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FEDERAL PROGRAMS FOR THE DEVELOPMENT OF HUMAN RESOURCES

A COMPILATION OF REPLIES FROM DEPARTMENTS AND
AGENCIES OF THE U.S. GOVERNMENT TO A
QUESTIONNAIRE FORMULATED BY THE

SUBCOMMITTEE ON ECONOMIC PROGRESS

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URBAN STUDIES AND HOUSING RESEARCH

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

The program is intended to enable the Secretary of the Department of Housing and Urban Development to undertake such programs of investigation, analysis, and research as are necessary and appropriate in carrying out the national housing and urban development programs for which he has responsibility.

2. Operation

The Secretary can make contracts with agencies of State and local government, educational institutions, and other nonprofit organizations; enter into working agreements with other departments and in-

dependent establishments and agencies of the Federal Government; or engage profit-motivated organizations to carry out such programs of data collection, research and analysis as he deems desirable and necessary.

The Secretary depends upon his staff, primarily within the Office of Program Policy, to identify areas in which research and analysis are required and to screen proposals which are submitted by various applicants who seek HUD funds for research in fields which relate to departmental programs. The Director of the Office of Program Policy is head of a Departmental Coordinating Board for Research and Demonstrations, and this Board establishes guidelines and priorities with regard to research efforts, and it also evaluates proposed research activities for their possible value and applicability.

The Director of the Office of Program Policy negotiates the terms and conditions of the research contract, which he submits to the Secretary for approval. The Director passes upon the scope of the survey, its cost, its methodology, and the caliber of the professionals who will manage and direct the effort.

3. History

The housing research and urban studies program was authorized in the Housing Act of 1948 and was amended by the Housing Act of 1949. Pursuant to this authorization, an active research program was conducted in HHFA from 1950 through 1952. In 1952 the Independent Offices Appropriation Committee's action terminated the program, allowing only such funds as were necessary to terminate outstanding research contracts. The scope and kinds of research undertaken during this period were broad and varied, with a substantial portion of funds spent upon technological research.

In 1956 a new research program authorization was enacted by the Congress. This new authorization did not limit, in any way, the research authority previously granted under the earlier research legislative authorizations. No funds, however, were voted to implement this more recent authority until 1961. In 1961 \$350,000 was appropriated to conduct the housing and urban studies research program. Through fiscal year 1965 the annual level of appropriations has remained at this same level. The fiscal 1966 level, however, is proposed at \$700,000.

The limitation of funds for research has circumscribed the numbers and kinds of research and analysis which could be undertaken by this Department. A substantial portion of available funds has been spent for expanding and refining housing production and marketing data, and this service has been contracted through the Census Bureau.

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

Program: Urban studies and housing research.

Department or agency, and office or bureau: Department of Housing and Urban Development; Office of Program Policy.

TABLE 1.—*Level of operations or performance, fiscal years 1964-67*

Measure	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 estimates	Fiscal year 1967 estimates
Contracts.....	4	4	8	8
(a) Participants:				
State government agencies.....	0	0	0	1
Local governments.....	0	0	1	2
Nonprofit groups.....	1	2	2	2
Universities.....	1	1	2	2
Other Federal agencies.....	2	1	3	1
(b) Federal finances:				
Unobligated appropriations available.....	\$387, 000	\$397, 000	\$750, 000	\$750, 000
Obligations incurred.....	\$335, 000	\$342, 000	\$690, 000	\$690, 000
(c) Matching expenditures.....	(¹)	(¹)	(¹)	(¹)
(d) Number of employees.....	4	4	5	5
(e) Non-Federal employees.....	0	0	0	0

¹ Not applicable.

NOTE.—Fiscal years 1966 and 1967 are estimated. Differences between unobligated appropriations and obligations incurred are represented by administrative expenses.

5. *Estimated magnitude of program in 1970*

It is difficult to estimate the levels of activity under this program for 1970. The broadened role of the Department and the increase in the number and complexities of new housing and urban development programs require a substantially expanded program of research and analysis. The President has emphasized the need to develop and explore new techniques and mechanisms for improving the urban environment and restoring economic vitality to cities.

6. *Prospective changes in program orientation*

(a) A major legislative proposal which is currently pending is the demonstration cities program. The principal emphasis of this program will be upon improved program coordination and integration, with the aim of restoring large sections of various cities to renewed health and vitality through focused and combined programs of physical and human resources development. The effects of this program upon the Department's research efforts will be indirect; actual operation of the program will undoubtedly indicate valuable areas for research and analysis.

(b) In his 1965 message on cities, President Johnson proposed the establishment of an Institute of Urban Development to "administer grants to States and cities for studies and other basic work which are the foundation of long-term programs." This Institute will soon be established within the new HUD organizational structure.

(c) The need for more and improved research will increase, rather than decrease during the coming year. Our Nation's urban areas continue to grow at undiminished rates; by 1990, 8 out of every 10 Americans will live in an urban area. This increased urbanization will be characterized by equally rapid growth of our major metropolitan areas. The increasing amounts of land and housing needed to accommodate this increased population will create problems, which by their very magnitude, will be more complex and more difficult than those which have developed in the past. These will include, for example, how to bring adequate water and sewer services to this increased population, how to improve transportation and commutation, how to keep the air from being polluted, how to develop governmental mechanisms that will allow effective treatment

of these and other problems on a metropolitan and regional basis, etc. It is urgent that the Department and the Federal Government know more about the dynamics of urbanism and learn how to control these and make them work to the advantage of our citizenry.

7. Coordination and cooperation

(a) The Office of Program Policy is a comparatively small group, and there is ready and informal exchange of information and expertise. The resources of the entire Office are utilized to help select appropriate research projects and to shape and control their execution. Specialists within the Office are assigned ad hoc responsibilities and duties with regard to liaison with contractors, their supervision, and evaluation of progress.

(b) As indicated, the Department has a Coordinating Board for Research and Demonstrations. It is comprised of representatives from all planning and research activities carried out by the separate constituents of HUD. Its functions were described under (2).

(c) Coordination with other Federal agencies and departments is achieved through the Science Information Exchange, wherein information regarding all ongoing urban research efforts is registered. Informal contact, as well, is maintained with all Federal agencies and departments that might undertake urban-centered research. In this manner, research overlap and duplication is avoided, and clearer and more precise research focus is obtained.

(d) and (e) Coordination with State and local governments in the urban studies and housing research program is accomplished by joint participation in some projects and through consultation and cooperation in others.

(f) The HUD program of research is not directly involved with foreign governments and their research programs. On frequent occasions, however, foreign governments request information regarding research in the urban field. The Office of Program Policy works closely with HUD's Office of International Housing, and in the past, has contributed to urban research symposiums carried out by the United Nations and in the convocation of international conferences of urban economists and planners.

(g) Coordination with nonprofit institutions, urban study centers and universities is accomplished through joint participation in some research efforts and through informal consultations with others.

(h) Business enterprises are eligible to enter into contracts with HUD under this research program; however, as noted in the response to question (4), previous participants were governmental, academic, and nonprofit, and the same pattern is expected to hold for fiscal years 1966 and 1967.

8. Laws and regulations

Section 301 of the Housing Act of 1948, 62 Stat. 1268, 1276, 12 U.S.C. 1701 (1946 ed. Supp. III) as amended by the Housing Act of 1949, 63 Stat. 413 (approved July 15, 1949), authorizes the Housing and Home Finance Administrator "to undertake and conduct a program with respect to technical research and studies concerned with the development, demonstration and promotion of the acceptance and application of new and improved techniques, materials and methods which will permit progressive reductions in housing construction and

maintenance costs and stimulate the increased and sustained production of housing, and concerned with housing economics and other housing market data."

Section 602 of the Housing Act of 1956, 70 Stat. 1091, 1113, authorizes the Housing and Home Finance Administrator to "undertake such programs of investigation, analysis and research as he determines to be necessary and appropriate in the exercise of his responsibilities."

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects*

The economic impact of a research program cannot be readily and precisely identified. The 1950-52 research program of HHFA had a substantial technological component, and several research efforts resulted in improved and more efficient building products and techniques, providing a better and more economical housing product for the consumer. In the nontechnological field, the benefits of the program are more difficult to identify and measure. Frequently, the value of such research activity is revealed in an indirect manner—telling us as much what not to do, as what should be done. Generally, the insights obtained into problems and the conceptual breakthroughs which come from sound research have value far beyond the costs expended for the research activity.

10. *Economic classification of program expenditures*

Expenditures for urban studies and housing research are a purchase of goods and services.

[NOTE.—The U.S. budget shows that Federal expenditures in the fiscal year 1965 were \$444,000.]

COMMUNITY DEVELOPMENT TRAINING PROGRAMS

PART I. DESCRIPTION OF THE PROGRAM

1. *Objectives*

This program is intended to assist the various States to develop special training programs for the development of skills needed to further economical and efficient community development. It is intended to aid the States in providing the facilities for training the technicians and skilled personnel who would be employed by public bodies. Also, the program seeks to support State and local research activities that will advance effective solution of community development problems.

2. *Operation*

The program will be operated on a 50-50 matching grant basis. Federal assistance will be contingent upon submittal by the individual States of plans for training and research, and these plans must be approved by the Secretary of HUD.

3. *History*

The community development training program was authorized under title VIII of the Housing Act of 1964. However, the Congress has not yet funded the program. A request for an appropriation of \$5 million is included in the administration's fiscal year 1967 budget.

4. Level of operations

There is no operating experience under the program from which data can be derived to answer this question.

5. Estimated magnitude of program in 1970

It is anticipated that the 1970 level of the program will reach \$30 million; this is the maximum amount which has been authorized in the enabling legislation. In enactment of this legislation, Congress recognized that the rapid expansion of our urban communities has caused severe problems in urban and suburban development and has created a national need to provide special training in those skills required to cope with these problems and required programs. The rapid growth of our urban areas, which by 1990, will see 8 out of every 10 Americans living in urban communities, emphasizes that the need for these program aids will increase, rather than diminish.

6. Prospective changes in program orientation

As indicated, the increased number of urban dwellers and the vastly increased amounts of land which will be required to house them and provide locations for businesses and industries will create problems in the fields of community facilities, housing, traffic control, air pollution, and intergovernmental cooperation. The demands for skilled and experienced technicians will grow correspondingly—and in fact, at a higher rate, since the problems will be more complex, and larger amounts of funds will have to be spent to keep the urban communities viable and efficient.

There is no new legislation pending which will affect this program. Actual program experience must be gained and evaluated before administrative and organizational changes could be considered.

7. Coordination and cooperation

Coordination of this program, within the Department, will be accomplished through the HUD Research and Demonstration Coordinating Board.

Coordination with other departments and agencies will be achieved through the National Advisory Council on Extension and Continuing Education.

It is intended that the program, once underway, will function as a "clearinghouse" with regard to State training programs and research activities carried on by their counterparts.

States will be responsible for coordinating title VIII activity within their boundaries and among their local governments. It is important to note that the plans and mechanisms for achieving and promoting this coordination must be demonstrated to the satisfaction of the Secretary, HUD, as a condition to the Department's making of a training and research grant.

Foreign governments and international organizations will not be directly involved in this program, although the activities of the HUD Office of International Housing will supply a communication channel to foreign countries with regard to progress and achievements under this program.

Nonprofit organizations and institutions, such as colleges, universities, and urban study centers will be directly involved in providing training and research facilities under this program. Their activities will be coordinated under the State plans, as approved by the Secretary, HUD.

8. *Laws and regulations*

Title VIII of the Housing Act of 1964, Public Law 88-560, 78 Stat. 802; 20 U.S.C. 801 (September 2, 1964) authorizes the Administrator of the Housing and Home Finance Agency to make matching grants to the States and to assist in establishing community development training and research programs.

Section 1103(a) of the Housing and Urban Development Act of 1965, Public Law 89-117 (August 10, 1965), 79 Stat. 451, 503, substituted \$30 million for the \$10 million authorized for program implementation.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects*

Since the program has not yet been implemented, no data can be supplied for this part of the questionnaire.

Generally, the value of training and research cannot be identified in dollars and cents. This much is certain: that better trained personnel will be able to administer urban programs more effectively and economically, and that locality-focused research will enable communities to develop new and efficient approaches and mechanisms with which to cope with problems of urbanism.

10. *Economic classification of program expenditures*

Not in operation in fiscal year 1965.

URBAN PLANNING ASSISTANCE

PART I. DESCRIPTION OF THE PROGRAM

1. *Objectives*

Urban planning is concerned with improving the utilization of the resources of an area to produce a better living environment and a stable economic base. Its purpose is rational decisionmaking and coordinated public action in dealing with the social, economic, and physical development of the area. The urban planning assistance program is concerned with encouraging the broader application of planning to urban areas.

2. *Operation*

The urban planning assistance is a grant-in-aid program to assist official planning agencies in carrying out the following activities:

1. Preparation of a comprehensive development plan for the pattern and intensity of land use and the provision of public facilities, including transportation facilities, together with plans for the economic and social development of the area and the long-range fiscal plans for such development.

2. Programing and scheduling of capital improvements, together with definite financing plans for the improvements to be constructed in the earlier years of the program.

3. Coordination of all related plans of the subdivisions of the government concerned.

4. Intergovernmental coordination of all related planning activities among the State and local government agencies concerned.

5. Preparation of regulatory and administrative measures and public educational and informational material in support of the foregoing activities.

Grants under the urban planning program may be made to—

1. Cities and other municipalities with less than 50,000 population, counties, and Indian reservations. Generally such grants are made through the official State planning agency.

2. State, metropolitan, and regional planning agencies, and metropolitan organizations of public officials.

Grants under the program may amount to no more than two-thirds of the total cost of the urban planning project. However, for localities designated under the Economic Development Act of 1965, or in areas in which there has occurred a substantial reduction in employment as a result of a decline in Government employment or purchases, grants may amount to as much as three-fourths of project costs.

3. History

The urban planning assistance program was authorized in section 701 of the Housing Act of 1954 with an initial authorization of \$5 million. The program was substantially amended in 1959, 1961, 1964, and 1965.

The program is now in its 11th year and extends to communities in all 50 States plus Guam, Puerto Rico, and the Virgin Islands. Between the passage of the original enabling legislation and the Housing Act of 1961, annual commitments averaged about \$3 million per year. The 1961 act considerably broadened the scope of the program in two major respects: grant ratios were increased from the 50-percent level to the 66⅔-percent level, and comprehensive transportation studies were specifically authorized as an eligible activity. Program levels rose sharply to about \$18 million in each of the years 1962 and 1963, and to over \$21 million in 1964. The level of the program in 1965 dropped to the amount of the available appropriation. At the end of fiscal 1965 the total amount of the Federal grants which had been allocated was \$86 million. The following table provides a fiscal summary of the program.

