent of Documents*, Washington, D.C. 20402.

New Publications

10th Annual Report of the Massachusetts Housing Finance Agency (MFHA) describes the *Agency's* activities and operations for fiscal year 1978. Major events include the approval of 30 commitments totaling \$157,646,855 to finance 4,555 housing units in 20 Massachusetts cities and towns. . . creating 2,000 construction jobs and housing for 10,000 people. Copies are available free from *MFHA*, Old City Hall, 45 School Street, Boston, MA 02108. (617/723-9770).

Alabama Economic Outlook. . . contains 21 individually authored articles offering expert knowledge and opinion concerning the current status, problems, and potential developments in the major sectors of the economy of the State of Alabama. Available for \$2.50 from the *State Planning Division, Alabama Development Office*, State Capitol, Montgomery, AL 36130 (205/832-6810).

\$35 Million in Action Grants to 44 Cities

More than \$35 million in special assistance was offered by HUD to 44 smaller distressed cities to build their tax bases, create new jobs and revitalize their neighborhoods through the *Urban Development Action Grant Program*.

"This marks the first full year of small city *Action Grant* awards," Secretary Harris said, "and the new partnership between the private and the public sectors that our *National Urban Policy* requires. The \$35.7 million we are awarding will be put to work along with \$237.39 million in private financial commitments on 44 joint public/private development projects in these small cities, to create 7,628 new permanent jobs, save 941 existing jobs and start 4,700 jobs for construction workers."

For small cities, the *Action Grant* program in the past year has made \$95.7 million available to 109 projects in 105 cities. The awards have leveraged \$818.06 million in private funds, and are responsible for creating 25,728 new jobs, saving 3,141 existing jobs, and generating 14,224 jobs for construction workers.

The *Urban Development Action Grant Program*. . . signed into law by President Carter in October 1977. . . currently awards \$400 million a year to distressed cities, with 25 percent of the funds set aside for smaller communities (most under 50,000 population). To be eligible for the program, an area must be considered distressed when compared to objective national criteria for per capita income, age of housing stock, percent of poverty, population gain or loss, and, for larger cities, employment growth and unemployment.

The next award date for metropolitan cities will be shortly after December 31. The *Action Grant* program is authorized for 3 years. . . 1978, 1979, and 1980. Before an award can be made and a joint public/private development project begun, a firm private financial commitment must be obtained by the locality. Projects eligible for funding may be commercial, neighborhood or industrial, or a combination, and must address the problems of physical and economic deterioration which affects the city's development.

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Hud Newsletter

Current Trends

The prime lending rate hit 11½ percent. . . and is now just below the all-time high of 12 percent set in July 1974. Some analysts are predicting that the prime rate is headed for 12 percent or higher.

Production of new housing should occur at record rates generally over the 10-year period from 1978 through 1987. This hypothesis. . . based on a *National Association of Home Builders* commissioned forecast. . . is for housing starts to average 1.9 million units per year over the period. This is 8 percent above the 1.76 million average for the 1970-77 period and 27 percent greater than the 1.5 million for the post World War II era.

Interest rates on all major types of bonds and money market instruments rose sharply from late September through early November. . . as credit demands continued very large and monetary policy was progressively tightened. The rise in rates was particularly sharp late in the period following a 1 percentage point increase in the *Federal Reserve* discount rate (to 9½ percent) and other actions taken by the *Federal Reserve* and the *Administration* to strengthen the dollar and counter inflation.

Less current. . . early October data indicates that the rise in interest rates on home mortgage loans. . . which had slowed earlier. . . picked up as a result of increases in interest rates on other securities and uncertainty about the continued availability of mortgage funds.

Interest rates on conventional mortgage loans closed. . . which tend to lag behind rates on new lending commitments. . . also rose from early September to early October. The average effective rate on loans closed for newly built, single-family homes increased 10 basis points in early October to a new high of 9.83 percent. Similarly. . . the average rate on conventionals for previously occupied homes rose 6 basis points to 9.90 percent.

Secretary Harris. . . in an address before the *National Association of REALTORS* Convention in Honolulu. . . urged all Americans to act quickly and in unity to curb the vicious cycle of wages moving up to meet rising prices, and prices moving up to pay higher wages. She reported that a *HUD* analysis of the causes of housing cost inflation found increases are due to: strong demand pressures in the markets that supply homebuilding materials, local land-use restrictions that have sharply increased development costs for new housing, and large increases in financing charges.

