

adequate nature. Mortgages for these projects will be at market rates of interest, and private financing will supply the mortgage funds. Once issued, these mortgages will be eligible for purchase under the regular secondary market operations of the Federal National Mortgage Association.

Project owners will enter into a contract with FHA for the 40-year life of the mortgage. This contract will establish the amount of rent supplement payments which will be paid in behalf of eligible low-income household occupants. The level of the payments will be predicated on the number of low-income families that will be served in the project, and the amounts of rent supplement payments that these families will require.

Applicant families will be certified by FHA as to income and asset eligibility and also as to other criteria of eligibility, e.g., elderly status, occupancy of substandard housing, etc. Continued eligibility as to income and assets will be recertified at each lease expiration. As household incomes rise, the occupant families will pay higher rents—on the same 25-percent basis—until they reach the full market rent required for the unit. These higher income families will not be required to move, but can remain in occupancy by paying the full rent.

A number of projects will be designed so that individual units can be purchased by their occupants on a lease-purchase basis. During the course of occupancy, these families may pay "extra" funds into an escrow account. When family incomes increase to a level at which full housing costs can be met and the required small downpayment is accumulated, a separate mortgage will be written for the unit, and the occupant will assume title.

Project owners will, in the great majority of cases, pay full real estate taxes. Earnings from interest will be subject to full corporate and personal income taxes.

3. *History*

This is a newly authorized program, as yet unfunded. Its legislative background indicates that the Congress was concerned with flexible and alternative means of directly serving the housing needs of low-income families. Heretofore, the only Federal program able to serve such families had been the low-rent public housing program, wherein the partnership relationship was between two public bodies. The rent supplement program will now enable certain types of private owners to develop and operate such housing. In conjunction with the direct construction, leasing and acquisition and rehabilitation programs of the Public Housing Administration, the rent supplement program will supply both an expanded magnitude and a more diverse set of alternative housing choices to the poor.

4. *Level of operations.* (See table 1.)

Program: Rent supplement program.

Department or agency, and office or bureau: Department of Housing and Urban Development.