TABLE 1.—*Summary of program*

[In thousands of dollars]

Fiscal year	Appropriations		Net approvals		Appropriation balance carried forward
	In year	Cumulative	In year	Cumulative	
1955	1,000	1,000	103	103	897
1956	2,000	3,000	878	981	2,019
1957	1,500	4,500	1,786	2,747	1,753
1958	1,275	5,775	3,024	5,771	4
1959	3,250	9,025	2,961	8,732	293
1960	3,875	12,400	3,504	12,236	164
1961	4,000	16,400	2,961	15,197	1,203
1962	17,100	33,500	15,179	33,876	124
1963	18,000	51,000	17,900	51,276	224
1964	21,150	72,650	21,244	72,520	130
1965	13,675	86,325	13,705	86,225	100

4. Level of operations. (See table 2.)

Program: Urban planning assistance.

Department or agency, and office or bureau: Department of Housing and Urban Development; Office of Planning Standards and Coordination [formerly in Urban Renewal Administration].

TABLE 2.—Level of operations or performance, fiscal years 1964–67
[Dollars in millions]

Measure	Fiscal year			
	1964 actual	1965 actual	1966 estimate	1967 estimate
(a) Magnitude of program:				
Cumulative number of projects approved.....	1,670	2,016	2,591	3,371
Cumulative amount of projects approved.....	\$72.5	\$86.2	\$113.1	\$148.1
(b) Participants (cumulative):				
State government agencies.....	29	34	37	40
Small communities.....	3,482	3,894	4,600	5,600
Redevelopment area localities.....	562	720	1,050	1,360
Metropolitan and regional areas.....	181	203	250	305
(c) Federal finances:				
Unobligated appropriations available.....	\$21.4	\$13.8	\$26.9	\$35
Obligations incurred.....	\$21.2	\$13.7	\$26.9	\$35
Commitments made.....	\$21.2	\$13.7	\$26.9	\$35
(d) Matching or additional expenditures (State and local contributions) ¹	\$9.1	\$5.9	\$11.5	\$15
(e) Number of Federal Government employees ²				
(f) Non-Federal personnel ³				

¹ Dollar estimates based on usual Federal grant of 66 2/3 percent of project cost except in redevelopment areas and certain other minor areas where Federal grant level is 75 percent.

² Employees are included in totals shown on table for urban renewal projects.

³ Estimates not available.

5. Estimated magnitude of program in 1970

There are no current estimates of the performance level for the urban planning assistance program for 1970.

6. Prospective changes in program orientation

(a) *Pending legislative proposals.*—In his state of the Union message of January 12, 1966, the President stated, "I will offer other proposals to stimulate and to reward planning of entire metropolitan areas." No details of this proposal have yet been released.

(b) *Proposed administrative or organizational changes.*—The Urban Renewal Administration has been incorporated as a part of the new Department of Housing and Urban Development. Aside from this, there are no announced organizational or administrative changes pending.

(c) *Probable changes in the conditions under which the program will function in 1970; e.g., technological, economic, or social.*—It is anticipated that there will be an increasing insistence upon sound urban planning as a basis for approving various Federal programs of aid for physical development.

The technology of urban planning has been undergoing rapid change with the introduction of computers with the capacity for rapid retrieval of large quantities of data. Many of the recent urban planning activities involve the development of simulation models to provide for better forecasting and to permit the testing of planning assumptions.

The entire field of urban planning has shown an increasing concern for the social implications of planning decisions and how the planning process can be used more effectively to encourage desirable social changes. It is significant that urban planners have been deeply involved in the antipoverty efforts of many communities.

7. *Coordination and cooperation*

(a) *Within your bureau, division, or office.*

(b) *With other units of your department or agency.*—The 701 program is used to meet the general planning requirements of other HHFA programs, including the community planning, neighborhood analysis and parts of other elements of the workable program for community improvement, which is a prerequisite for the title I urban renewal program, the low-rent housing program of PHA, and certain FHA mortgage insurance programs. It is further used to meet the general planning requirements of title I, the open space land program, and the mass transportation program. 701 funds are also available to meet the local and areawide planning needs of the 702 program and the new water and sewer, neighborhood facilities, urban beautification, advanced land acquisition, and FHA land development programs.

(c) *With other Federal Government departments or agencies.*—By its nature, comprehensive planning is concerned with a broad range of development activities—water resources, recreation, transportation, education, economic development—that are the direct responsibility of several Federal agencies. Accordingly, coordination with these agencies, to provide liaison for State, metropolitan, and local planning agencies in the 701 program, has been continued and expanded by URA. The urban planning assistance program policy emphasizes that local planning agencies are expected to coordinate their activities with all related Federal, State, and local programs. These include other programs administered by HHFA; the overall economic development program (OEDP) of the Economic Development Administration; transportation studies sponsored by the Bureau of Public Roads and State highway departments; Federal Aviation Agency programs of airport development and air traffic control facilities; Army Corps of Engineers programs dealing with water programs for State and local recreation areas, national parks and monuments, land management and disposal, and water resources; Department of Agriculture programs of rural area development soil conservation, and national forests; and Department of Health, Education, and Welfare grant programs for sewage disposal plants, air pollution control, schools, and other aspects of environmental engineering.

During 1964 and 1965 negotiations leading toward formal coordination procedures were started with the new Office of Economic Opportunity, with the new Appalachian regional development program, and with three bureaus of the Department of the Interior: The Bureau of Outdoor Recreation, the Bureau of Land Management, and the Bureau of Indian Affairs. These new areas of coordination activity resulted from changes in section 701 because of the Housing Act of 1964, or from other new Federal legislation such as that creating the OEO.

(d) *With State governments or their instrumentalities.*—See (e), below.

(e) *With local governments or communities.*—Different planning agencies concerned in various ways with development in a single urban area may include: A metropolitan comprehensive planning agency; or several local comprehensive planning agencies; or one or more State comprehensive planning agencies; or one or more special purpose functional planning agencies (e.g., transportation, water resources, economic development and health facilities planning agencies). Thus, a comprehensive planning framework within which planning efforts

at various levels of State and local governments are integrated and coordinated is the key consideration.

State coordination devices include:

1. Participation in metropolitan planning by local governments and public and private special-purpose agencies.
2. The preparation of functional plans and development programs as part of areawide comprehensive planning, through which the common or closely related activities of special-purpose districts and functional agencies at Federal, State, and regional and local levels can be integrated.
3. Administration of local planning assistance grants by metropolitan planning agencies, with the approval of the State planning agency.
4. Mandatory referrals of plans and project proposals from local to metropolitan and, as appropriate, to State planning and development agencies.
5. Continuing liaison between local, metropolitan, and State planning agencies.
6. Technical and special services to local planning and development agencies by State and metropolitan planning agencies.

(f) *With foreign governments or international organizations.*—The 701 program has been used in several California, Arizona, and Texas localities as a complementary undertaking to the Mexican national border program (programa nacional fronterizo de Mexico) of Mexico. The broad objectives of the Mexican border program are to promote the economic and social development of the 1,600-mile United States-Mexican border region.

For (g), (h), and (i) none.

8. *Laws and regulations*

Public Law 560, 83d Congress, approved August 2, 1954 (68 Stat. 590, sec. 701). (See Basic Laws and Authorities on Housing and Urban Development, 1965, p. 288.)

Amended by:

Public Law 1020, 84th Congress, approved August 7, 1956 (70 Stat. 1091, 1103, sec. 308).

Public Law 85-104, approved July 12, 1957 (71 Stat. 294, 305, sec. 606).

Public Law 86-372, approved September 23, 1959 (73 Stat. 654, 678, sec. 419).

Public Law 87-70, approved June 30, 1961 (75 Stat. 149, sec. 310).

Public Law 88-560, approved September 2, 1964 (78 Stat. 769, secs. 314-317).

Public Law 89-117, approved August 10, 1965 (79 Stat. 451, sec. 1102).

Current appropriations: Public Law 89-128, approved August 16, 1965, 79 Stat. 520 (see Basic Laws and Authorities on Housing and Urban Development, 1965, p. 596).

Supplemented by: Public Law 89-309, approved October 31, 1965, 79 Stat. 1133, 1135 (see Basic Laws and Authorities on Housing and Urban Development, 1965, p. 603).

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects*

The economic effects of comprehensive urban planning are of a broad nature and, in general, take place over a long period of time. Specific measurements in dollar figures such as those found in a cost-benefit analysis would be extremely useful; however, no such measurement devices have yet been successfully applied to the economic effects of urban planning. Furthermore, there is some question as to whether the effects of planning for such things as improved urban esthetics or increased convenience are directly quantifiable. However, the economic and social effect of the urban planning assistance program can be discussed in a general way.

Social and economic studies are encouraged under the 701 program. Such studies are undertaken as an integral part of the physical development plans of urban areas.

The urban planning process aims toward a more efficient allocation of economic and social resources as well as toward a more rational physical arrangement of elements such as the transportation system, the various land uses, and central business district functions. To the degree the plans are successfully implemented, there is generally a positive but often indirect effect on personal income (item a); on the more efficient placement of industry—and on the placement of workers (item b); and on stimulation of new business enterprises or expansion of existing ones through central business district plans. Effectuation of plans has, no doubt, an effect on the gross national product (item g) but again, such effects as the program may have are not yet measurable in quantitative terms.

10. *Economic classification of program expenditures.* (See table 3.)

Program: Urban planning assistance.

Department or agency, and office or bureau: Department of Housing and Urban Development; Office of Planning Standards and Coordination [formerly in Urban Renewal Administration].

TABLE 3.—*Economic classification of program expenditures for fiscal year 1965*

[In millions of dollars]

Federal Government:	
Purchases of goods and services.....	(1)
Grants to State and local governments.....	\$16.6
Total, Federal expenditures.....	16.6
Non-Federal expenditures.....	(2)

¹ Federal administrative expenses included under urban renewal projects.

² Not available.

OPEN-SPACE LAND PROGRAM

PART I. DESCRIPTION OF THE PROGRAM

1. *Objectives*

The open-space land program is designed to upgrade the quality of the urban environment by helping to preserve and develop lands having value for park, recreation, conservation, scenic, or historic purposes. In terms of developing human resources, the program is

designed to provide recreation opportunities within easy reach of home, reduce the effects of congestion and urban sprawl, and thereby help create a more livable, attractive environment favorable to human development.

2. Operation

The program provides eligible local public bodies with up to 50 percent of the cost of (a) acquiring undeveloped or predominantly undeveloped land having value for park, recreation, scenic, or historic purposes, (b) acquiring and clearing developed land in built-up portions of the city to create small parks, if open space needs cannot be met by undeveloped land, (c) developing lands acquired with grant assistance, with landscaping, sanitary facilities, minor recreation facilities, and small shelters. Federal aid may be used also for relocation assistance payments authorized for individuals, families, and businesses displaced by the purchase of land with grant assistance.

All projects assisted under the program must meet two basic planning requirements: (a) There must exist adequate comprehensive planning for the urban area, and (b) there must exist, consistent with the comprehensive planning, an adequate open-space acquisition and development program for the urban area.

Applications are processed in the HUD regional offices and approved by the Urban Renewal Commissioner.

A program of studies and technical assistance is also authorized under title VII.

3. History

The program was authorized by title VII of the Housing Act of 1961 and amended by title IX of the Housing and Urban Development Act of 1965, which increased the level of grant assistance and extended program assistance to create small parks in built-up areas.

Since the program was initiated in 1961, up until December 1965, it had helped communities in 37 States acquire over 145,000 acres of scarce urban open-space land by means of 405 grants totaling over \$46 million. Most of the lands acquired have been in the developing fringes of the large, fast-growing, metropolitan centers of the east and west coasts, and the North Central United States. And 50 inter-governmental agreements have been signed by hundreds of local governments agreeing formally to coordinate open-space planning and acquisition on a metropolitan scale.

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

Program: Open-space land program.

Department or agency, and office or bureau: Department of Housing and Urban Development; Office of Urban Neighborhood Services [formerly in Urban Renewal Administration].

TABLE 1.—*Level of operations or performance, fiscal years 1964–67*

[Dollar amounts in millions]

Measure	Fiscal year 1964 actual	Fiscal year 1965 actual	Fiscal year 1966 estimate	Fiscal year 1967 estimate
(a) Magnitude of program:				
Cumulative projects approved (net).....	219	390	610	965
Cumulative number of acres for acquisition in projects approved.....	102,000	145,000	190,100	240,400
(b) Applicants or participants (cumulative):				
State government agencies.....	23	36	39	42
Local communities.....	196	246	345	503
(c) Federal finances: ¹				
Unobligated appropriations available.....	\$14.7	\$14.7	\$44	\$75
Obligated incurred (net).....	\$14.3	\$13.7	\$41	\$75
Commitments made (net).....	\$14.3	\$13.7	\$44	\$75
(d) Matching or additional expenditures ²	\$42.9	\$20.5	\$41	\$75
(e) Number of Federal Government employees ³	23	20	66	82
(f) Non-Federal personnel ⁴				

¹ Excludes administrative expenses. The term "net" reflects the fact that prior year obligations recovered were not available for reuse prior to fiscal year 1966.

² Estimates based on various Federal grant ratios in effect. The factors used are as follows: 1964, 25 percent; 1965, 40 percent; 1966–67, 50 percent.

³ Includes employees working on urban beautification program.

⁴ No estimates available.

5. *Estimated magnitude of program in 1970*

The Housing and Urban Development Act of 1965 authorized \$310 million for the open-space and urban beautification programs, all but \$36 million of which was to be used for open-space acquisition and development. When this authorization is appropriated and expended, it is probable that additional authorization will be required, due to continued rise in demand for outdoor recreation facilities and the continued loss of lands having value for recreation, conservation, scenic and historic purposes.

6. *Prospective changes in program orientation*

(a) *Pending legislative proposals.*—None.

(b) *Proposed administrative and organization changes.*—There are no announced organization or administrative changes pending as of January 1966.

(c) *Probable changes in the conditions under which the program will function in 1970, for example, technological, economic, social.*—

(1) Mobility, personal income, and leisure time will continue to grow and result in accelerating demand for outdoor recreation opportunities in and near concentrations of population. At the same time, continued urbanization will result in the permanent loss of lands having value for recreation, scenic, historic and conservation purposes. All these factors will continue the requirement for the purchase of large amounts of urban land for park purposes.

(2) At the same time, poverty, crime, and unemployment should continue to be a problem, particularly for minority groups within large cities. There will be an increased need to provide for recreation facilities within convenient reach of low-income residents. Increased emphasis should be placed on these needs and new avenues should be explored for providing a pleasant living environment where a majority of low-income people live, work, and play. Research and technical assistance activities should also reflect a concern for these needs.

