The proposed dollar limits are needed because of continually rising building and land costs. The new limits and slightly reduced downpayment schedules on higher cost homes will make the FHA program substantially more competitive with conventional financing. In addition, the new limits will encourage construction in urban renewal areas by small builders who ordinarily would not undertake such projects.

Existing law permits up to 11 single-family units to be constructed or rehabilitated and held for rental. However, the existing maximum mortgage for such a development is $86,500, or approximately $7,800 per dwelling unit. Increasing cost levels have rendered this amount grossly inadequate. The proposed increase in the basic limits, coupled with a maximum "high cost" designation, would produce a maximum mortgage of approximately $12,600 per living unit. In an area where no "high cost" designation is made, the increased limits would permit a maximum mortgage of approximately $9,900 per living unit.

IV. REDUCED DOWNPAYMENTS ON FHA MORTGAGES FINANCING HOMES FOR VETERANS

(A) Clauses (i), (ii), and (iii) of the next to last sentence of section 203 (b)(2) of the National Housing Act are amended to read as follows: "(i) 100 per centum of $20,000 of the appraised value of the property as of the date the mortgage is accepted for insurance and (ii) 90 per centum of such value in excess of $20,000".

Explanation

This amendment would reduce the minimum downpayment required under the FHA section 203(b) veterans' mortgage insurance program for homes having an appraised value in excess of $15,000. There would be no downpayment necessary on a home valued at up to $20,000 (rather than the existing $15,000). The amount of downpayment necessary with respect to that portion of the value of a home which exceeds $20,000 would be decreased from 15 percent to 10 percent.

The larger maximum mortgage at the basic veterans' loan-to-value ratio is needed because of rising housing construction costs and related expenses of homeownership. In many high-cost areas, the $15,000 limit on a mortgage requiring no downpayment does not provide an adequate or appropriate home.

V. MORTGAGE INSURANCE FOR VACATION HOMES

(A) Section 203(i) of the National Housing Act is amended by inserting the following after the second proviso: "*Provided further*, That notwithstanding the requirement of this subsection, the Commissioner may in his discretion insure under this section a mortgage on a dwelling to be used by the mortgagor for vacation purposes if the amount of the mortgage is not in excess of 90 per centum of the appraised value of the property and he finds that the project with respect to which the mortgage is executed is an acceptable risk:".

Explanation

This amendment would authorize the insurance of a mortgage under the section 203(i) program for low-cost homes in outlying areas where the housing is to be used by the mortgagor for vacation purposes if the property is an acceptable risk, and if the amount of the mortgage does not exceed 90 percent of the value of the property.

The generally rising incomes and increasing leisure time of American families have resulted in a demand for FHA mortgage insurance to provide financing of safe and decent housing for vacation or seasonal use. Under existing law and regulations, schools and other public or community facilities are required to be available to permit year-round occupancy of the home. Under this amendment, the FHA Commissioner would have greater flexibility in determining what facilities are appropriate for vacation homes used seasonally in locations intended for vacation or recreational use rather than year-round occupancy.

VI. TITLE I PROPERTY IMPROVEMENT LOANS

(A) Section 2(b) of the National Housing Act is amended by—

(1) striking out "$3,500" and inserting in lieu thereof "$5,000"; and

(2) striking out "five years" and inserting in lieu thereof "seven years".