Urban renewal project notes totaling \$98,705,000. . . representing 34 local issuing agencies. . . were sold in late November at an average interest rate of 5.005 percent. Bids ranged from 4.56 percent to 5.47 percent. The average maturity of the notes sold was 5.7 months. The notes will be dated December 19. The average interest rate for the \$108,115,000 of project notes sold in late October was 4.591 percent.

Joint City Training Program Announced

HUD along with the *Small Business Administration* and the *Economic Development Administration*. . . has begun an experimental project to stimulate economic growth and develop complex financing skills in 25 cities.

The *HUD-SBA-EDA Task Force* is an example of the type of innovative interagency cooperation that is part of the *National Urban Policy's* effort to attack the basic problems of urban economic decline in distressed cities and produce long term solutions.

"This is an important project in leveraging both private and public resources for the cities," Secretary Harris said, "and it has the potential for generating three quarters of a billion dollars in reinvestment over a 3-year period."

The three-pronged project will be carried out through a private, nonprofit group. . . the *National Development Council*. *NDC* has been awarded a contract to provide technical assistance to the cities to: 1) stimulate economic development through *HUD-SBA-EDA* programs; 2) develop loan packaging skills among city government personnel; and 3) give feedback to the *Federal Agencies*, enabling them to be more responsive to cities' needs.

Cities will be shown how to best use Federal funds to generate private investment in the cities. . . both in terms of jobs and business revitalization. . . and city government personnel will be trained in economic development packaging. This step should ensure lasting expertise in promoting economic benefits on a continuing basis.

Prerequisites for a city to enter the program include: economic distress, city government support and approval of the project, and availability of city personnel for training.

Also key to the *Inter-Agency* program is the work of the *National Center for Urban and Ethnic Affairs*, which works with neighborhood organizations and merchants associations and organizes local meetings on neighborhood economic revitalization.

The pilot cities which have been selected to participate in the program are: Atlanta, Baltimore, Birmingham, Boston, Buffalo, Charleston, S.C., Chicago, Denver, Detroit, Indianapolis, Jackson, Miss., Kansas City, Mo./Kans., Los Angeles, Milwaukee, Newark, New Orleans, New York, Philadelphia, Providence/Pawtucket, San Antonio, San Diego, San Francisco, Seattle, St. Louis, and Washington, D.C.

HUD Study Looks at Female Households

Women head almost one quarter of the Nation's households. A *HUD* report reveals that nearly half of these women must pay a higher proportion of their income than the average American householder for housing adequate to their needs.

While less than 20 percent of all households would have to spend a quarter or more of their incomes for adequate housing. . . more than half of all female-headed households – nearly 75 percent of elderly females living alone – are estimated to have to spend that much.

The *HUD* report. . . *How Well Are We Housed? 2. Female-Headed Households*. . . published to mark the first anniversary of the *First National Women's Conference* held in Houston, reveals that the probability of female-headed households living in adequate housing depends on income, size of household (the larger the household, the less chance of adequate housing), race, and ethnicity.

The report. . . one of a series on the housing conditions of various groups of Americans. . . is available from the *Office of Policy Development and Research*, Room 8124, *HUD*, Washington, D.C. 20410.

Nearly 7 of 10 Homes Are Single-Family Units

Nearly seven of every 10 American homes used for year-round housing are single-family units. . . and 77 percent of them are located in the suburbs or nonmetropolitan areas.

In addition to these 53.6 million single-family units. . . another 22.1 million year-round units were located in multiunit structures and 3.6 million housing units were mobile homes and trailers. . . according to a report released by *HUD* and the *Census Bureau*.

Nationwide. . . about 16 percent of all year-round housing units were built after April 1970. . . while another 34 percent were built before 1940.

The survey (taken in October 1976) found that 74 million housing units were occupied. Homes occupied by owners had an average value of \$32,300, compared with \$17,100 in 1970. Owners had an average income of \$14,400 compared with \$9,700 in 1970. They paid an average \$408 in real estate taxes, although 4.6 million owners reported paying less than \$100 in taxes while another 4.0 million paid \$1,000 or more.

These figures are contained in *Part A* of the 1976 *Annual Housing Survey* conducted by the *Bureau* for *HUD*. The report shows that owners of mortgaged homes paid an average of 18 percent of their incomes on selected housing costs (mortgages, real estate taxes, property insurance, utilities, fuel, and garbage and trash collection). In addition. . . renters paid an average of 24 percent of their incomes for gross rent (includes utilities and rent).