7. Coordination and cooperation

(a) *Within your bureau, division or office.*—Within the Urban Renewal Administration, the operations of all the programs have been integrated, with the technical support and policy guidelines coming from line officials and the processing of applications being undertaken by field operations. In addition, there is especially close coordination between the urban planning assistance program and the open-space land program.

As the neighborhood facilities program gets underway, there will be opportunities for coordination with that program.

(b) *With other units of your department or agency.*—Activities of the program have been coordinated with the Office of Program Policy, Office of General Counsel, the Office of Metropolitan Development and the Office of Administration—all located in the Office of the Secretary, HUD.

As the program for advance acquisition of land of the Community Facilities Administration gets underway, there should be greater opportunities for coordination with that program.

(c) *With other Federal Government departments or agencies.*—Coordination with other agencies is undertaken primarily through the Interagency Recreation Advisory Council. In addition, a special type of coordination is required between this program and the Bureau of Outdoor Recreation in the Department of the Interior. Executive Order 11237 provides a basic division of responsibility between the two programs.

Information concerning open-space applications is provided to the Federal Aviation Agency and the Bureau of Public Roads so that the proposed acquisitions will be consistent with their own future development plans. Further coordination with other Federal agencies is facilitated by the requirement that open-space acquisition and development is consistent with the comprehensive planned development of each urban area in which the land is to be acquired. As the program begins to operate more in low-income areas, there should be opportunities for coordination with the Office of Economic Opportunity community action programs.

(d) *With State governments or their instrumentalities.*—URA has close coordination with the States having local open-space assistance programs. Since local applicants receive both Federal and State funds to assist in land acquisition, steps have been taken to insure comparability of procedures and requirements. Connecticut, New Jersey, New York, California, and Pennsylvania have had especially good coordination with the Federal Government in this program.

(e) *With local governments or communities.*—Since grants are made directly to counties, special districts and municipalities, coordination is assured with these public bodies. And since there is the dual requirement for comprehensive planning and a unified program of open-space acquisition for the urban areas in which the land is being acquired, coordination between local jurisdictions is being encouraged. Under the program over 50 intergovernmental agreements for open-space preservation have been signed for metropolitan areas throughout the country.

(f) *With foreign governments or international organizations.*—Information on the program has been provided to many foreign governments and to the UNESCO.

(g) *With nonprofit organizations and institutions.*—The program has worked closely with the League of Women Voters, National League of Cities, National Association of Counties, the National Recreation Association, American Institute of Park Executives, the National Association of Housing and Redevelopment Officials, and other nonprofit organizations concerned with conservation and a better urban environment.

(h) *With business enterprises.*—There has been little contact with business groups.

8. *Laws and regulations*

Public Law 87-70, approved June 30, 1961 (75 Stat. 149, 183, title VII). (See "Basic Laws and Authorities on Housing and Urban Development, 1965," p. 378.)

Amended by:

Public Law 88-560, approved September 2, 1964 (78 Stat. 769, 806, sec. 1001).

Public Law 89-117, approved August 10, 1965 (79 Stat. 451, 595, title IX).

Executive Order 11237 (30 F.R. 9433), July 27, 1965. (See "Basic Laws and Authorities on Housing and Urban Development, 1965," p. 383.)

Executive Order 11017 (27 F.R. 4141), April 27, 1962. (See "Basic Laws and Authorities on Housing and Urban Development, 1965," p. 386.)

Current appropriations:

Public Law 89-128, approved August 16, 1965 (79 Stat. 520). (See "Basic Laws and Authorities on Housing and Urban Development, 1965," p. 596.)

Supplemented by: Public Law 89-309, approved October 31, 1965 (79 Stat. 1133, 1135). (See "Basic Laws and Authorities on Housing and Urban Development, 1965," p. 603.)

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects*

Sections (a) through (h) deal with the effects of the program on personal income, business, employment levels, the GNP, and other economic indicators. The open-space land program is not designed to further economic goals, but to improve the quality of the urban environment. Providing recreation facilities and acquiring land having value for scenic and conservation purposes does have a long-term economic impact on the communities, but this is hard to quantify. In some cases, property values are enhanced by neighboring parks; tourists and park users generate economic activity for businesses servicing these areas; and the preservation of a pleasant urban setting might tend to halt economic decline of neighborhoods and cities. Further research is needed on these effects.

Of course, the direct expenditures made by the Federal, State, and local governments under the program would have the normal multiplier effect for any area in which they are made. As of September 1965, the total amount of funds expended by all sources to purchase the 145,000 acres was \$168 million. Of this amount \$46 million were

Federal funds under the program. Most of the Federal funds were expended in the following States:

	Million		Million
California.....	\$7.9	Ohio.....	\$3.0
Illinois.....	6.7	Pennsylvania.....	2.8
New Jersey.....	5.8	Connecticut.....	1.6
Maryland.....	4.6	Michigan.....	1.1

The 30 other States each received less than \$1 million in grants.

10. *Economic classification of program expenditures.* (See table 2.)

Program: Open-space land program.

Department or agency, and office or bureau: Department of Housing and Urban Development; Office of Urban Neighborhood Services [formerly in Urban Renewal Administration].

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

[In millions of dollars]

Federal government:	
Purchases of goods and services.....	0.3
Grants to State and local governments.....	5.9
Total, Federal expenditures.....	6.2
Non-Federal expenditures.....	(1)

¹ Not available.

URBAN BEAUTIFICATION PROGRAM

PART I. DESCRIPTION OF THE PROGRAM

1. *Objectives*

The urban beautification program is designed to help create an attractive urban environment most favorable to human development. Large areas of our cities, while not yet blighted, are overcrowded and uninviting—lacking in basic street, park, and other improvements so important to a sense of community spirit. Such an environment limits, rather than enhances the opportunities for full personal development. The urban beautification program is designed to help communities provide their people with more pleasant and desirable places in which to live, work, shop, and play, by assisting them in undertaking programs of beautification and improvement of parks and other public places.

2. *Operation*

Grants cover up to 50 percent of the amount by which the cost of activities carried under an approved local beautification program exceed usual expenditures for comparable activities. Beautification activities must take place on land which the public owns or controls, and they must have "significant" and "long term" benefits for the community. Examples of eligible activities are the development of parks, malls, squares, and public waterfront areas with landscaping walks, and minor recreation and outdoor exhibition facilities. Also eligible are street improvements such as lighting, benches, tree planting, and decorative paving.

Activities funded under the program must be part of a community-wide beautification program officially approved by the community's governing body. This program should be consistent with the comprehensively planned development of the community.

3. History

The program was authorized by the Housing and Urban Development Act of 1965 and is in its first fiscal year of operation.

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

Program: Urban beautification program.

Department or agency, and office or bureau: Department of Housing and Urban Development; Office of Urban Neighborhood Services [formerly in Urban Renewal Administration].

TABLE 1.—*Level of operations or performance, fiscal years 1966–67*¹

[Dollars in millions]

Measure	Fiscal year 1966 estimate	Fiscal year 1967 estimate
(a) Magnitude of program:		
Amount of grant approvals in year.....	\$5	\$10
Number of grant approvals in year.....	50	100
(b) Applicants or participants: Local communities.....	50	75
(c) Federal finances:		
Unobligated appropriations available.....	\$5	\$10
Obligations incurred.....	\$5	\$10
Commitments made.....	\$5	\$10
(d) Matching or additional expenditures.....	\$2.5	\$5
(e) Number of Federal Government employees ²		
(f) Non-Federal personnel ³		

¹ Not in operation in fiscal years 1964 and 1965.

² Included in figures for open space program.

³ Estimates not available.

5. Estimated magnitude of program in 1970

The Housing and Urban Development Act of 1965 authorized \$36 million for the program. When this authorization is appropriated and expended, it is probable that additional authorization will be required, due to expanded demand to improve the appearance and the livability of our cities.

6. Prospective changes in program orientation

(a) *Pending legislative proposals.*—None.

(b) *Proposed administrative and organization changes.*—There are no announced organization or administrative changes pending as of January 1966.

(c) *Probable changes in the conditions under which the program will function in 1970; e.g., technological, economic, social.*—It is still too early in the urban beautification effort to evaluate the factors which will affect the future activities of the program. However, over the past several years there has been an obvious increased concern with the general area of urban esthetics and of the impact this has upon those who live and work there. A functional but sterile urban environment is not a satisfactory one. We would expect a continuation of this concern.

7. Coordination and cooperation

(a) *Within your bureau, division or office.*—Policy elements of the urban renewal program (title I) and the "701" urban planning assistance program are coordinated closely with the urban beautification program. The experience gained in title I projects with improved urban design is being applied to the urban beautification program.

And urban design studies undertaken with "701" planning funds can be implemented, in part, with beautification funds.

Also research and demonstration activities of all three programs are closely related.

(b) *With other units of your department or agency.*—Activities of the program have been coordinated with the Office of Program Policy, Office of General Counsel, the Office of Metropolitan Development and the Office of Administration—all in the Office of the Secretary, HUD.

Site improvement and design activities of the Public Housing Administration and experimental housing and land planning activities of the Federal Housing Administration have been keyed in to some extent with beautification activities. Opportunities for closer cooperation exist.

(c) *With other Federal Government departments and agencies.*—Coordination of Federal agency beautification activities will be carried on through the Recreation Advisory Council which has been expanded to include beautification, as well as recreation. In addition, there have been bilateral contacts with the activities of the highway beautification program of the Bureau of Public Roads and the National Youth Corps activities of the Office of Economic Opportunity.

(d) *With State governments and their instrumentalities.*—There is a potential for greater contact with the State governments, particular in dissemination of information on the beautification program. There has been little direct contact up to this point.

(e) *With local governments or communities.*—The program deals directly with local governments. To insure that eligible public bodies coordinate their beautification activities, there is the requirement that these activities can be assisted only if they are part of a balanced communitywide beautification program officially approved by the governing body of the community. Most of the applications for urban beautification have come from cities, not counties or other local jurisdictions.

(f) *With foreign governments or international organizations.*—None.

(g) *With nonprofit organizations and institutions.*—Among the organizations cooperating with the program are the Council of Mayors, the National League of Cities, the National Association of Housing and Redevelopment Officials, and the combined Urban America—Action Council for Better Cities.

(h) *With business enterprises.*—Many businesses, such as electric utilities and manufacturers of signs, have expressed interest in the program, but there has been no formal coordination.

8. Laws and regulations

Public Law 89-117, approved August 10, 1965 (79 Stat. 451, 494, sec. 906). (See "Basic Laws and Authorities on Housing and Urban Development, 1965," p. 378.)

Executive Order 11237 (30 F.R. 9433), July 27, 1965. (See "Basic Laws and Authorities on Housing and Urban Development, 1965," p. 383.)

Executive Order 11017 (27 F.R. 4141), April 27, 1962. (See "Basic Laws and Authorities on Housing and Urban Development, 1965," p. 386.)

Current appropriations:

Public Law 89-309, approved October 31, 1965, 79 Stat. 1133, 1135. (See "Basic Laws and Authorities on Housing and Urban Development, 1965," p. 603.)

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects*

Sections (a) through (h) deal with the effect of Federal programs on personal income, business, employment levels, the GNP, and other economic indicators. The urban beautification program is not designed to further economic goals, but to improve the quality of the urban environment so that there are more favorable conditions for human development. Beautification activities might have a long-term effect on preventing deterioration of a neighborhood or community, but little research has been done on this effect.

Also, the funds expended by the program would provide employment opportunities for persons of relatively low skill level. This would be a direct benefit for those who actually worked on the projects.

Up to January 15, 1966, no grants have been made under the program so there is no information which can be provided on the economic impact.

10. *Economic classification of program expenditures*

The urban beautification program was not operating in fiscal year 1965.

NEIGHBORHOOD FACILITIES

PART I. DESCRIPTION OF THE PROGRAM

1. *Objectives*

The neighborhood facilities program is aimed at helping localities construct neighborhood or community centers, youth centers, health stations, and other public buildings to provide health, recreational, social, or similar community services for the low- and moderate-income residents of a community.

2. *Operation*

Grants may be made to a local public body for up to two-thirds (or three-fourths in areas approved under the Public Works and Economic Development Act of 1965) of the development cost of the facility.

The facilities to be provided must be necessary for carrying out programs of health, recreational, social, and similar community services. As contemplated in the act, emphasis will be placed on projects which will support a community action program under the Economic Opportunity Act (antipoverty program), and projects which are so located as to be of special benefit to low-income families. The facilities developed must be of direct benefit to neighborhood residents, either providing wholly new services or extending current services so that they offer new opportunities. They may be designed to educate and motivate individuals to use existing services of which they are not aware or which they do not know how to use. In other words, they must be in addition to existing social services in the community. They may be provided through new construction, acquisition and necessary rehabilitation or remodeling of existing structures, or both.

Grants may be made to cities, counties, or other political subdivisions having authority, under State or local law, to acquire or construct neighborhood facilities. Nonprofit organizations—such as community action agencies—having the legal, financial, and technical capacity to carry out the project may contract with the public body applicant to own or operate the facilities. However, the municipality must retain control over the use of the facilities. It is responsible for assuring that the facility is used for the purposes proposed in the application for assistance and that no conversion to other uses occurs for a period of 20 years. All neighborhood facilities developed under section 703 must be consistent with comprehensive planning for the development of the community.

The statute provides that a priority should be given to projects designed primarily to benefit members of low-income families or otherwise substantially the objectives of a community action program. It is expected that most of the applications approved will qualify for priority consideration.

3. History

The neighborhood facilities program was authorized by the Housing and Urban Development Act of 1965.

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

Program: Neighborhood facilities.
Department or agency, and office or bureau: Department of Housing and Urban Development; Office of Urban Neighborhood Services [formerly in Urban Renewal Administration].

TABLE 1.—Level of operations or performance, fiscal years 1966–67¹
[Dollar amounts in millions]

Measure	Fiscal year 1966 estimate	Fiscal year 1967 estimate
(a) Magnitude of program:		
Amount of grant approvals in year.....	\$12	\$25
Number of facilities approved.....	80	170
Number of facilities approved.....	80	125
(b) Applicants or participants: ² Local communities.....	\$12	\$25
(c) Federal finances:		
Unobligated appropriations available.....	\$12	\$25
Obligations incurred.....	\$12	\$25
Commitments made.....	\$5.1	\$10.7
(d) Matching expenditures.....	73	78
(e) Number of Federal Government employees.....		
(f) Non-Federal personnel.....		

