



FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 75-117
August 13, 1975

American Revolution Bicentennial

EMERGENCY HOUSING ACT OF 1975

**TO THE CHIEF EXECUTIVE OFFICER,
EACH STATE MEMBER BANK IN THE
ELEVENTH FEDERAL RESERVE DISTRICT:**

On July 2, 1975, Public Law 94-50, known as the "Emergency Housing Act of 1975," became effective. The Act gives the Department of Housing and Urban Development standby authority to provide up to \$250 per month assistance to homeowners who are unable to make full mortgage payments because of a substantial reduction in income, as a result of involuntary unemployment, or under-employment due to adverse economic conditions, provided certain stipulated requirements are met. The assistance may take the form of insurance for loans or advances from financial institutions or direct loans from HUD on behalf of delinquent mortgagors and is designed to prevent widespread mortgage foreclosure and distressed sales of properties. The Department of Housing and Urban Development expects to issue regulations dealing with the Act. In addition to the standby authority given HUD, the Act notes the obligations of prudent lenders to exercise restraint on the foreclosure of residential* mortgages where such relief might be available and effective.

The Act also charges the Federal supervisory agencies, until one year from the date of enactment, with respect to financial institutions subject to their jurisdiction, to: (1) "take appropriate action, not inconsistent with laws relating to the safety or soundness of institution or mortgagee, as the case may be, to waive or relax limitations pertaining to the operations of such institutions or mortgagees with respect to mortgage delinquencies in order to cause or encourage forbearance in residential mortgage loan foreclosures," and (2) "request each such institution or

* For the purposes of the Act, residential mortgages include loans on one-to-four family homes, mobile homes, and single condominium units. In each case, the unit must be the principal residence of the mortgagor.

mortgagee to notify that Federal supervisory agency, the Secretary of HUD, and the mortgagor at least 30 days prior to instituting foreclosure proceedings in connection with any mortgage loan."

The Federal Reserve, therefore, urges each State member bank to review the requirements and objectives of the Emergency Housing Act of 1975, together with the long-term prospects for repayment by delinquent borrowers before instituting foreclosure action. In this connection, the System's examiners are being furnished a copy of this letter and are being instructed to refrain from criticizing forbearance in residential mortgage loan foreclosures where such forbearance does not threaten the safety and soundness of the bank under examination.

With respect to the legal requirement for notification of intent to foreclose on a residential mortgage loan, you will be advised in the near future of the specific information which will be required to fulfill the notification stipulation.

Your cooperation in this effort will be appreciated.

Sincerely yours,

T. W. Plant

First Vice President