The figures on the Nation's 54.2 million occupied single-family homes and mobile homes or trailers show relatively little change in the insulation of units through October 1976. Some 76 percent have attic or roof insulation, while 48 percent have all doors equipped with storm doors and 47 percent have complete storm windows or other covering.

Slightly more than half of the 79.3 million year-round housing units in 1976 had air conditioning; 21 percent had a central system while 30 percent had room units. Also. . . slightly more than half (51 percent) used a warm-air furnace for heating: . . while about 18 percent heated by steam or hot water. Only 1 percent of the year-round units were totally without heat.

The survey found 74 million housing units were occupied, 48 million of them. . . or nearly 65 percent. . . by their owners. As estimated 0.6 million year-round housing units were vacant and for sale, representing a 1.3 percent homeowner vacancy rate. About 1.5 million rental units were vacant, representing a 5.5 percent rental vacancy rate.

The market for owner-occupied cooperatives and condominiums improved in 1976 with 80,000. . . or 13 percent of the market. . . being vacant and for sale. A year earlier. . . 120,000 or 21 percent were for sale.

The report shows that about 3 percent of the year-round units lacked complete plumbing facilities. Of the 2.7 million such units, about 65 percent were located in nonmetropolitan areas. But at the other end of the scale. . . 35 percent of year-round housing units had more than one bathroom. One-half of the housing units had 3 or more bedrooms, and 48 percent had basements.

The report contains a wide variety of data on the Nation's housing inventory as of 1976. . . including characteristics of owner and renter households, value of owner-occupied homes, rent paid, and characteristics of metropolitan and nonmetropolitan housing.

The *Annual Housing Survey*, started in 1973, is designed to provide current information on housing conditions and trends. Previously, detailed data were available only every 10 years from the *Decennial Census of Population and Housing*.

The data are shown for the U.S. by region, inside *SMSA's* by central cities and suburbs, and outside *SMSA's*. Data are shown separately for units with black household head and for units with household head of Spanish origin.

Copies of the report, *Part A, General Housing Characteristics, 1976 Annual Housing Survey, Series H-150-76A*, are available for \$4.75 from the *Superintendent of Documents, Washington, D.C. 20402*.

HUD Awards for Self-Help Revitalization

The first nationwide awards to neighborhood organizations under a new *HUD* program aimed at supporting and strengthening self-help groups in their revitalization efforts have been announced.

"With these 21 awards, totaling \$2.5 million," Secretary Harris said, "*HUD* has taken a strong step in making neighborhood groups active partners with local government and the business community in rebuilding our Nation's communities."

The 21 organizations. . . representing a diversity of geographic, racial and cultural origins. . . will receive contracts ranging from \$80,000 to \$130,000 to plan projects proposed by each organization to meet the individual needs of its community. The projects include such activities as development of a home repair industry in **Buffalo**; renewal of business strips in **Toledo** and **San Francisco**, construction of a solar manufacturing plant in **Hartford**; and self-help housing, using abandoned homes in **Decatur, Ga.** Other projects involve a wide range of other activities, such as reinvestment and antidisplacement strategies for **Kansas City, Mo.**, and **Newark, N.J.**

Kromkowski Appointed President of NCUEA

Dr. John A. Kromkowski. . . assistant professor of government and research associate of the *Institute for Urban Studies, University of Notre Dame*. . . has been appointed president of the *National Center for Urban Ethnic Affairs (NCUEA)*. While teaching at *Notre Dame*, Dr. Kromkowski's special fields of interest have included urban affairs, public policy, neighborhood and ethnic affairs. He has served as Chairman of Allocations for the *National Committee of the Campaign for Human Development* and as National Chairman of the *Ethnic Racial Native American Advisory Committee* to the *American Revolution Bicentennial Administration*. His community work has also included service as a member of the board of the *Neighborhood Housing Services* in South Bend and of the *South Bend-Fort Wayne Human Rights Commission*. He has been active with the *Catholic Committee on Urban Ministry*.

NCUEA was founded in 1970 by Monsignor Geno C. Baroni and currently works with over 300 community based organizations in 25 States.