¹ The program was not in operation in fiscal 1964 and 1965.

² The term "local communities" does not necessarily imply that the community involved will itself be the formal applicant or participant. In some cases, other bodies may apply with the consent of the local governing body.

³ Based on Federal grant ratios of 66% and 75 percent.

⁴ Estimates not available.

5. Estimated magnitude of program in 1970

Experience under the neighborhood facilities program is still too limited to justify any valid estimates of performance several years into the future.

6. Prospective changes in program orientation

(a) Pending legislative proposals.—None.

(b) Proposed administrative or organizational changes.—The Urban Renewal Administration has been incorporated as a part of the new

Department of Housing and Urban Development. Aside from this, there are no announced administrative or organizational changes pending.

(c) *Probable changes in the conditions under which the program will function in 1970; e.g., technological, economic, or social.*—At this time there are no estimates of possible impacts of changing technological, economic, or social conditions on the operations of the neighborhood facilities program.

7. *Coordination and cooperation*

(a) *Within your bureau, division, or office.*—Coordination achieved through normal administrative structure.

(b) *With other units of your department or agency.*—Discussions on coordination have been held with the Public Housing Administration.

(c) *With other Federal Government departments or agencies.*—Discussions on coordination have been held with the Office of Economic Opportunity and the Department of Health, Education, and Welfare.

(e) *With local governments or communities.*—The neighborhood facilities program will be carried out in direct cooperation with local governmental bodies.

(d), (f), (g), (h), and (i).—None.

8. *Laws and regulations*

Public Law 89-117, approved August 10, 1965 (79 Stat. 451, 489, sec. 703). (See Basic Laws and Authorities on Housing and Urban Development, 1965, p. 298.)

Current appropriations:

Public Law 89-309, approved October 31, 1965 (79 Stat. 1133, 1135). (See Basic Laws and Authorities on Housing and Urban Development, 1965, p. 603.)

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects*

Operations of the neighborhood facilities program are still too limited to permit any valid judgements on economic effects.

10. *Economic classification of program expenditures*

The neighborhood facilities program was not operating in fiscal year 1965.

(NOTE.—In national income terminology this is considered a grant to local governments.)

LOW-INCOME HOUSING DEMONSTRATION PROGRAM

PART I. DESCRIPTION OF THE PROGRAM

1. *Objectives*

The program was created by section 207 of the Housing Act of 1961, which authorized grants to public and private organizations for developing and demonstrating new or improved means of providing housing for low-income persons and families.

The original authorization of \$5 million was increased to \$10 million under the Housing Act of 1964 and to \$15 million under the Housing and Urban Development Act of 1965. Eligible demonstrations include but are not limited to construction techniques. Other aspects,

such as design, land acquisition, land use, rehabilitation and financing can be and are being dealt with.

2. Operation

The Secretary of the Department of Housing and Urban Development makes grants to eligible agencies for eligible demonstration projects. Applicants deal directly with the program staff, lodged in the Office of Program Policy. The final decision rests with the Secretary.

An advisory committee of nationally known experts in housing, architecture, construction technology, and social welfare assists with selection of the most promising proposals.

In selecting proposals the Department considers the judgment of the advisory committee and receives assistance from staff of departmental operating programs.

Demonstration funds are generally not used for financing the development of the housing which is the context of the demonstration, but for the conduct of the demonstration as such, its evaluation, and the preparation of a report.

The evaluation, in most cases carried out by a third-party under contract with the grantee, is an integral part of each demonstration, the purpose being the development of guidelines for application of the new techniques, mechanisms, and principles to other situations and in other localities.

3. History

By the end of fiscal 1965, a total of \$6,086,282 had been allocated to 39 agencies. Grants ranged from a low of \$40,000 to a high of \$764,351, with an average of approximately \$156,000. The first contracts were approved in June of 1962.

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

Program: Low-income housing demonstration program.

Department or agency, and office or bureau: Department of Housing and Urban Development; Demonstration Programs Administration.

TABLE 1.—Level of operations or performance, fiscal years 1964–67

Unit	Fiscal 1964	Fiscal 1965	Fiscal 1966 estimate	Fiscal 1967 estimate
(a) Approved projects (39) ¹	9	7	8	14
(b) Participating bodies (39).....	9	7	8	14
State government agencies (7).....	2	3	0	(2)
Local governments (15).....	1	1	2	(2)
Nonprofit groups (17).....	6	3	6	(2)
(c) Federal finances: ³				
Unobligated appropriations available.....	\$1,099,990	\$1,275,000	\$1,275,000	\$2,575,000
Obligation incurred.....	\$1,056,990	\$1,227,700	\$1,227,700	\$2,500,000
(d) Matching expenditures.....	(4)	(4)	(4)	(4)
(e) Number of Federal Government employees.....	53	53	53	67
(f) Non-Federal personnel.....	0	0	0	0
(g) Other measures.....	0	0	0	0

¹ Figures in parentheses refer to all projects approved since the beginning of the program.

² Cannot be predicted at this time.

³ Difference between the 2 figures for each year represents administrative expenses.

⁴ Information not available.

⁵ 1 director, 2 program assistants.

⁶ 1 director, 6 assistants.

5. Estimated magnitude of program in 1970

The probable program level in 1970 cannot be estimated. An increase over recent and current levels is considered both desirable

and necessary. This is consistent with the administration's emphasis upon development of programs and techniques that help the poor. Improvement of the housing conditions of low-income families is a major goal, and all possible ways to reach this objective should be tested and evaluated.

6. Prospective changes in program orientation

(a) There are no legislative proposals pending which would change the program orientation.

(b) Increased staff is urgently required to follow up the increasing number of demonstrations; to assist participating bodies in execution, evaluation, and reporting; and to assure useful results from the investments made by the Government.

(c) The program orientation depends on trends in housing and other social policy. If a new method tested under the demonstration program becomes, through legislation, part of an operating program, it is no longer a suitable object of a demonstration. A case in point is the rent supplement program, first pioneered under the demonstration program, which is now incorporated in the 1965 Housing and Urban Development Act.

The emphasis on human development, inherent in the Economic Opportunity Act, the fact that State governments are taking an increasing interest in housing in their States, and the need to utilize new technology in developing low-cost housing play a growing role in the emphasis of the program.

Supplementary funds from OEO to one of the grantees enlarged the scope of the demonstration carried out by the city of New York. The first contract with a State government was approved in June 1965 (California) followed by contracts with the State of North Carolina and the Commonwealth of Pennsylvania in June of 1965. The program is likely to be oriented more strongly in the future than it has been in the past to problems of how to translate technological advances into lowered cost of housing.

The program will continue to be flexible and imaginative in approach. Regardless of what form or organization it will have in 1970, it will maintain its emphasis upon finding ways to get better housing for the low-income families and the poor.

7. Coordination and cooperation

Because of its small staff, which cannot provide expertise in all fields of housing, the demonstration program, which operates nationwide and which involves technical, financial, and other types of expertise, relies heavily on advice, guidance, and consultation from other parts of the Department and the Government.

(a) Within the Office of Program Policy advice is received from virtually all members of the staff.

(b) The Department's Coordinating Board on Research and Demonstrations, chaired by the Director, Office of Program Policy, and on which the demonstration program is represented, establishes guidelines for areas of program activity and reviews proposals before they are approved.

(i) Many proposals require coordination with and the cooperation of other branches within the Department. In most cases, the basic financing for the housing which constitutes the demon-

stration setting, is obtained through the use of customary financing aids supplied under PHA and FHA programs.

(ii) Cooperation agreements take the form of informal and formal consultation, exchange of memorandums of understanding, etc.

Because each demonstration usually requires a different form of cooperation, the procedures are not formalized but developed on a case-by-case basis.

(c) Cooperation with other Federal departments or agencies is required less frequently because most of the program resources are lodged within the Department. However, the Bureau of Indian Affairs is directly involved in one demonstration dealing with self-help housing on Indian reservations. Conferences have been held with representatives of OEO, USDA, and others for the purpose of coordinating efforts that might have beneficial results for more than one agency.

(d) State governments are participating bodies in three cases; State universities in another four.

(e) Local governments are participating bodies in 4 cases; local housing authorities in an additional 10.

(f) The program has had no dealings with foreign governments or international organizations. On occasion, program staff provides orientation on the program to foreign visitors.

(g) Slightly less than one-half the grant contracts are with private nonprofit corporations. They include general community welfare organizations, special community-purpose organizations, and one educational institution.

(h) Numerous business organizations approach the program for grants for what, in effect, would be product development. The program, however, cannot make grants to profit-motivated organizations or individuals. A number of demonstrations were stimulated by business groups, but are being carried out by nonprofit organizations. For example: a builder helped initiate the demonstration of the University of Florida, under which low-income families acquire owner-occupied houses under modified credit criteria. The Home Builders Association of Tulsa, Okla., initiated a demonstration, carried out by the city of Tulsa, under which low-income families acquire new houses under a lease-with-option-to-buy arrangement. A demonstration designed to apply modern engineering techniques to rehabilitation is carried out by the Institute of Public Administration. The T. Y. Lin Corp. carries out the technological work under a third-party contract.

8. Laws and regulations

Section 207 of the Housing Act of 1961 (75 Stat. 165, 42 U.S.C. 1436 (June 30, 1961)), authorized the Housing and Home Finance Administrator to enter into contracts to make grants not exceeding \$5 million to public or private bodies or agencies to develop and demonstrate new or improved means of providing housing for low-income families.

Section 203(e) of the Housing Act of 1964 (78 Stat. 784 (Sept. 2, 1964)), amended the 1961 act to authorize demonstrations of the types of housing and the means of providing housing that will assist low-income persons or families who are handicapped.

Section 407 of the Housing Act of 1964 (78 Stat. 796 (Sept. 2, 1964)), increased the amount authorized for the program to \$10 million.

Section 1105 of the Housing and Urban Development Act of 1965 (79 Stat. 503 (Aug. 10, 1965)), increased the amount authorized for the program to \$15 million.

The low-income housing demonstration grant program is subject to regulations issued by the Department of Housing and Urban Development to effectuate title VI of the Civil Rights Act of 1964. (24 CFR, subtitle A, pt. 1.)

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects*

The demonstration program is too small—\$6 million committed since its start in 1961—to have a discernible direct effect on the income level of persons served, the distribution of income, employment levels, business stimulation, or the gross national product. The program is geared to the development of new methods and techniques, and the number of housing units produced in the process is incidental, and usually small. (NOTE.—The dollar volumes of housing produced under this program, and employment and payroll generated would be included within the figures provided for FHA and PHA programs.)

Housing demonstrations produce guidelines for policy and insights for the decisionmaking process. The economic value of such guidelines lies in the future avoidance of improper policies, as well as the institution of new programs designed to achieve national goals more expeditiously, at lower cost, and at greater benefit to families and communities. A small breakthrough in the technological field is likely to be worth many times the small government investment. The value of mistakes avoided cannot be measured; it can be great, indeed.

The economic and technical potentials of each proposal are scrutinized to the degree necessary to assure a fair chance of success, not to guarantee it. Since it is the objective of the program to venture new approaches and to explore as yet untried and unproven alternatives, no more than a fair chance can and should be assured. Even outright failures serve a useful purpose in that they document as infeasible or undesirable certain approaches before they become part of an operating program.

None of the demonstrations is, as yet, completed. The first reports will become available during the current fiscal year.

10. *Economic classification of program expenditures*

No tabular presentation of economic effects of program expenditures is provided, primarily because of the relatively insignificant amount of its expenditures. Moreover, because each project is distinct from all others, a prohibitively detailed analysis, project by project, would be necessary.

RENT SUPPLEMENT PROGRAM

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

The program is intended to produce privately owned rental housing which will serve certain categories of low-income families. Housing to be provided under this program, whether new construction or substantially rehabilitated units, will be financed at market rates of interest under the FHA section 221(d)(3) program. Under ordinary circumstances, the rent required for such housing would be out of the financial reach of poor families. The rent supplement program, however, makes these units available to low-income households by virtue of a rent supplement payment, made by the Federal Government to the eligible private owner of the project. The amount of this rent supplement will represent the difference between the rent which the eligible occupant can pay, on the basis of a 25-percent rent-to-income ratio, and the market rent which is required to amortize the project and pay for its operation and maintenance. This program represents a radically new approach to answering the housing needs of low-income families, through a partnership between private ownership and the Federal Government. The private owners who are eligible to enter into rent supplement contracts are restricted to private nonprofit organizations, limited dividend corporations, and cooperative groups.

Families eligible to obtain rent supplement payment benefits are those with incomes below limits set in each locality—generally the same as for public housing—and who are either: (1) occupants of substandard housing, (2) elderly, (3) physically disabled, (4) governmental action displacees, or those whose housing units were severely damaged or destroyed by natural disasters occurring after August 10, 1965. In addition to the foregoing requirements, eligibility is confined to families with assets of less than \$2,000, or \$5,000 in the case of the elderly.

2. Operation

As of this reporting date the program is not yet in operation. Although authorized under the Housing and Urban Development Act of 1965, it has not yet been funded, and appropriation act approval from the Congress has been requested. The following describes how the program will operate once contractual authorization funds are made available.

The primary responsibility for administering the rent supplement program will rest with the Federal Housing Administration, a constituent agency of HUD. Responsibility for issuing mortgage insurance commitments will rest with the 76 individual local insuring offices of FHA. The Secretary of HUD, however, will retain responsibility for defining the eligible market for such housing (in terms of income limits), and he will also allocate the program authorizations for rent supplement payments by regions, and by individual market areas.

The project will be built under the FHA section 221(d)(3) mortgage insurance section. The mortgage limits to be established for such housing will assure that the housing production will be of modest, but

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.

TABLE 1.—Level of operations or performance, fiscal years 1966–67

Measure	Fiscal year 1966 estimate	Fiscal year 1967 estimate
(a) Magnitude of the program (dwelling units)-----	50,000	58,000
NOTE.—Proposed budget authorizations are for contracts for up to \$30,000,000 in annual payments in fiscal year 1966 and \$35,000,000 for fiscal year 1967. These contracts normally will run for 40 years. HUD assumes an average rent supplement benefit of \$600 per family per year.		
(b) Applicants or participants:		
State government agencies-----	None	None
Local communities or governments-----	None	None
Individuals or families-----	None	None
Number of project owners-----	330	385
NOTE.—Assume that each project will contain an average of 150 families who will receive rent supplement payments.		
(c) Federal finances:		
Unobligated appropriations available-----	(1)	(1)
Obligations incurred-----		
Allocations or commitments made-----	None	None
(d) Matching or additional expenditures for the program-----		
(e) Number of Federal Government employees administering, operating, or supervising the activity-----	90	105
(f) Non-Federal personnel employed in the program-----	None	None
(g) Other measures of level or magnitude of performance-----	(2)	(2)

¹ Program not yet funded. Necessary appropriation action to permit rent supplement contracts has been requested of Congress.

