

SUMMARY OF PRINCIPAL CHANGES IN THE NATIONAL HOUSING ACT
CONTAINED IN THE HOUSING ACT OF 1950

Amendments to Title I of the National Housing Act

Section of
Housing Act of 1950

101 This section extends to July 1, 1955, the program for insurance of modernization and repair loans under Title I of the National Housing Act. It amends section 2(a) so as to limit the total amount of loans with respect to which insurance is granted under this section to \$1,250,000,000 of principal outstanding at any one time. It eliminates the provision for insurance of new residential loans (class 3) under this section and reduces the maximum amount of other new structure loans from \$4500 to \$3000 and becomes effective as of March 1, 1950.

102 This adds a new Section 8 to Title I of the National Housing Act which provides for mortgage insurance on new single family dwellings construction of which is begun after the date of enactment of the Housing Act of 1950, in amounts not to exceed 95% of value and \$4750 if the mortgagor is the owner-occupant, or 85% of value and \$4250 if the mortgagor is the builder. It also authorizes the Commissioner to increase such dollar amount limitation if necessary in high cost areas to not to exceed \$5600 in case of owner-occupancy or \$5000 in the case of a builder-mortgagor. The maximum interest rate is $4\frac{1}{2}\%$ and maximum maturity is 30 years from date of insurance. This section is designed to assist in the production of low cost homes particularly in rural and outlying areas and contains an aggregate authorization of \$100,000,000 which can be increased to \$250,000,000 with the approval of the President.

Amendments to Title II of the National Housing Act

103 This section amends Section 203(a) of the National Housing Act by increasing the aggregate authorization under Title II from \$6,750,000,000 to \$7,750,000,000 and authorizes the President to increase such authorization by an additional \$1,250,000,000, if he finds such increase to be in the public interest.

104 This section amends the eligibility provisions contained in Section 203 (b)(2) of the National Housing Act in the following respects.

With respect to the 80% mortgages under paragraph (A) the Commissioner is authorized to increase the \$16,000 limitation by not to exceed \$4500 in the case of a 3 family dwelling or \$9000 in the case of a 4 family dwelling.

Paragraph (B) has been repealed as unnecessary in view of the provisions of paragraphs (C) and (D).

Paragraph (C) has been amended to authorize the insurance of mortgages on new single family owner-occupant dwellings in amounts not to exceed \$9450 and not to exceed 95% of \$7000 of appraised value plus 70% of such value in excess of \$7000 and not in excess of \$11,000. Mortgagor must have paid on account of the property at least 5% in cash or equivalent or such larger amount as determined by the Commissioner.

Paragraph (D) has been amended to permit the insurance of mortgages on new single-family dwellings in amounts not to exceed \$6650 and 95% of value if the mortgagor is the owner-occupant, or not to exceed \$5950 and 85% of value if the mortgagor is the builder. The Commissioner is authorized to increase such dollar amount limitation in high cost areas by not to exceed \$950 in the case of owner-occupant mortgagor or \$850 in the case of a builder mortgagor.

The Commissioner is further authorized to increase such dollar amount limitation in the case of an owner-occupant mortgagor by an amount not to exceed \$950 for each additional bedroom in excess of two and not in excess of four contained in such dwelling, and in the case of a builder mortgagor by an amount not to exceed \$850 for each such additional bedroom.

106 This section amends Section 207(b) of the National Housing Act to require the mortgagor to certify that in selecting tenants he will not discriminate against any family by reason of children.

107 This section amends the rental housing provisions contained in Section 207(c) of the National Housing Act in the following particulars:

The provisions with respect to non-profit cooperative ownership projects have been eliminated from this section since they have been incorporated into a separate section 213 which has been added to the National Housing Act.

Paragraph 2 of Section 207(c) has been amended to permit the insurance of a mortgage in an amount not to exceed 90% of that portion of the estimated value which does not exceed \$7000 per family unit plus 60% of such estimated value in excess of \$7000 and not in excess of \$10,000 per family unit.

Paragraph 3 of such subsection is amended to impose a maximum dollar limitation on the mortgage amount of \$8100 per family unit (or \$7200 per family unit if the number of rooms in the property or project does not equal or exceed $4\frac{1}{2}$ per family unit) for such part of such project as may be attributable to dwelling use.

108 This section amends Section 207(d) of the National Housing Act to permit the Commissioner to charge application and inspection fees in amounts comparable to those previously charged under Section 608.

110 This section amends Section 207(g) of the National Housing Act to permit the Commissioner to include in debentures mortgage insurance premiums paid after default and otherwise brings the language of this section in line with similar provisions under Section 608.

112 This section amends Section 207(i) of the National Housing Act to permit debentures to be dated as of the date of default (as in Section 608) instead of as of the date of commencement of foreclosure proceedings or as of the date the defaulted mortgage is assigned to the Commissioner.

113 This section amends the "Prevailing Wage" requirements of Section 212 of the National Housing Act to make them applicable to mortgages insured under the provisions of the new section 213.