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December 11, 1978
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Hud Newsletter

SEASONS GREETINGS

from all of us at HUD

Current Trends

Housing construction should remain relatively strong next year. . . according to a symposium of housing forecasters meeting at the *Eighth Annual Housing Forecast Conference*, sponsored by the *Federal Home Loan Bank Board*. The expected gradual slide in housing activity in 1979 would make it "about the mildest decline in the postwar period," Allen Sinai, vice president of *Data Resources, Inc.*, stated. . . and he projected a gradual decline in housing starts to a level of 1.6 million in the third quarter with the average for 1979 coming in at 1.711 million starts. He cited the reduction in the availability of mortgage finance and the higher mortgage rates as the reason for this downturn. . . but he foresees no collapse due to recent developments in housing finance. . . namely the new money market certificates, higher deposits ceilings, and greater institutional support.

Thomas Harter, chief economist and director of economics, *Mortgage Bankers Association of America*, reported he does not see the residential market suffering the substantial decline in activity. . . as witnessed in previous periods of slowed economic growth. . . because of the underlying strength in demand factors.

And, Jerry Pohlman, vice president and chief economist, *California Federal Savings and Loan Association* in Los Angeles, predicts a downturn in 1979, but no recession. . . and foresees a greater decline in single-family starts than in the multifamily sector. He feels that because of structural changes in the thrift industry over the last few years, the downturn in housing in 1979 will be less severe than it otherwise would have been.

Contracts for new construction jumped to \$14.9 billion in October. . . 8 percent above September's \$13.8 billion and 40 percent higher than the \$10.6 billion level in October 1977. . . according to the *F.W. Dodge Division* of the *McGraw-Hill Information Systems Company*. On a seasonally adjusted basis. . . October had the second highest level of activity ever. The record was set last May. George A. Christie, vice president and economist at *Dodge*, still expects 1978 to be a record year for construction. . . with more than \$150 billion in new starts.

Auction yields were higher as the *Federal National Mortgage Association* issued \$326.7 million in 4-month commitments to purchase government-backed and conventionally financed home mortgages. The corporation issued \$139.4 million in commitments on government-backed mortgages at a weighted average yield of 10.325 percent. . . which converts to an average price of 94.57 for 9½ percent HUD/FHA-VA mortgages. The average in the previous auction was 10.268 percent. The range of accepted bids in the November 27 auction was from 10.301 to 10.493 percent. In the conventional auction. . . FNMA issued \$187.3 million in commitments at a weighted average yield of 10.638. . . up from 10.486 in the previous auction. The range of accepted bids was from 10.600 percent to 10.779 percent.

HUD Secretary Moves to Cut Housing Costs

Secretary Harris has announced significant actions on 87 recommendations of the *Task Force on Housing Costs* she created earlier this year to battle skyrocketing housing costs and their inflationary impact on the economy.

In a major action, Secretary Harris named William J. White, General Manager of *HUD's New Community Development Corporation*, Special Coordinator for Housing Costs. In this capacity. . . he will serve as Chairman of the *HUD Housing Costs Committee* comprised of eight senior departmental executives, charged by the Secretary to carry out the Task Force recommendations for cutting or stemming the cost of housing to the American consumer.

"With the machinery now in place through the *Housing Costs Committee*, we will continue the task of uprooting program and administrative impediments to affordable housing and proceed with the nationwide program I announced last June to cut costs and prevent inflation from depriving Americans of their right to homeownership," Secretary Harris said. "We confidently expect full support from other levels of Government and continued enthusiasm and cooperation from business, industry, labor, and the general public."

Secretary Harris also announced that *HUD*, in conjunction with the *Urban Land Institute*, will sponsor a *National Conference on Controlling Housing Costs through Improved Land Use Practices*, on February 25-27, 1979, at the L'Enfant Plaza Hotel, Washington, D.C. The conference will explore ways to lower housing costs through cooperative efforts at the Federal, State, and local level to achieve more efficient land use practices.

The *Final Report of the Task Force on Housing Costs*, chaired by White, was released by the Secretary at a press conference last June. Containing 150 cost-cutting recommendations for departmental action, the report cited over-regulation of land planning and development activities, outmoded building codes and construction practices, and the high cost of financing as principal contributors to the soaring cost of housing.