² Not applicable.

5. Estimated magnitude of program in 1970

The Housing and Urban Development Act of 1965 authorized contractual obligations for annual rent supplement payments which will reach a cumulative level of \$150 million per year as of July 1, 1968. This reflects a first-year authorization of \$30 million, with subsequent additional authorizations of \$35, \$40, and \$45 million a year for the next 3 fiscal years. It is expected that congressional authorization for fiscal year 1969 will either follow the same pattern of increase (to \$50 million), or will extend the fiscal year 1967 or fiscal year 1968 levels of \$40 to \$45 millions.

Preliminary estimates of the potential market for rent supplement housing show about 3 to 4 million eligible households. The rent supplement program will, from its 4-year authorization, serve about 250,000 of these families. It should be noted that the low-rent public housing program will also serve the same general market, and its 4-year authorization, under the Housing and Urban Development Act of 1965, will provide about 180,000 units that can serve the poor. The 2 programs, combined, will serve only a fraction of the potential need, from 10 to 14 percent, depending upon whether the 3 or 4 million universe figure is used for computation.

Certain internal changes in the potential market for such housing will probably occur. As personal incomes continue to rise and high levels of employment are maintained, the number of nonelderly families in substandard housing will probably decrease, duplicating the 1950–60 experience. This, however, will be partially offset by the increasing numbers of elderly whose low retirement incomes will make them eligible for these program aids. A third major source of market, governmental action displacement, will probably continue to show moderate increases.

6. *Prospective changes in program orientation*

(a) Pending legislative proposals: There are none at the present time.

(b) Proposed administrative and organizational changes: The program is not yet in operation. Program experience must be gained before the need for change becomes evident.

(c) Probable changes in the conditions under which the program will function in 1970: As indicated above, it is possible that the elderly will constitute an increasing segment of the effective market.

It should be also noted, at this time, that the rent supplement program authorizes 10 percent of the funds to be used under an experimental program. Five percent, or half, can be used in connection with projects which are financed under the FHA section 221(d)(3), below-market-rate-of-interest program. The combination of more advantageous financing (presently authorized at 3 percent) and rent supplements will allow families with extremely low incomes to be served. The other 5 percent will be used in housing-for-the-elderly projects, financed either under the market-rate-of-interest, FHA section 231 program, or under the below-market-rate-of-interest, Community Facilities Administration section 202 direct loan program. The latter will also allow elderly families of very low income to be served. If the experience gained with regard to this experimental effort proves to be a feasible method of housing very low-income families, it might be expanded.

7. *Coordination and cooperation*

(a) *Within your bureau, division, or office.*—The Secretary's office will develop criteria and standards for more precise evaluation and measurement of needs for rent supplement housing, and it will develop improved measures for coordinating programs which serve this same market. It will define the market to be served in various localities, and it will allocate, by region and housing market, the amounts of rent supplement housing to be built.

These activities will be lodged in the Office of Program Policy, which is a comparatively small organization. No problems of internal coordination are anticipated.

(b) *With other units of your department or agency.*—As indicated previously, day-to-day administration of the program is delegated to the Federal Housing Administration. The FHA will be headed, by statute, by an Assistant Secretary of HUD. No problems of coordination or cooperation are anticipated.

With the increasing number and complexities of housing programs, there will be greater need to obtain improved program coordination and more precise allocations of all HUD program resources to individual housing markets. This will be pursued, and one of the most important mechanisms for securing these goals will be a stepped-up program of housing market analysis.

(c) *With other Federal Government departments or agencies.*—Since the rent supplement program is intended to serve the poor, we anticipate that coordination and cooperation will be strengthened with all agencies and departments that have programs serving this group. In addition to the Office of Economic Opportunity and its local extensions through the community action programs, we expect close cooperation, for example, with HEW. Such coordination has already

been established between HEW and PHA in the operation of low-rent public housing projects where HEW and local and State agencies bring concerted social services to low-rent-project occupants. We also expect closer contact and collaboration with the Department of Agriculture regarding possible program overlap in smaller communities.

(d) *With State governments or their instrumentalities.*—This will occur in the areas of supplying various kinds of social services to the occupants of rent supplement housing. This will probably occur with highest intensity in rent supplement projects which have a preponderance of occupancy by the elderly.

(e) *With local governments or communities.*—See comment (d) above.

(f) *With foreign governments or international organizations.*—None required and none expected.

(g) *With nonprofit organizations or institutions.*—These private groups will constitute a major source of sponsorship under the rent supplement program.

At the present time, HUD is cooperating with OEO in that agency's proposed program to develop suitable and adequate nonprofit sponsorship for various kinds of housing development—notably, rent supplement housing. OEO contemplates a program whereby it will supply "seed money" to help formation of such nonprofit sponsor organizations, develop management competence, and support possible financial losses incurred in the development of suitable project proposals to FHA.

(h) *With business enterprises.*—Limited distribution corporations and cooperative groups will be eligible sponsors under the rent supplement program. (Note: The largest category of sponsors under the FHA section 221(d)(3) below-market-rate-of-interest program has been of the limited dividend nature.)

(i) *With others.*—There will be continuing relationships and contacts with professional housing and planning organizations and with professional industry groups.

8. Laws and regulations

The enabling legislation for this program is the Housing and Urban Development Act of 1965, Public Law 89-117, 89th Congress, August 10, 1965. The program is authorized under section 101 of the act.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. Economic effects

(a) *Effects on personal incomes of persons served and on the distribution of personal incomes.*—The rent supplement payment benefits will not increase the disposable incomes of project occupants, except to the extent that a number of occupant families may wind up paying a lower proportion of income for rent than previously. These possible benefits cannot be estimated at this time.

(b) *Effects on placement or productivity of workers, or both, and on their earnings.*—An improved environment may stimulate the desire of occupant families to seek a better way of life; in so doing, they may take advantage of those aids and programs which will improve their earning capacities. The rent supplement program will support such motivations, since an increase in income will not jeopardize continued occupancy in the rent supplement project.

(c) *Effects on business or industrial organization and management.*—Viewed from the standpoint of our Nation's total housing production, the rent supplement program will supply a significant impact. An initial rent supplement program that serves 50,000 families represents 3.3 percent of the 1.5-million unit annual housing output. These represent units which would, undoubtedly, not have been built otherwise. A premise used for planning purposes is that the typical size of projects built under this program will run to about 180 to 200 units, with about 150 of these occupied by families who receive rent supplement payments. Projects of this size are not, ordinarily, considered large enough to support development of major new shopping centers, although they may provide a purchasing power nucleus for supporting building, or expansion, of neighborhood shopping centers.

(d) *Effects on the stability, level, volume, or other aspects of employment, wages, costs, production, sales prices, or other phases of economic activity.*—Based upon BLS estimates, the construction which will flow from rent supplement program authorizations will generate the following volumes of business activity, employment, and payroll: (Note: for comparative purposes, indexes and earnings are held constant for the 4-year period.)

	Fiscal year 1966	Fiscal year 1967	Fiscal year 1968	Fiscal year 1969
Dollar value of construction ¹ (millions)-----	318	371	424	477
On-site and off-site man-years of employment (rounded)-----	33,000	38,000	44,000	49,000
Payroll (millions of dollars, rounded)-----	190	221	253	285

¹ Assuming average value of \$12,500 per unit, of which approximately \$10,600 is represented by outlays for site improvement and housing construction. This latter figure is reflected in above computation.

The foregoing will be noninflationary. According to Department of Labor information, present underemployment in the construction industry can support increments of hiring which are substantially greater than the increased employment needed to support the rent supplement housing program. The attendant requirements for building materials and housing equipment (in light of the 3.3 percent addition by this program to total housing starts, mentioned previously) represent no more than the anticipated productivity increases in these industries.

(e) *Other benefits.*—The rent supplement program, in conjunction with continuing housing production under the low-rent public housing program and under the section 221(d)(3) below-market rate of interest program, will have the broad effect of increasing the supply of standard housing available to and within the capabilities of the poor. This, in turn, will have the longer range effect of tending to reduce rents for private housing available to the poor. In turn, this will allow lower-income families to allocate increased portions of their incomes to other vital consumer needs. Private landlords, faced with increased competition, will be motivated to improve their properties in order to attract tenants. Where rehabilitation is not economically feasible, private landlords will remove properties from the market—a consequence which would not have been possible under “shortage” conditions.

(f) *Pertinent geographic differentials.*—Rent supplement projects will be initially produced where needs are greatest and where private

builders are most ready to take advantage of the new vehicle. Urban renewal activities are expected to supply many sites for these projects which will be built within the central cities of large metropolitan areas.

(g) *The measurable contribution of the program to either the magnitude or the rate of growth of the gross national product.*—The following identifies the relationship of economic contribution of the rent supplement program to the GNP.

	Fiscal year 1966	Fiscal year 1967	Fiscal year 1968	Fiscal year 1969
Dollar value of construction (millions)	375	437.5	500	562.5
Estimated GNP (billions of dollars)	670	730	765	800
Percent of dollar value of construction to GNP ..	0.056	0.060	0.065	0.070

The foregoing assumes that rent supplement housing will represent net additions to the GNP that would otherwise not have occurred. It should be noted, however, that the volume of new rental housing starts has been declining during the last year. In this regard, the rent supplement program provides a desirable "offset" to declines that might seriously affect the health of the economy. The "lead" cyclical effect of the construction industry is well known; any program which can contribute to the stability and orderly growth of the homebuilding industry will have a value far greater than the actual dollar volume of benefits which is involved.

10. *Economic classification of program expenditures*

The program was not funded in 1965. Administrative expenses were provided in Supplemental Appropriation Act, 1966, dated October 31, 1965.

COLLEGE HOUSING PROGRAM

PART I. DESCRIPTION OF THE PROGRAM

1. *Objectives*

The college housing program was created by title IV of the Housing Act of 1950 to assist educational institutions, through long-term Federal loans, in the construction, expansion or rehabilitation of dormitories and other housing for students and faculty. The program has since been expanded to cover service facilities such as dining halls, student unions, and infirmaries and to cover housing for student nurses, interns, and resident physicians at approved hospitals.

2. *Operation*

The program is conducted in the seven regional offices of the Department of Housing and Urban Development under the direction of the regional director of community facilities with general policy supervision by the central office of the Community Facilities Administration. Eligibility, financial, legal and engineering reviews are conducted on each application. Actual construction is the responsibility of the borrower with the Government a third party to the contract, performing specified inspection only.

Loans under the college housing program may be made only to the extent that the applicant institution is unable to obtain the necessary financing elsewhere on equally favorable terms and conditions. Loans are made through Government purchase of bonds issued by the college or hospital. The bonds are first offered for sale in the open

market, by means of public advertisement, and are purchased by the Government only when there is no other equally favorable offer by private investors or bond houses. The Government may purchase all or only a part of the bond issue. Loans may be made for up to 100 percent of the eligible costs of developing and constructing projects. However, financial participation by the applicant is encouraged to the extent possible.

The program is financed through a revolving fund which is funded by an authorization to borrow from the Treasury as a public-debt transaction. The initial enactment in 1950 provided a borrowing authorization of \$300 million; this amount has been increased on several occasions to a cumulative total of \$3,175 million during fiscal year 1966. Program policies are directed toward the development of sound loans to protect the interests of the Federal Government, private lenders, and the borrowers. The success of the Agency efforts in this regard is attested to by the fact that as of June 30, 1965, more than \$1,883 million in bond issues were held by the Agency, none of which was in default. Loans may be repaid over a period not to exceed 50 years.

3. History

The college housing program was enacted as title IV of the Housing Act of 1950 to provide loans for the construction of housing on college campuses. It provided an initial authorization of \$300 million to fulfill the purposes of the act.

Plans to carry out the mandate of title IV were suspended when the Korean war began, and the need to conserve construction materials became pressing. However, in December 1950, a Presidential Executive order made available \$40 million of the \$300 million that had been authorized, with the stipulation that funds were to be used only for college housing that contributed to defense activities. This defense-connected requirement lasted until August 1953.

Amendments adopted during the 84th Congress broadened the types of facilities which could be included under the program to include cafeterias, dining halls, student centers, or unions, health facilities, and other essential service facilities for students (the 1950 act provided these facilities only for students in dormitories financed by the college housing program); lowered the interest rate; and increased the size of the loan fund by \$200 million.

The new lower interest rate stimulated a flood of loan applications. During fiscal year 1956, 388 applications for loans of \$430.2 million were filed, as compared with the previous 5 fiscal years, when there had been a total of 460 applications for \$340.7 million in loans.

The Housing Act of 1956 added another \$250 million to the \$500 million already authorized. In 1957 the loan fund was increased by \$175 million, and in 1958 by yet another \$250 million. There was not any authorization in 1959, because no Housing Act was passed. In 1960 the authorization was increased by another \$500 million.

The Housing Act of 1961 was a high point in the development of the program. The act provided funds for 4 years, instead of annually as in the past. Furthermore, it raised the annual rate of authorization for fiscal years 1962 through 1965 to \$300 million, which was almost double the average annual rate of \$165 million in the first 10 years of the program.

During the 89th Congress in 1965, eligibility under the program was broadened to include new colleges and certain public vocational and

technical institutions. The interest rate was changed from a computed rate which had been in effect since 1955 to a maximum of 3 percent. In addition, cumulative authorizations under the program were increased \$300 million a year through fiscal year 1969, bringing the total authorization to \$4,075 million.

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

Program: College housing program.

Department or agency, and office or bureau: Department of Housing and Urban Development; Housing Assistance Administration [formerly in Community Facilities Administration].

TABLE 1.—*Level of operations or performance, fiscal years 1964-67*

Measure and unit	Fiscal year			
	1964	1965	1966 estimate	1967 estimate
(a) Magnitude of program:				
(1) Net project approvals:				
Number	247	244	222	201
Amount (millions)	\$307.7	\$338.8	\$347.5	\$325.7
(2) Construction starts	210	226	211	278
(3) Construction completions	243	231	245	220
(4) Housing accommodations and related facilities approved:				
Men students	36,578	36,326	-----	-----
Women students	36,016	31,016	-----	-----
Student families	1,579	907	-----	-----
Faculty	71	274	-----	-----
(b) Applicants or participants:				
Colleges and hospitals (applications)	316	352	1,357	1,129
Colleges and hospitals (millions)	\$427.0	\$526.0	\$610.0	\$232.1
(c) Federal finances:				
Unobligated appropriations:				
Available (millions)	\$300.0	\$300.0	\$300.0	\$300.0
Number (fund reservations)	239	206	182	184
Amount (fund reservations) (millions)	\$298.5	\$293.2	\$300.0	\$300.0
(d) Matching or additional expenditures	None	None	None	None
(e) Number of Federal employees	(²)	(²)	(²)	(²)
(f) Non-Federal personnel	0	0	0	0
(g) Other measures of level	(²)	(²)	(²)	(²)

¹ Acceptance of applications was suspended Jan. 31, 1966. The fiscal year 1967 estimates assume the suspension will be lifted late in the fiscal year.

