

housing and special programs, receiving and processing applications from project sponsors.

One special operational feature of rental housing programs is the availability of insurance for construction advances. This feature is unavailable for most sales home programs, although the FHA insurance commitment frequently provides the basis for builders to obtain separate temporary construction loans.

3. History

Section 207.—Section 207 was a part of the original National Housing Act adopted in 1934. During the depression, default on apartment mortgages had become so widespread that multifamily funds for rental project construction were virtually unavailable. Despite substantial apartment vacancies in many communities, there were unmet needs for rental accommodations in many places, especially for moderate- and low-income families.

Use of long-term amortized mortgage loans for multifamily projects were pioneered under section 207 in the mid-1930's. As with home mortgages, a thorough analysis of the project, its location, and prospective mortgagor constituted a new technique for review of rental and other multifamily projects. In addition, the detailed comparison of prospective project income with detailed estimates of operating, debt service, and maintenance cost may be considered an innovation in this field, now widely adopted by conventional lenders.

This program, of course, has been amended from time to time to keep it current with needs in market conditions, but has maintained its character as the basic model program for project financing. Despite the fact that 207 is the basic FHA multifamily program, it has not accounted for the largest volume of FHA-financed apartment construction. During the immediate postwar period, builder and investor sponsorship centered attention on the section 608 program (now terminated), which had more liberal terms and conditions, in an effort to overcome the postwar housing shortage of the late forties and early fifties. During its life the 608 program accounted for nearly 470,000 housing units. By comparison about 225,000 units had been insured under the 207 program as of August 1965.

Conventional financing has been used principally in the rental housing boom of the 1960's. Although section 207 reached new highs from 1960 through 1963, averaging over 70,000 units insured, its share of the total apartment market has been a declining one, due most probably to the lessened need for FHA insurance in the presence of more adequate capital supplies, more receptive attitudes on the part of lenders, and assured growth of future markets for multifamily housing. Less than 6,000 units were insured under section 207 in fiscal year 1965.

Section 213.—The section 213 program for financing management cooperatives was added to the National Housing Act in 1950. The legislation superseded previous authority to insure cooperative mortgages contained in 1948 amendments to section 207. At present mortgage amounts which may be insured under the program are equal to those permitted under section 207. However, loan-to-value ratios of 97 percent are permitted and may be based on replacement costs, rather than the 90 percent based on appraised value permitted under section 207.