In her announcement, the Secretary noted three recommendations that are under way. They are: (1) a study of ways to reduce procedural delays and uncertainty in the administration of housing development regulations, (2) an analysis of opportunities for urban "infill" — using vacant or underused land already serviced with transportation and utilities — and mechanisms for encouraging it, and (3) a comprehensive, nationwide analysis of the costs of housing development regulation. "We will make public at the earliest possible date any research findings which offer any significant improvements in development standards and cost savings," the Secretary said.

The "Life Care Community" Concept

The answer to the growing housing and medical needs of the elderly is the life care community. . . an innovative residential development concept barely 15 years old and just now coming into its own. . . according to Fred Frankel, president of *Life Care Communities Corp.*, Boca Raton, Florida. . . one of the Nation's leading life care developers and proponents.

Frankel. . . who conducted a seminar in New Orleans on the subject during the *American Land Development Association's (ALDA) 9th National Convention and Exposition on Recreation, Resort and Community Development*. . . explained that "because of advances in medical technology and other factors, a significant segment of the population is living long enough after retirement to have created a totally new and unique housing market. As a whole, older Americans no longer want the heavy home maintenance or housekeeping burdens traditionally associated with living in a single-family home, apartment — or even a condominium. Moreover. . . older people are increasingly concerned about their continuing financial ability to receive adequate medical care, the cost of which is now rising many times faster than the consumer price index."

The number of life care communities has grown "at a truly phenomenal pace in the past few years," Frankel told the *ALDA* delegates. In 1976, there were an estimated 300 life care communities around the country. Today, "that figure stands at about 600 and is increasing almost daily," he said.

"Churches were the first to recognize the need for some alternative type of housing for the elderly. Builders and developers — aided by professional planners, marketers, and managers — have since grasped the potential of this market. It is similar to the situation condominiums were in some 15 years ago, before the industry realized their full potential," Frankel stated.

Poor Decline In Northeastern States

Three States in the Northeast. . . Massachusetts, New York, and Rhode Island. . . showed significant declines in the number of poor persons between 1969 and 1975, according to the *Census Bureau*.

One of the most striking findings of the report was the large increase in median income during the period for unrelated individuals. . . persons living alone or with nonrelatives. The 1975 median income of these persons represented an increase of 33 percent since 1969. . . after adjustment for inflation. One of the reasons for this gain was the increase in *Social Security* payments which occurred during the period. In contrast. . . the median income of families in the Northeast region declined by 2 percent in real terms during the same period.

The report presents. . . for the first time since the 1970 census. . . detailed income and poverty statistics for States and divisions in the Northeast region. Similar reports will appear shortly for the other three regions of the country. . . the North Central, South, and West.

Income and poverty data for 1975. . . along with a wealth of other detailed data not normally available between 10-year censuses, were made possible by a greatly expanded national sample survey conducted by the *Census Bureau* in cooperation with the *U.S. Department of Health, Education, and Welfare* between April and July 1976.

The project, called the *Survey of Income and Education (SIE)*, collected information about 151,000 households. . . and. . . because of its design and size, permitted the development of State estimates.

The *SIE* indicated that families in the Northeast region had a median income of \$15,090 in 1975. . . or 2 percent lower than their 1969 median after adjustment for inflation. There was a significant decline in real median family income. . . 3 percent. . . in the New England division consisting of Maine, New Hampshire, Vermont, Massachusetts, Rhode Island and Connecticut. The decline shown for the Middle Atlantic division of the region which includes New York, New Jersey and Pennsylvania was not statistically significant. Real median family income declined. . . however. . . in Vermont, Massachusetts, and Connecticut.

According to the *SIE*, the number of persons below the poverty level in the Northeast region declined about 10 percent from the 4.8 million reported in the 1970 census. This reduction in poverty was not uniformly shared by the 9 States in the region. In 5 States. . . there was no statistically significant change in the number of poor between 1969 and 1975. . . and in Vermont. . . the number of poor persons increased during the period.

Since the primary purpose of the *SIE* was to estimate the number of school-age children below the poverty level by State, it is interesting to note the changes experienced by this group. None of the States showed a statistically significant decline in the number of poor school-age children, and 3 States . . . New Hampshire, Vermont, and New Jersey. . . experienced significant increases.

The report contains estimates for families, unrelated individuals, and persons by money income and poverty status in 1975 for the United States, the Northeast region, and the divisions and States within the region. These data are cross-classified by a broad range of socioeconomic and demographic characteristics.