² Not available.

5. Estimated magnitude of program in 1970

Any estimate of the program level in 1970 must be made in the context of broad economic-budgetary-social-educational policy. It is conceivable that a demand could exist in 1970 to support a program level in excess of \$1 billion annually.

6. Prospective changes in program orientation

We do not foresee any significant change in program orientation or emphasis within the next few years.

7. Coordination and cooperation

(a) Coordination of the college housing program within the Community Facilities Administration is accomplished through the Assistant Commissioner for Operations and Engineering. The program depends on other organizational units for services and technical assistance.

(b) Coordination with the Commissioner of Education is maintained on determining eligibility of educational institutions for participation in the program.

(c) Coordination with colleges and universities is coordinated through an Advisory Committee, appointed by the Administrator, representative of colleges and educational associations.

8. Laws and regulations

Housing Act of 1950, Public Law 81-475, April 20, 1950.—Program enacted with authorization of \$300 million for 40-year loans for the construction of college housing.

Housing Amendments of 1953, Public Law 83-94, June 30, 1953.—Changed basis of determining interest rate.

Housing Act of 1954, Public Law 83-560, August 2, 1954.—Changed effective date when "current interest rate" is applied.

Housing Amendments of 1955, Public Law 84-345, August 11, 1955.—Eligible facilities broadened to include separate dining halls and cafeterias, student unions, and student centers, infirmaries and "other essential service facilities."

Authorization increased from \$300 to \$500 million, with not to exceed \$100 million to be used for facilities other than housing. Automatic interest rate reestablished. Maximum term of loan increased from 40 to 50 years. Certain nonprofit corporations made eligible for loans. Reduced interest rate extended retroactively to certain previously approved loans.

Housing Act of 1956, Public Law 84-1020, August 7, 1956.—Increased revolving fund by \$250 million.

Housing Act of 1957, Public Law 85-104, July 12, 1957.—Amended eligibility provisions of law. Increased revolving fund by \$200 million. Twenty-five million dollars sublimitation for nursing students or intern housing.

Housing Act of 1959, Public Law 86-372, September 23, 1959.—Cosignature on note of student housing cooperatives.

Housing Act of 1959, Public Law 86-788, September 14, 1960.—Cosignature on note of student housing cooperatives.

Housing Act of 1961, Public Law 87-70, June 30, 1961.—Changed maximum cumulative total loans which could be made to institutions within any State from 10 to 12½ percent.

Housing Act of 1964, Public Law 88-560, September 2, 1964.—Eligibility changes.

Housing Act of 1965, Public Law 89-117, August 10, 1965.—Eligibility broadened to include new colleges and certain public vocational and technical institutions. Interest rate fixed at 3 percent maximum.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. Economic effects

(a) The direct loan program has made possible lower costs of housing for college students and faculty by virtue of lower interest rates and longer terms for loans. Current rate for private financing is approximately 4 percent for 35 years, as compared with the Federal loan maximum rate of 3 percent for 50 years. The difference in amortization is about \$4 per thousand per year. Assuming average costs for space of \$5,000, there is a rental saving possible of \$20 per student per year. Assuming that approximately 70,000 spaces will be provided, gross savings will total approximately \$1.5 million per year through 1968. Further, it is quite possible that students will be able

to obtain college educations because housing is available through the direct loan program who might not otherwise have been able to go to college.

(b), (c), (d), (e), and (f) not applicable.

(g) It is very difficult to relate this program to the gross national product. However, some studies indicate that a college education increases the earning capacity of a person by about \$3,000 per year, as compared to the high school graduate. Since housing can provide college educational opportunities which might not otherwise be available, the college housing program has an impact on the increased earnings mentioned above. In addition, the construction costs and salaries of providing the additional college housing facilities do contribute to GNP, as indicated in (h) below.

(h) Other economic effects:

(1) About 80 percent of a loan goes for construction and other labor, which produces about 15 percent in Federal taxes, and one-quarter of this in State and local taxes.

(2) About one-half of the loan is for materials, on which there is an average sales tax of 2 percent.

(3) Each project produces an increase in the number of man-years of labor, assuming that 80 percent of the project is construction cost, and that each \$1,000 produces 207 man-hours of labor, and an average of 2,000 man-hours makes up a man-year.

10. *Economic classification of program expenditures.* (See table 2.)

Program: College housing program.

Department or agency, and office or bureau: Department of Housing and Urban Development; Housing Assistance Administration [formerly in Community Facilities Administration].

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

[In thousands of dollars]

Federal Government:	
Loan disbursements.....	262, 050
Other expenditures ¹	50, 715
Total, Federal expenditures ²	312, 765
Non-Federal expenditures, not available.	

¹ Other expenditures include interest payments as well as other administrative costs.

² Expenditures are shown on a gross basis. Net expenditures are \$220,700,000.

NOTE: In national income terminology, the college housing loan fund is classified as a government enterprise.

PUBLIC FACILITY LOANS

PART I. DESCRIPTION OF THE PROGRAM

1. *Objectives*

The program is intended to serve as a loan resource for small communities unable to obtain credit in the private market on reasonable terms for financing needed public works. Eligibility extends to political subdivisions and instrumentalities of States serving populations under 50,000 (under 150,000 in redevelopment areas and no population limit for communities near NASA installations) and to Indian tribes. Loans must be reasonably assured of repayment. The maximum maturity is 40 years.

Small communities are frequently disadvantaged in borrowing. Many are relatively unknown in the capital markets, they are inexperienced in financial matters, they lack the established credit ratings

of their larger counterparts, and their small bond offerings are not particularly attractive to private investors. In these situations, the PFL program is available as a "lender of last resort," making possible facilities essential to health and welfare that would not otherwise be constructed or would be built only with the penalty of excessive interest charges.

2. Operation

The program operates wholly as a direct Federal operation. Program operations are highly decentralized, with major responsibilities delegated to the seven regional offices and one area office of the Department of Housing and Urban Development, under the general supervision of a Washington headquarters office.

3. History

Authorization for the program derives from title II of the Housing Amendments of 1955, as amended. The PFL program is the functional successor to programs initiated in 1932 under the Reconstruction Finance Corporation and in 1933 under the Public Works Administration to assist State and local governments in the construction of needed public works.

Prior to the passage of the Housing Act of 1961 the eligible applicants were defined as "States, municipalities and other political subdivisions of States, public agencies, and instrumentalities of one or more States, municipalities and political subdivisions of States, and public corporations, boards, and commissions established under the laws of any State" having authority under State or municipal law to finance specific public projects. Section 501(b), Housing Act of 1961, Public Law 87-70, further restricted the eligibility to authorized municipalities and other political subdivisions and instrumentalities of States (including public agencies and instrumentalities of one or more municipalities or other political subdivisions in the same State.) Thus, States no longer are eligible. In 1962, Indian tribes became eligible for program assistance under the provisions of section I of Public Law 87-808.

Title II of the Housing Amendments of 1955 requires that the Department of Housing and Urban Development give priority to applications of smaller municipalities for assistance in the construction of basic public works (including water, sewer and gas distribution systems) for which there is an urgent and vital need. "Smaller municipalities" are defined in the statute as incorporated or unincorporated towns, or other political subdivisions of a State, having a population of less than 10,000 inhabitants at the time of the last Federal census. Public Law 87-808 added Indian tribes within the meaning of small communities.

Title II of the Housing Act of 1961 amended the eligibility requirements by establishing maximum population limits. Financial assistance was limited to eligible public agencies having a population of less than 50,000, or less than 150,000 in the case of a community located in a redevelopment area as designated under the second section of section 5(a) of the Area Redevelopment Act. A community of less than 150,000 population in or near which is located a research or development installation of the National Aeronautics and Space Administration was also made eligible by Public Law 87-634, ap-

proved September 5, 1962. Section 5(a), Public Works Acceleration Act, Public Law 87-658, approved September 14, 1962, eliminated population limits for communities extended assistance in financing projects accelerated as a result of a grant-in-aid under section 9 of the act.

The Housing Act of 1964 provided that the under-150,000 population limitation theretofore applicable to communities located in redevelopment areas designated under section 5(a) of the Area Redevelopment Act was extended to include communities in redevelopment areas designated under section 5(b) of that act. Additionally, in the case of a project serving two or more communities, the population of each community, rather than their aggregate populations, was made determinative in meeting the prescribed population limitations.

The Housing and Urban Development Act of 1965 established three additional modifications. Private nonprofit corporations were made eligible for loans to finance the construction of sewer and water facilities in smaller communities and rural areas where it was not feasible to provide such services through a public body. Population limits were removed for communities in or near which is located a research or development installation of the National Aeronautics and Space Administration. The special population limits previously made applicable to communities located in redevelopment areas designated under sections 5(a) and 5(b) of the Area Redevelopment Act were defined to include, additionally, redevelopment areas designated in acts successor thereto.

The initial authorization for the PFL program established a \$100 million revolving fund. In 1960, Congress authorized an additional \$50 million, and the Housing Act of 1961 authorized another \$500 million (of which \$50 million was set aside for loan for mass transit facilities). Thus, the current revolving fund authorization for public facility loans (excluding mass transit loans) is \$600 million.

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

Program: Public facility loans.

Department or agency, and office or bureau: Department of Housing and Urban Development; Land and Facilities Development Administration [formerly in Community Facilities Administration].

TABLE 1.—*Level of operations or performance, fiscal years 1964-67*

Measure and unit	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 estimate	Fiscal year 1967 estimate
(a) Net approved loans:				
Number of projects.....	121	79	113	72
Amount (millions).....	\$45.2	\$75.3	\$30	\$30
(b) Participant local communities (number).....	110	73	101	65
(c) Unobligated appropriations available ¹ (millions).....	\$75	\$85	\$30	\$30
Obligations incurred (millions).....	\$45.2	\$75.3	\$30	\$30
(d) Additional expenditures by borrowers (millions).....	\$1.2	\$0.76	\$0.4	\$0.4
(e) Federal employees administering program.....	(2)	(2)	(2)	(2)
(f) Non-Federal employees (number).....	None	None	None	None
(g) Other measures of performance.....	None	None	None	None

¹ Funds apportioned by Bureau of Budget.

² Not available.

5. *Estimated magnitude of program in 1970*

The program is expected to reach a net approval level of \$50 million in 1970.

6. *Prospective changes in program orientation*

There are no pending or currently foreseeable legislative proposals, administrative and organizational changes, or changed conditions under which the program will function in 1970, that will cause prospective or probable changes in program orientation or emphasis.

7. *Coordination and cooperation*

(a) Within the Community Facilities Administration, the policies, procedures, and functions of the PFL program are closely and continuously coordinated with all other operating programs of CFA and with the full technical staffs and administrative elements of the organization.

(b) Frequent meetings, informal discussions, and exchanges of program and administrative materials are effected between PFL program staff and other operating and administrative units of HUD to assure coordination and cooperation among the components of the Department.

(c) An interagency task force is currently reviewing the functions and objectives of the various Federal agencies engaged in financing local public works.

(d) HUD coordinates regularly with the National Legislative Committee of State Governments to suggest State legislation designed to facilitate use of public facility loan funds by local communities.

(h) HUD consults regularly with representatives of the investment banking industry to consider ways and means to make the PFL program dovetail most effectively with trends in the capital market to meet the public works financing needs of local communities. HUD is also in frequent touch with investment bankers to encourage private purchase of Government bond portfolios.

(e), (f), (g), and (i) None.

8. *Laws and regulations*

(a) Housing Amendments of 1955 (Public Law 84-345 (42 U.S.C.A. 149), Aug. 11, 1955).

(b) Housing Act of 1961 (Public Law 87-70, June 30, 1961).

(c) Public Law 87-808, October 15, 1962.

(d) Public Law 87-634, September 5, 1962.

(e) Housing Act of 1964 (Public Law 88-560, Sept. 2, 1964).

(f) Housing and Urban Development Act of 1965 (Public Law 89-117, Aug. 10, 1965).

Authorizations (Treasury borrowings):

(a) Housing amendment of 1955 (Public Law 84-345 (42 U.S.C.A. 149).

(b) Public Law 86-788, September 14, 1960.

(c) Public Law 87-70, June 30, 1961.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects*

(a), (b), and (d) No direct measurable effects.

(c) Direct effects are minor and incidental. The facilities assisted are generally and primarily for the direct use and benefit of the people

of the community as a whole; however, on occasion the facility (particularly in the case of sewer or water facilities) may include service to commercial or industrial customers thereby permitting such customers to operate more efficiently or to expand their operations, or to make possible the establishment of new business operations.

(e) The principal benefit and the major objective of the program is that of assisting small communities to finance public works essential to the local health and welfare. This includes not only such basic needs as sewer and water systems, but the cultural, recreational, and other facilities that are also essential to the well-being of the people of a dynamic society. The effects of such projects are of an environmental nature. Technically, the projects involve structures rather than people, but these structures are designed solely to serve people. As such, their impact on human resources is great. Indirectly but undeniably, they improve the productivity of workers and enhance social attitudes. By the same token they stimulate business activity and otherwise increase the viability of the local economy.

(f) About 80 percent of the applications are received from communities in Southeastern and Southwestern States and about 95 percent of the applications are from communities with populations under 10,000.

(g) The program is generally limited to assistance to relatively small communities and is specifically confined to financing projects for which credit is not otherwise available on reasonable terms. These limitations act to restrict the program to a small fraction of the total national public works construction. Over the past 10 years, for example, the average annual public works financing under the program has been less than \$40 million, whereas total public works construction costs have averaged about \$15 billion per year and the gross national product has been advancing to the \$678 billion level reached in 1965. Within this framework the contribution of the program to the magnitude or rate of growth of the gross national product is of no direct measurable significance.

(h) It is estimated that the program will finance 113 projects with loans totaling \$30 million in fiscal year 1966. These projects will generate approximately 6 million man-hours of employment and a payroll of about \$18 million. The remainder (\$12 million) of the loan funds will be allocated to materials used in project construction.

10. Economic classification of program expenditures.

Program: Public facility loans.

Department or agency, and office or bureau: Department of Housing and Urban Development; Land and Facilities Development Administration [formerly in Community Facilities Administration].