114 This section adds a new Section 213 to Title II of the National Housing Act with respect to "Cooperative Housing Insurance".

Section 213 provides for the insurance of blanket mortgages on two types of cooperatives.

The first involves dwelling units the permanent occupancy of which is restricted to members of the cooperative.

The second involves dwellings constructed by the non-profit corporation for sale to its members.

With respect to projects of the first type where at least 65% of the membership of the cooperative are veterans of World War II, this section would permit the insurance of a blanket mortgage in an amount not to exceed 95% of estimated replacement cost and not to exceed \$8550 per family unit (or \$1900 per room).

Where less than 65% of such membership consists of veterans, the maximum amount of such mortgage is fixed at 90% of estimated replacement cost and \$8100 per family unit (or \$1800 per room) except that such ratio of loan to cost may be increased by 1/20 of 1% for each 1% of the membership consisting of veterans and such dollar limitation may be increased by \$4.50 per family unit (or \$1 per room) for each 1% of the membership consisting of veterans provided evidence satisfactory to the Commissioner is furnished to establish that the benefits of such increase will accrue to the veteran members in the form of the elimination of the down payment which the corporation would otherwise require to be made by such members.

With respect to projects of the second type, the maximum amount of the blanket mortgage may be calculated in accordance with the preceding paragraph or in accordance with the following whichever is the greater: A sum computed on the basis of a separate mortgage for each single family dwelling comprising the project, equal to the total of each of the maximum amounts which would meet the requirements of paragraphs (A), (C), or (D) of Section 203 (b)(2).

The maximum term of mortgages insured under Section 213 is 40 years from the beginning of amortization and the maximum interest is fixed at 4%.

Blanket mortgages executed in connection with projects of the second type will contain release clauses which will permit individual dwellings to be released therefrom upon payment of an amount equal to the portion of the unpaid balance of the blanket mortgage allocable to the individual dwellings to be released. A mortgage executed by the owner of such individual dwelling to replace or refinance such blanket mortgage with respect to such dwelling may also be insured under Section 213.

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This section authorizes the Commissioner to process applications and issue commitments under the various sections and titles of the National Housing Act even though the permanent mortgage financing may not be insured under such Act. In the event the mortgage is not so insured, this section authorizes the Commissioner to charge an additional application fee determined by him to be reasonable and make such rules as may be necessary to carry out the provisions of this section.

Amendments to Title III of the National Housing Act.

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This Title deals with the authority of the Federal National Mortgage Association in providing a secondary market for mortgages insured under the National Housing Act or guaranteed or insured under the Servicemen's Readjustment Act.

Paragraph 1 of this section authorizes the Federal National Mortgage Association to purchase loans insured under Section 8 of the National Housing Act.

Paragraph 2 limits the amount of the deposit or fee which may be charged by the Association for the purchase of mortgages.

Paragraph 4 eliminates the requirement that the mortgagee must certify that the housing meets the FHA construction standards, and substitutes a requirement that with respect to loans guaranteed under Section 501 or 502 of the Servicemen's Readjustment Act to be purchased by FNMA, the Administrator of Veterans' Affairs must certify that the dwelling conforms with the V.A. minimum construction requirements.

Paragraph 5 imposes a limitation upon the authority of FNMA to contract to purchase mortgages by requiring that such mortgages be insured or guaranteed on or prior to the date of such contract.

- 117 This section amends Section 302 of the National Housing Act by increasing the aggregate purchase authorization of FNMA from \$2,500,000,000 to \$2,750,000,000.

Amendments to Title VI of the National Housing Act

- 119 This section amends Section 603(a) of the National Housing Act by making the unused authorization under Section 610 available for mortgages insured under Section 609 and Section 611. It also permits the insurance of mortgages under Section 608 pursuant to applications received by the Commissioner prior to March 1, 1950, and for this purpose, increases the aggregate amount of authorization available therefor by \$500,000,000.

- 120 This section amends Section 610 of the National Housing Act which is designed to assist in the disposal of government owned property, through insured mortgage financing, and contains certain technical amendments designed to bring its provisions more in line with other comparable sections of the Act and to increase its effectiveness in the field for which it is designed.

- 121 This section amends Section 611 of the National Housing Act which provides for the insurance of blanket mortgages on groups of 25 or more new single family dwellings designed for sale. It increases the ratio of loan to value from 80% to 85% and provides that the mortgage shall not exceed a sum computed on the individual dwellings as follows: \$5950 or 85% of value whichever is lower with respect to each dwelling except that the Commissioner may increase such dollar amount limitation by \$850 for each additional bedroom in excess of two and not in excess of four, contained in such dwelling.

Such blanket mortgages will contain release clauses which will permit individual dwellings to be released therefrom and may be replaced or refinanced by individual mortgages, with the mortgagor being either the builder or an owner-occupant. Each such individual mortgage may be insured under this section and if the mortgagor is the owner-occupant may involve a principal obligation in such amount and have such maturity and interest rate as a mortgage eligible for insurance under Section 203 (b) (2)(D) of the National Housing Act.