The income tables include such characteristics as metro-nonmetro residence, housing tenure, age, race, size and type of family, number of children under 18 years old, number of earners, and occupation, work experience, and education of the household head. In addition to many of these characteristics . . . the poverty tables also include information on reasons for not working, type of income, subsidized housing of renters and living arrangements for unrelated individuals.

The Survey of Income and Education was undertaken by the *Census Bureau* to fulfill a legislative requirement mandated by *Congress* for estimates in each State of the number of children 5 to 17 years of age in poverty families. Those statistics were sent to *Congress* in February 1977.

The report, *Money Income and Poverty Status in 1975 of Families and Persons in the United States and the Northeast Region, by Divisions and States, (Spring 1976 Survey of Income and Education), P-60, No. 110*, is available for \$3.75 from the *Superintendent of Documents*, Washington, D.C. 20402.

New Publications

Neighborhood Conservation and the Elderly. . . published by the *Conservation Foundation*. Written by Phyllis Myers, the report is based on a study funded by the *Department of Health, Education and Welfare's Administration on Aging*. Available free from the *Conservation Foundation*, 1717 Massachusetts Ave., N.W., Washington, D.C. 20036 (202/797-4300).

The Buyer's Handbook for Cooperatives and Condominiums. . . provides a set of guidelines for prospective buyers to follow when they consider the purchase of a condominium or cooperative. The handbook includes a number of useful worksheets to help the reader evaluate each property's good and bad points and determine what impact ownership will have on his budget, and to guide him through settlement.. Available for \$9.95 from *Van Nostrand Reinhold*, 135 West 50th St., New York, New York 10020.

Neighborhood Revitalization. . . published by the *National Center for Urban Ethnic Affairs*. . . is a record of the proceedings of a national conference which attracted approximately 500 persons from 25 cities. Available for \$3.50 from the *NCUEA Resource Center*, 1521 16th St., N.W., Washington, D.C. 20036.

New Director of Mortgage-Backed Securities Administration

Richard M. Jaegle has been named Director of *The Mortgage-Backed Securities Administration* at the *Federal National Mortgage Association (FNMA)*.

Under contract with the *Government National Mortgage Association (GNMA)*, a part of HUD, *FNMA's Mortgage-Backed Securities Administration* administers the program through which *GNMA* guarantees securities backed by pools of *HUD/FHA-VA* mortgages and issued by local lenders. Over \$60 billion in such securities has been issued since the program began in 1970.

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Current Trends

The *Federal Home Loan Bank Board* reports that momentum of the current housing boom and the time which lags before interest rates affect housing make it difficult to project when starts will begin declining. They could remain above 2 million units for a number of months. It is almost certain now that housing starts this year will be roughly the same as last year – about 2 million units.

New home sales have shown a mild downturn since May. In September they were at a seasonally adjusted annual rate of 775,000 units. . . compared to 846,000 units in May. Since then. . . there has been a gradual decline. . . although sales are still high historically.

Existing home sales. . . as reported by the *National Association of REALTORS*. . . have begun to show some decline. In September. . . they were at a seasonally adjusted annual rate of 3.95 million units. . . compared to 4.08 million units from August. This level of sales is still quite high. . . although it is bound to decline over coming months.

Even if new home sales begin to decline more. . . *FHLBB* states. . . it is unlikely that the overage of unsold homes will reach the serious proportions that it did in the early 1970's. This time. . . builders are being more cautious. . . but there now is a stronger underlying demand for single-family housing because of the high rate of household formation, the bulge in age groups that normally purchase homes, and the investment mentality that has stimulated home sales.

Mortgage rates of 11 percent or more are predicted in 1979 by the *U.S. League of Savings Associations*. Construction starts will drop 15 percent to 1.7 million over the year. . . the *League's* chief economist Kenneth Thygerson told the *Exchequer Club* of Washington, D.C.

New York State raised its ceiling on home-mortgage rates to 9½ percent and outlawed geographic discrimination in mortgage lending. The bill. . . passed at a special session of the legislature and signed by Governor Hugh Carey. . . permits banks to start charging the higher rate on new home mortgages and provides for further increases in the State limit on home-mortgage rates. New York's previous ceiling was 8½ percent. Legislation lifting mortgage rates also makes it illegal for banks to refuse to consider making mortgage loans in certain neighborhoods. . . a practice known as 'redlining.'