In fiscal 1965 net approved loans of \$75.3 million were made to local governments.

NOTE.—In the national income accounts this program is classified as a government enterprise. In fiscal 1965 the net expenditures for this program were \$38.2 million.

ADVANCES FOR PUBLIC WORKS PLANNING

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

The program of advances for public works planning provides interest-free planning money. The objectives of this program are:

1. To help communities integrate their specific public works plans with overall community planning for future growth; to adjust planning to community financial abilities and prospects; to aid in the selection of proper sites and timely acquisition of land; to give residents and local businesses a chance to orient their future operations and plans;

2. To encourage States, counties, municipalities, and other local public agencies to maintain a reservoir of planned public works which can be placed under construction within a short time, particularly when national or local economic conditions make such action desirable; and

3. To promote economy and efficiency in planning and building public works.

2. Operation

The program is administered by the Department of Housing and Urban Development through regional offices located in New York City, Philadelphia, Atlanta, Chicago, Fort Worth, San Francisco, Seattle, and Santurce, P.R. Applications are received and processed in the regional offices by legal, engineering, and finance technical staffs for general compliance with legal and policy requirements. The review at this time is directed toward the need for the facility, the legal basis of the applicant to plan and construct the contemplated public facility, the financial feasibility of the proposed project, and the likelihood that construction will actually be undertaken within the estimated period. The proposed project must be consistent with related State, regional, and local planning, and the applicant is encouraged to assess fully the priority of the project in relation to the total requirements of the community for planned public works.

Following the approval of the application for an advance, the community has a consulting engineer or architect prepare the plans for which the advance will be made. Plans thus completed are given detailed technical review by the community and by the State, regional, or local authorities as required. Approved plans are submitted to the HUD regional office for review as to completeness and consistency with the terms of the community's agreement with the Government. If approved, payment of the planning advance is made to the applicant, who in turn pays the consultant engineer or architect for services performed in preparation of the plans.

3. History

Section 702 of the Housing Act of 1954 established a Public Works Planning Fund, a revolving fund, with an initial authorization for appropriations amounting to \$10 million. The authorization was augmented in legislation enacted in 1955, 1961, 1964, and 1965 and presently amounts to \$128 million.

Against this authorization, appropriations totaling \$83 million have been enacted by the Congress. Thus the unappropriated balance of the statutory authorization is \$45 million (see answer to No. 8).

Cumulative net planning advances amounting to \$105.8 million were approved through the end of fiscal year 1965. The construction cost of public facilities to be built upon these plans is estimated at over \$6 billion.

Fiscal year 1966 will be the 11th full year of operation under the current program of advances for public works planning. An analysis

of approved planning advances indicates that about 80 percent have been made in communities of populations 50,000 and under. Approximately 60 percent of the planning advances have been for water and sewerage facilities.

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

Program: Advances for public works planning.

Department or agency, and office or bureau: Department of Housing and Urban Development; Office of Planning Standards and Coordination [formerly in Community Facilities Administration].

TABLE 1.—*Level of operations or performance, fiscal years 1964-67*

Measure and unit	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 estimate	Fiscal year 1967 estimate
(a) Magnitude of program:				
Number of planning advances approved.....	526	765	940	492
Amount (millions).....	\$10.5	\$21.1	\$24	\$10
(b) Applicants or municipalities.....	526	765	740	492
(c) Federal finances:				
Unobligated appropriations available (millions).....	\$12.6	\$22.1	\$25	\$11
Planning advances disbursed (millions).....	\$14.8	\$13.9	\$17	\$20
(d) Matching additional expenditures for the program.....	(1)	(1)	(1)	(1)
(e) Number of Federal employees administering program.....	62	68	67	55
(f) Non-Federal personnel.....	(1)	(1)	(1)	(1)

¹ Not applicable.

5. *Estimated magnitude of program activity in 1970*

The probable magnitude of program activity in 1970 is not expected to increase significantly over the level of \$10 million estimated for fiscal year 1967. Notwithstanding the increasing and continued demand for planning and construction for new public facilities, this decline in program activity from fiscal years 1965 and 1966 is anticipated because of the contemplated application of more stringent eligibility and financial review criteria planned to be put into effect in the latter part of fiscal year 1966.

The imposition of more stringent eligibility and financial review criteria has been found necessary in order to (1) orient the program in the direction of the areawide planning requirements of section VII of the Housing and Urban Development Act of 1965, and (2) develop financially sounder projects with greater assurance of earlier construction and faster repayment of the Federal advances.

The more stringent eligibility and financial review criteria will of course result in attrition of a greater number of applications and consequently should result in the program activity estimated for fiscal year 1967 and continue at this level into 1970.

6. *Prospective changes in program orientation*

There are no pending or foreseeable legislative proposals. Administrative and organizational changes may have some effect on program administration in the future. Contemplated immediate changes in program orientation will have the effect of making the program more responsive to the areawide planning requirements of title VII of the Housing and Urban Development Act of 1965, legislative program intent, and public needs as follows:

1. Processing of applications which are for public facilities that are part of an areawide or regional comprehensive plan will be

given priority. This is expected to make communities more responsive to the need of comprehensive planning and also to make the PWP program more consistent with the planning requirements of title VII of the Housing and Urban Development Act of 1965.

2. Emphasis will be placed on a more stringent financial analysis of applications in order to develop sounder projects with greater assurance of earlier construction and resulting in faster repayment of the Federal advances.

7. Coordination and cooperation

The PWP program is coordinated with other Federal agencies to extent necessary to insure that there is no duplication in planning and that the planning will not conflict with requirements of other agencies which may have an interest in the type of public facilities to be planned. In this respect, notices of applications received are sent to the U.S. Public Health Service in regard to water, sewerage, hospital, and related health facilities. The U.S. Office of Education is notified of educational facilities and, likewise, notices are sent to the Bureau of Public Roads, Federal Aviation Agency, Department of Defense, Office of the U.S. Corps of Engineers, the Department of Interior, Bureau of Reclamation, Department of Agriculture, Forest Service, etc., as applicable. Exceptions taken by other Federal agencies to the proposed planning are, of course, cleared before the application is approved.

8. Laws and regulations. (See table 2.)

TABLE 2.—Advances for public works planning

Act	Statutory authorization	Appropriation
Housing Act of 1954.....	\$10,000,000	-----
Housing Amendments of 1955:		
July 1, 1956.....	12,000,000	-----
July 1, 1957.....	12,000,000	-----
July 1, 1958.....	14,000,000	-----
Housing Act of 1961.....	10,000,000	-----
Housing Act of 1964.....	20,000,000	-----
Housing and Urban Development Act of 1965.....	50,000,000	-----
Supplemental AA, 1955.....		\$1,500,000
Independent Offices AA, 1956.....		3,000,000
Independent Offices AA, 1957.....		7,500,000
Independent Offices AA, 1958.....		5,000,000
Independent Offices AA, 1959.....		7,000,000
Independent Offices AA, 1960.....		6,000,000
Independent Offices AA, 1961.....		6,000,000
Independent Offices AA, 1962.....		7,000,000
Second Supplemental AA, 1962.....		1,000,000
Independent Offices AA, 1963.....		12,000,000
Independent Offices AA, 1964.....		2,000,000
Independent Offices AA, 1965.....		¹² (4,000,000)
Supplemental AA, 1965.....		10,000,000
Independent Offices AA, 1966.....		10,000,000
Supplemental AA, 1966.....		5,000,000
Subtotal, enacted appropriations.....		83,000,000
Estimated unused balance available, June 30, 1966.....		45,000,000
Total.....	128,000,000	128,000,000

¹ Nonadd.

² Contingent upon forgiveness of advances in accordance with sec. 6 of the Public Works Acceleration Act.

Source: Budget and Requirements Division, Oct. 26, 1965.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects*

The table below illustrates the economic effects of the program based on estimated activity in fiscal year 1966. It indicates that for every advance of \$1 in program funds, about \$26 worth of economic activity is generated. The table should not be construed as an economic analysis in depth. Its purpose is merely to illustrate the probable range between cost and benefit based on an approximate quantitative analysis.

TABLE 3.—*Advances for public works planning; estimate of costs and benefits, fiscal year 1966*

Item	Cost (—) (thousands)	Benefit (+) (thousands)	Net cost or benefit (thousands)
1. A. Advances disbursed in fiscal year 1966.....	—\$17, 000	\$17, 000	0
B. Repayments (40 percent over 5 years).....		6, 800	+\$6, 800
2. A. Cost of Treasury borrowing (\$17,000,000, at 3½ percent over 5 years).....	—3, 100		
B. Administration agency expense in fiscal year 1966.....	—675		
C. Administration agency expense relative to repayment of advances (5 years, at \$25,000 per year).....	—125		—3, 900
3. Increase in national dollar value of construction projects (40 percent times \$1,000,000,000).....		400, 000	+400, 000
4. A. Increase in labor employment, 50 percent (40 percent times \$1,000,000,000 project cost times 198 man-hours per \$1,000).....		(1)	
B. Increase in labor earnings generated: On-site, 16,000,000 man-hours times \$3.68 per hour equals \$59,000,000; off-site, 23,500,000 man-hours times \$2.60 per hour equals \$61,000,000.....		120, 000	+120, 000
5. A. Federal income taxes resulting from constructed plan- ning projects (\$120,000,000 times 15 percent).....		18, 000	
B. State income tax (¼ times Federal tax).....		4, 500	
C. State and local sales taxes (2 percent times \$200,000,000).....		4, 000	+26, 500
6. Estimated population served by water and sewerage facili- ties (\$1,000,000,000 times 3 divided by \$500) ²		(3)	
Total.....	—20, 900	+570, 300	+549, 400

¹ 39,500,000 man-hours.

² Assumes \$500 per household user.

³ 6,000,000 population.

10. *Economic classification of program expenditures.* (See table 4.)

Program: Advances for public works planning.

Department or agency, and office or bureau: Department of Housing and Urban Development; Office of Planning Standards and Coordination [formerly in Community Facilities Administration].

TABLE 4.—*Economic classification of program expenditures for fiscal year 1965*

[In thousands of dollars]

Federal Government:

Purchases of goods and services: ¹

Wages and salaries..... 666

Other..... 76

Loans to State and local governments ²..... 13, 871

Total Federal expenditures ¹..... 14, 613

¹ \$728,000 of the purchases of goods and services are financed from the appropriation for administrative expenses for the Office of the Secretary.

² Gross expenditures for the public works planning fund were \$13,895,000 (including \$24,000 for purchases of goods and services). In fiscal 1965 there were repayments of \$6,043,000, resulting in net expenditures of \$7,852,000.

Renewal Projects Administration

URBAN RENEWAL PROJECTS

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

The urban renewal program, authorized by title I of the Housing Act of 1949, as amended, has two parallel but closely related objectives:

1. The elimination of slums, blighting influences, deterioration, and other factors which create an unhealthy and undesirable environment for urban living and impede the adaption of the community to changing conditions.

2. The redevelopment, rehabilitation, and conservation of areas to provide decent housing in a suitable living environment and to permit adjustments in urban development patterns to changing human and economic needs.

Because of the wide variety of problems faced in different localities and the breadth and flexibility of the title I program, there are many subobjectives to the program, differing from locality to locality, and among the projects in a given locality. Even a single project will normally have a multiplicity of subobjectives. Thus, in addition to the housing objectives, projects may be concerned with improving the earning capacity of local residents through the encouragement of industrial and commercial growth; improving the local tax base to provide support for the increasing demands for welfare and educational services; improving schools and other public facilities through the provision of sites; providing space for the development or expansion of such institutions as universities, hospitals, and museums; and improving the social structure of the community by making it attractive and viable to residents of all income levels. It would be impossible to develop any comprehensive list of all the objectives involved in urban renewal undertakings throughout the Nation.

2. Operation

Urban renewal activities are locally planned and carried out by local public agencies with Federal financial assistance being provided through advances, loans, and grants. Depending on State law, the local public agency may be the municipality itself, a semiautonomous agency, a county agency, or a State agency. Whatever the form of local public agency, the final approval of the project must be made by the local governing body.

Federal financial assistance is provided in the following forms:

1. Grants for community renewal planning to identify the overall community needs and resources for renewal actions of all types. Federal grants for community renewal planning cover two-thirds of the costs with the remaining one-third provided by the locality.

2. Planning advances to finance feasibility surveys, the preparation of neighborhood renewal plans, and the survey and planning work for the carrying out of specific projects. Planning advances are repaid by the project once it enters the execution phase.

3. Temporary loans used by the community as working capital for carrying out urban renewal project activities. The Federal

loan contract may be used by the local public agency to secure financing on the private market at lower interest rates than the going Federal rate. Temporary loans are repaid from proceeds of land sales made by the project and the local and Federal grants contributed toward the project.

4. Long-term "definitive" loans used to capitalize the value of land disposed of under lease agreements. These loans are repaid from lease proceeds.

5. Capital grants to cover the Federal share of net project cost—the total cost of carrying out the project less the proceeds derived from land sales and other proceeds of project operations. The Federal share may be (a) two-thirds of net project cost, or (b) three-fourths of net project cost for cities with a population under 50,000 or for cities located in areas designated under the Economic Development Act, (c) three-fourths of net project cost for cities which assume the costs of planning and administration without charge to the project, or (d) nine-tenths of net project cost for certain Alaskan cities affected by the 1964 seismic disturbance. The local share may be in the form of cash or public works which are a necessary part of the project undertaking. Some States make direct contributions to the locality to assist in meeting the non-Federal share of project costs.

In addition to the above forms of Federal financial assistance, see also the separate reports on relocation payments to displaced individuals, families, and businesses; loans and grants for rehabilitation; grants for code enforcement and demolition; and the various programs of the Federal Housing Administration to provide special mortgage insurance for the construction and rehabilitation of housing in urban renewal areas.

Of increasing significance in the urban renewal process has been the development of community renewal programs. Such programs are concerned with inventorying and evaluating the overall community needs and resources for renewal actions and the development of positive programs for carrying out renewal on a communitywide basis. Community renewal programs are very deeply concerned with the question of the human resources of the community and with integrating social welfare actions with programs for physical improvement.

The relocation of displaced families from existing substandard dwellings into decent, safe, and sanitary housing has been a cornerstone of the urban renewal program since its inception. See the separate discussion of relocation programs for a fuller exposition of the human resources aspects of this activity.

