

Requests for residential loans over \$3,500 are sent for review to the appropriate FHA office. Upon completion of the loan, the Federal National Mortgage Association assumes responsibility for loan servicing. Loans for rehabilitation of business properties are referred to the Small Business Administration for technical review and recommendations. After action by the HHFA regional office the SBA handles closing and servicing on such loans.

Rehabilitation grants may be made to homeowners in amounts not to exceed \$1,500. If the homeowner's income does not exceed \$3,000 per year, the amount of the grant may be the cost of the rehabilitation work. If the homeowner's income exceeds \$3,000 per year, the grant cannot exceed \$1,500 or that portion of the cost of repairs which cannot be paid for with an available loan which could be amortized, along with the borrower's other monthly housing expenses, with 25 percent of his monthly income.

Rehabilitation loans on residential properties are subject to the maximum limits for loans insurable under section 220(h) of the National Housing Act. Although subject to up to 45 percent increases in high-cost areas, the general maximum for such loans is \$10,000 per dwelling unit for the first three dwelling units in the structure with reduced maximums for additional dwelling units. Loans may not exceed the cost of rehabilitation only, or the cost of rehabilitation plus refinancing of existing debt secured by the property.

The maximum business rehabilitation loan may not exceed the least of (a) \$50,000; (b) the cost of rehabilitation; or (c) an amount which when added to any outstanding indebtedness related to the property creates a total outstanding indebtedness that could reasonably be secured by a first mortgage on the property.

The interest rate on rehabilitation loans is fixed by statute at a 3-percent maximum and the term may not exceed 20 years or three-fourths of the remaining economic life of the structure after rehabilitation. Loans are made only if the applicant is unable to secure a loan on comparable terms.

3. History

The provision of direct loans for rehabilitation was authorized in the Housing Act of 1964 with an authorization of \$50 million. The first appropriation for this purpose was enacted late in the fiscal year 1965. The rehabilitation grant program was authorized in the Housing and Urban Development Act of 1965.

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

Program: Rehabilitation loans and grants.
Department or agency, and office or bureau: Department of Housing and Urban Development; Renewal Projects Administration [formerly Urban Renewal Administration].