Results of *HUD's* revised November 1 opinion survey on conditions in the mortgage market showed a decline in *HUD/FHA* secondary market prices and a corresponding rise in mortgage yields compared to the previous month. Nationally. . . the secondary market price for immediate delivery of *HUD/FHA* insured new-home mortgages with 30-year terms and minimum downpayments decreased 1.1 point to an average \$96.8 per \$100 of outstanding loan amount. The equivalent gross yield to investors at this price was 9.93 percent. . . a 15-basis point increase from the yield reported for October 1.

FYI

National Association of Home Builders. . . *Annual Convention and Exposition*. . . Las Vegas, January 20-23. Details: *NAHB*, 15th and M Sts., N.W., Washington, D.C. 20005.

Housing Capital Corporation to Add Seven New Markets in 1979

Housing Capital Corporation. . . currently joint venturing with local builders in 92 single-family sales housing developments in 21 States. . . will concentrate its 1979 activity on specific markets in seven States.

New target markets in which **HCC** will seek joint ventures with local builders/developers are: Tampa, St. Petersburg, Sarasota, Fort Myers, and Naples, Florida; Raleigh, Durham, Greensboro, Chapel Hill, and Charlotte, N.C.; Charleston, Myrtle Beach, Florence, and Columbia, S.C.; Chicago; Detroit; Tucson and Phoenix, Ariz.; and San Francisco, San Jose, and Sacramento, Calif.

HCC will also continue to strengthen its position in proven markets where it already has large investments, such as Orlando and South Florida; Washington-Baltimore; Danbury and Stratford, Conn.; St. Louis; Los Angeles-San Diego; and Seattle, Tacoma, and Everett, Wash.

HCC was formed as a subsidiary of the *National Housing Partnership* in late 1975 to help maintain a healthy and productive housing industry. It is licensed by the *Small Business Administration* as a small business investment company.

By enabling builders who have good track records but are short on funds to launch feasible housing projects or expand their operations, **HCC** has put in the construction pipeline more than 8,800 single-family sales homes with a market value of almost \$582 million that might not otherwise have been built.

Programs for the Elderly

HUD is "sensitive to the housing needs of the elderly" and is "giving priority consideration to persons directly displaced by governmental activity," **HUD** has reported to the *Senate Special Committee on Aging*.

Richard C.D. Fleming, **HUD** General Deputy Assistant Secretary for Neighborhoods, Voluntary Associations and Consumer Protection, said that while there is no extensive documentation to date, it clearly appears that elderly homeowners and renters are primarily affected by speculation and its resulting displacement and by condominium conversion.

In fiscal year 1978. . . **HUD** approved fund reservations for 108,157 subsidized housing units under the *Section 8* new, rehabilitated, and existing programs. This amounts to 42 percent of the total *Section 8* fund reservations.

Fleming noted that public housing represents the largest single government resource available for housing older persons and pointed out that, at present, about 40 percent of the units occupied in public housing have elderly residents.

Norman Elected ALDA President

Richard Norman, president of *All-American Realty Co., Inc.*, Wayne, New Jersey, has been elected president of the *American Land Development Association (ALDA)*. . . the international organization representing the recreational, resort, and residential real estate development industry. Norman was installed as **ALDA's** 6th president during the association's 1978 *National Conference on Recreation, Resort and Community Development* in New Orleans. He succeeds J.B. Belin, Jr., president of *Belin and Associates*, Houston Texas.

Norman. . . whose company is one of the oldest recreational and residential development firms in the Northeast. . . is the senior member of the **ALDA** board of directors. During 1977-78. . . he served as chairman of the association's *Meetings Task Force*.

Reelected treasurer of **ALDA** for the coming year was C. Randolph Warner, Jr., president of *Fairfield Communities, Inc.*, Little Rock, Arkansas.

Gary A. Terry, Washington, D.C., continues as **ALDA's** executive vice president at the association's headquarters in the Nation's capital.

Guide to Statistics on the Elderly

Guide to Census Data on the Elderly. . . a comprehensive reference to sources of information on Americans 65 and older. . . has been released by the *Census Bureau* and the *Department of Health, Education, and Welfare*. The publication is designed to answer the growing number of requests for statistics on the group.

The *Census Bureau* collects, tabulates, and makes available hundreds of statistics on the elderly in printed reports, computer tapes, and special tabulations. However. . . since these data are located in many sources and for many geographic levels, the new guide has been designed to lessen the amount of time necessary to do research on specific data about senior citizens.

The guide provides information on two sub-populations. . . elderly racial groups and the elderly Americans of Spanish origin. . . making it useful as a reference source for data on the minority elderly. The guide also cross-classifies many characteristics of the elderly with others, providing more detailed information than would have been the case if general categories had been used.

The majority of the data items pertain to the population 65 years and older, but some are available for persons 60 or 62 years and older. Racial and ethnic statistics include those for whites, blacks, and other races. . . as well as those of Spanish origin. The guide contains almost 500 data items. . . a majority from the 1970 census. . . but it also describes other statistics available from selected annual surveys conducted by the *Bureau* since 1970.

Single copies of the *Guide to Census Data on the Elderly* may be obtained for \$2.50 from the *Superintendent of Documents*, Washington, D.C. 20402.

HUD Grant to Aid Fair Housing Law Enforcement

HUD has awarded a \$211,852 cooperative agreement grant to the *National Committee Against Discrimination in Housing Inc. (NCDH)* for a demonstration which could lead to more effective enforcement of fair housing laws.

The *HUD/NCDH Fair Housing Demonstration Project* will create a formal working relationship between *HUD* and nine local private fair housing groups. The groups will assist in identifying and rectifying housing discrimination by providing knowledge about local problems and gathering information through testing and other means.

The 2-year demonstration project. . . funded by *HUD's Office of Policy Development and Research*. . . calls for the development of a uniform *Local Group Activity Plan* which will provide the basis for a relationship between *HUD* Field staff and the participating local groups.

NCDH. . . a nonprofit organization concerned with the rights of minorities and the poor to decent housing. . . will assist *HUD* in selecting the nine local groups to participate in the project, provide training, technical assistance, and in monitoring the groups' performance. Each of the local groups must obtain an equal sum of funds to match the grant from *HUD*.

Two of the nine local groups selected for the demonstration project will be from among the five cities used for intensive study during the 1977 *HUD/NCDH* fair housing audits. These cities are: *Atlanta, Boston, Dallas, Milwaukee, and Sacramento*. The other seven will be chosen from highly qualified fair housing groups.

For further information on the *HUD/NCDH Fair Housing Demonstration Project*, contact *NCDH*, Washington, D.C. 20005.

Publications Available

The National Wetlands Newsletter. . . a project of the *Environmental Law Institute*. . . is a new, monthly publication containing up-to-date information on scientific research, developments in local, State, and Federal programs and activities, private efforts, legislation, litigation, and conferences relating to inland and coastal wetlands and flood plains. \$25.00 for 12 issues. Available from *Environmental Law Institute*, Suite 600, 1346 Connecticut Ave., N.W., Washington, D.C. 20036 (202/452-9600).

Making City Planning Work. . . by Allan Jacobs. . . is a candid, straightforward book which recounts Jacob's experiences as San Francisco's Planning Director from 1967 to 1974. Contains six case study chapters, in which Jacobs examines some of the specific planning issues he encountered. While these chapters deal with specific San Francisco issues, Jacobs' thorough analysis enables readers to generalize to other situations as well. 323 pages. . . \$13.95 from *ASPO Press*, 1313 East 60th Street, Chicago, Illinois 60637

State Departments of Community Affairs: Assisting Communities Through the Mobilization of Technical Resources. . . published by the *Council of State Community Affairs Agencies (COSCAA)*. . . examines the extent to which departments of community affairs (DCAs) use technical resources in their local assistance functions. Specifically, it documents the capacities of DCAs to mobilize and broker external technical expertise in response to local government needs. A limited number of copies are available free from *COSCAA*, Hall of the States, 444 North Capitol Street, Washington, D.C. 20001 (202/624-5850).

Urban Planning: A Guide to Information Sources. . . is a comprehensive, annotated guide which includes the most significant literature in this cross-disciplinary field. A useful reference tool for college and university libraries, institutions, agencies, and individuals involved in the field. *Urban Planning* is Volume 2 in the *Urban Studies Information Guide Series*. . . part of the *Gale Information Guide Library*. Other forthcoming titles in the *Urban Studies Information Guide Series* include: *Urban Education*, *Urban Housing*, *Urban Policy*, *Suburbia*, *Urban Management*, and *Urban Indicators*. 250 pages. Available for \$22.00 from *Gale Research Company*, Book Tower, Detroit, Michigan 48226.

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