The rehabilitation of existing housing is an increasingly important part of the total urban renewal program. Experience has shown that rehabilitation cannot be successfully carried out without the full and active cooperation of the area residents. Considerable effort is devoted to the development of community organizations as a means of reaching the area residents and soliciting their cooperation. Projects involve extensive counseling service to the residents to assist them with the financial, architectural, and construction aspects of carrying out the rehabilitation of their housing. In many cases the technical counseling must be supplemented by the mobilization of the social service aids in the community to help the residents solve their personal

problems. See also separate discussion of loans and grants available to assist property rehabilitation.

In recent years a number of new mechanisms have been developed to make possible the construction of new housing for families of low and moderate incomes and an increasing proportion of the housing constructed in urban renewal project areas is for such families. The projects not only provide desirable sites supported by adequate public facilities, but they also provide lower land prices which help make the construction of such housing feasible.

3. History

The original enabling legislation was enacted in 1949 and the program was then known as slum clearance and urban redevelopment. In 1954, the name of the program was changed to urban renewal in recognition of its broader scope. The 1954 legislation introduced the workable program requirement as a prerequisite to undertaking urban renewal projects, emphasized the role to be played by rehabilitation, and added various forms of FHA mortgage insurance to aid in the redevelopment and rehabilitation of urban renewal areas. The Housing Act of 1956 first provided for relocation grants to displaced individuals, families, and business concerns. The Housing Act of 1959 introduced the community renewal program. The Housing Act of 1961 doubled the preceding authorization for the program and provided several other liberalizing amendments. The 1964 Housing Act expanded relocation assistance, authorized assistance for code enforcement, and provided for the system of direct Federal loans for rehabilitation. The Housing and Urban Development Act of 1965 provided Federal grants for rehabilitation, the new program for the demolition of unsound structures, and a number of other significant technical amendments.

TABLE 1.—*Brief summary of program growth*

[Dollar amounts in thousands]

Fiscal year	Number of localities	Number of projects	Grant reservations
1965	770	1,592	\$4,502,987
1964	743	1,466	3,935,765
1963	679	1,310	3,300,892
1962	546	1,013	2,546,681
1961	470	813	1,888,948
1960	455	797	1,638,713
1959	385	647	1,311,488
1958	331	554	1,193,553
1957	264	435	804,106
1956	232	377	657,078

4. Level of operations. (See table 2.)

Program: Urban renewal projects.

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

TABLE 2.—*Level of operations or performance, fiscal years 1964-67*

[Dollar amounts in millions]

Measure	Fiscal year 1964 actual	Fiscal year 1965 actual	Fiscal year 1966 estimate	Fiscal year 1967 estimate
(a) Magnitude of program:				
Cumulative projects approved (net).....	1,466	1,592	1,762	2,047
Cumulative projects completed.....	157	209	284	374
Federal grant reservations.....	\$3,965.5	\$4,539	\$5,389	\$6,114
(b) Applicants or participants: Local communities (cumulative).....	743	770	805	850
(c) Federal finances: ¹				
Authorization available.....	\$651.9	\$759.5	\$861	\$736
Usage of authority.....	\$642.4	\$573.5	\$850	\$725
Balance of authority.....	\$9.5	\$186	\$11	\$11
(d) Matching or additional expenditures ²	\$298.2	\$266.2	\$394.5	\$336.5
(e) Number of Federal Government employees ³	1,354	1,357	1,660	1,715
(f) Non-Federal personnel ⁴				

¹ Until fiscal year 1966 this program was financed through the use of contract authorization with appropriations following years after obligation of funds. For fiscal years 1966 and 1967, this pattern is different—appropriations were made for advance liquidation of contract authority. In view of this, the presentation of Federal finances in terms of authorizations seems most meaningful. Amounts shown include grants for relocation, code enforcement, demolition, and rehabilitation.

² Estimated local contributions to match utilized Federal contract authority. In view of several formulas involved, the matching estimate is based on an overall experience ratio of 68.3 percent Federal to 31.7 percent local.

³ Includes nonadministrative employment. Also includes employees working on relocation grants, code enforcement, demolition, and urban planning assistance.

⁴ No estimates available.

5. *Estimated magnitude of program in 1970*

The authorization of funds for the urban renewal program extends only through 1969. However, there is no reason to anticipate any decrease in the need for the program. In general, the stock of structures in the central cities is aging at a greater rate than it is being replaced or rehabilitated. Some traditional urban functions, such as heavy manufacturing and distribution, are tending to locate new facilities in the suburban areas. However, other central city functions such as quality retailing, office and administrative activities, and cultural and educational activities are continuing to expand. In terms of residential patterns, the trend of middle-class movement to the suburbs appears to have passed its peak and there appears to be some reverse movement back to the central city as new and attractive facilities are being developed. The need for low- and middle-income housing continues to grow and is aggravated by the lack of available sites. For most cities, the use of urban renewal techniques appears to be essential to make the adjustments to these changes.

6. *Prospective changes in program orientation*

(a) *Pending legislative proposals.*—In his state of the Union message of January 12, 1966, the President stated "In some of our urban areas we must rebuild entire sections and neighborhoods containing in some cases as many as a hundred thousand people. Working together, private enterprise and government must press forward with the task of providing homes and shops, parks and hospitals, and all the other necessary parts of a flourishing community where people

can come to live the good life." No specific legislative proposals have been submitted to the Congress.¹

(b) *Proposed administrative or organization changes.*—The Urban Renewal Administration has been incorporated as a part of the new Department of Housing and Urban Development. Aside from this, there are no announced organizational or administrative changes pending.

(c) *Probable changes in the conditions under which the program will function in 1970; for example, technological, economic, or social.*—At this time there are no estimates of possible impacts of changing technological, economic, or social conditions on the operations of the urban renewal program.

7. *Coordination and cooperation*

(a) *Within your bureau, division, or office.*—Coordination is achieved through normal administrative structure.

(b) *With other units of your department or agency.*—Extremely close and continuing relationships are maintained with the other agencies of the Department of Housing and Urban Development on both policy and operational matters. Some of the more significant ones are described below:

All urban renewal projects involving residential redevelopment are referred to the Federal Housing Administration for their comments as to the appropriateness for such uses. In determining land disposition prices for residential uses, FHA maximum values for mortgage insurance purposes are a major factor. FHA and URA have cooperated on the issuance of rehabilitation standards to meet specific city situations. There is continuing cooperation with FHA on the use of sections 220 and 221(d)(3) mortgage insurance for redevelopment of urban renewal areas and on the use of section 221(d)(3) housing as a relocation resource.

With the Public Housing Administration there is continuing liaison on the development of public housing units as a relocation resource and on the use of urban renewal project land as a site for the construction of new public housing units.

(c) *With other Federal Government departments or agencies.*—The following is a summary of some of the more significant cooperative relationships maintained with other Federal departments and agencies in carrying out title I urban renewal projects:

U.S. Army Corp of Engineers: Full coordination in planning and carrying out urban renewal projects proposed for flood control areas under the cognizance of the Corps of Engineers. The cooperative arrangements were implemented by issuing procedural instructions to our respective field offices, setting out the relationships that we expect in these cases.

General Services Administration—Public Buildings Service: URA notifies GSA's Public Buildings Service whenever we approve the

¹ On January 27, 1966, S. 2842 and H.R. 12341 were submitted, providing for the establishment of "city demonstration programs for rebuilding slum and blighted areas and for providing the public facilities and services necessary to improve the general welfare of the people who live in these areas." The initial fund authorization of \$12 million, requested in this proposed legislation, will support local planning activities; subsequent authorizations will be sought to fund the Federal program assistance. The approved programs in demonstration cities will encompass a broad spectrum of efforts in the field of human and physical resources development. It is expected that, in the localities which have been selected under this demonstration program, there will be an increase in the number of urban renewal projects which are proposed and undertaken. [A related bill, S. 8708, was enacted as Public Law 89-754, the "Demonstration Cities and Metropolitan Development Act of 1966," approved Nov. 3.]

planning of a proposed project in or near a locality's central business district. GSA compares this with its public buildings construction program, with an eye to acquiring suitable sites in renewal areas. The two organizations have developed a mutually acceptable form of contract to use when local renewal agencies sell land to GSA, which has reduced the incidence of delays resulting from misunderstandings at the field level on what conditions on the transfer of land are acceptable to both agencies.

Post Office Department: URA periodically notifies the Post Office Department of the location of urban renewal projects. They use this information in planning for the replacement of existing facilities and the addition of new facilities. They also review project locations to determine whether they may contain suitable sites for postal facilities. A guide form of contract for the sale of urban renewal sites to the Post Office Department has also been agreed upon by the respective agencies.

Small Business Administration: Under their enabling legislation SBA can provide assistance to eligible small businesses located in renewal areas. Under established procedures URA regional staff notify the appropriate SBA office when they receive an application for a renewal project in which displacement of businesses is indicated. Upon execution of the project SBA personnel work closely with local renewal agency personnel in arranging needed financing for eligible businesses.

Veterans' Administration: Arrangements have been made for VA regional offices to notify local renewal agencies of acquired properties which VA has available for sale. The local agencies use these listings to refer project displacees as a relocation resource.

Office of Economic Opportunity: Close relationship with personnel of this agency are being established at the Washington, regional, and field level. URA strives to secure assistance from OEO-sponsored organizations in assisting the low-income residents in urban renewal areas. To facilitate this arrangement URA permits as eligible costs in renewal projects expenditures to provide necessary temporary space for these agencies to use. At the same time OEO looks to urban renewal areas for opportunities to establish programs consistent with their own objectives. To this end they have issued advisory materials on opportunities for projects that may be found in renewal areas.

Department of Labor: URA, mainly, through its regional staffs, attempts to involve the Labor Department in urban renewal projects where it appears that manpower and job training programs, etc., are needed to help renewal area residents.

Department of Commerce, Bureau of Public Roads: URA requires the coordinated planning of urban renewal areas and major highway construction projects. To this end, URA regional staff, when it accepts an application for planning a renewal project, sends a copy of a map contained in the application, indicating the location of the proposed project, to the appropriate BPR field office. The BPR field office reviews this map, identifying conflicts with proposed highway projects. Also the two organizations have developed mutually acceptable policies for the transfer of land acquired by one program to the other, for pricing the land transferred, and for sharing the cost of work done under one of the programs which benefits both of the programs.

Department of Commerce, Economic Development Administration: Special provisions apply for urban renewal projects undertaken in localities designated depressed areas by EDA. The most significant provision is the increase in the Federal grant from two-thirds to three-fourths of the cost of the renewal project. Thus the urban renewal program may be a useful tool in a locality's efforts to improve its economic vitality.

Department of Health, Education, and Welfare: URA is one of the participants in an active task force, formally established by the Secretary, HEW, and the HHFA Administrator, in an effort to more effectively utilize available health, education, and welfare services in urban renewal areas. In addition to the many successes realized through this task force, their current main activity is to develop and sponsor demonstrations of concerted health, education and welfare services to residents in renewal areas in a number of selected cities. In the latter program, the Department of Labor and OEO have been active cooperating participants on an informal basis. URA has also worked with HEW on coordinating payments to persons eligible to receive funds under both programs, to insure that recipients of relocation payments upon displacement from a renewal project as a result do not lose their eligibility for welfare payments.

Department of the Interior, National Park Service: Efforts are being made to coordinate the historic preservation activities of both organizations. In this connection it is expected that joint publication will be issued illustrating how the programs may be used in concert in local historic preservation programs.

In addition URA regularly informs the Park Services of the location of new renewal projects, because of the effect they may have on such of the Park Service's programs as the registered national historic landmarks program, the historic American buildings survey, and certain archeological investigations activities.

(d) *With State governments or their instrumentalities.*—Several State governments (notably, New York, Massachusetts, Pennsylvania, and Connecticut) provide financial assistance to localities to assist them in the carrying out of title I urban renewal projects. This financial assistance takes a variety of forms, but is usually a long-term loan or a grant to the locality to assist it in meeting the non-Federal share of the cost of carrying out the project.

(e) *With local governments or communities.*—Local governments, either in themselves or acting through a local public agency, are the direct participants in the title I urban renewal program. In some cases county redevelopment authorities have been established to act as the local public agency for all localities within the jurisdiction. In Alaska, a State authority acts as the local public agency for all localities in the State. No matter what the form of the local authority, final approval of the project must be given by the governing body of the locality after a public hearing.

(f) *With foreign governments or international organizations.*—Officials of the Urban Renewal Administration are frequent participants in international seminars on the problems of planning and urban development. Coordination and liaison on these activities is handled through the Office of International Housing of the Office of the Secretary.

(g) *With nonprofit organizations or institutions.*—Liaison is maintained with a number of nonprofit institutions representing public

and professional viewpoints. Among those consulted are the National Association of Homebuilders, the National Association of Real Estate Boards, the National Association of Housing and Redevelopment Officials, the National Trust for Historic Preservation, the American Institute of Planners, Urban America (formerly the Action Council for Better Cities), the U.S. Conference of Mayors, the National League of Cities, the American Council on Education and the National Housing Conference.

(h) *With business enterprises.*—No direct relationships are maintained with business enterprises.

(i) *With others.*—None.

8. Laws and regulations

Public Law 171, 81st Congress, approved July 15, 1949, 63 Stat. 413, 414, title I (see Basic Laws and Authorities on Housing and Urban Development, 1965, Committee on Banking and Currency, House of Representatives, 89th Congress, 1st session, p. 253).

Amended by:

Public Law 370, 82d Congress, approved June 3, 1952 (66 Stat. 98).

Public Law 94, 83d Congress, approved June 30, 1953 (67 Stat. 121, 127, sec. 24(a)).

Public Law 560, 83d Congress, approved August 2, 1954 (68 Stat. 590, 622, title III and title VIII secs. 801(e) and 814).

Public Law 345, 84th Congress, approved August 11, 1955 (69 Stat. 635, 637, secs. 106 and 108).

Public Law 1020, 84th Congress, approved August 7, 1956 (70 Stat. 1091, 1097, title III).

Public Law 85-104, approved July 12, 1957 (71 Stat. 294, 299, title III).

Public Law 86-372, approved September 23, 1959 (73 Stat. 654, 670, title IV).

Public Law 87-70, approved June 30, 1961 (75 Stat. 149, 165, title III).

Public Law 88-560, approved September 2, 1964 (78 Stat. 769, 785, title III).

Public Law 89-117, approved August 10, 1965 (79 Stat. 451, 453, 474, 485, title I, secs. 101(f) and (i), titles III and IV) (see Basic Laws and Authorities on Housing and Urban Development, 1965, pp. 253 and 408).

Current appropriations:

Public Law 89-128, approved August 16, 1965 (79 Stat. 520) (see Basic Laws and Authorities on Housing and Urban Development, 1965, p. 596).

Supplemented by: Public Law 89-309, approved October 31, 1965 (79 Stat. 1133, 1135) (see Basic Laws and Authorities on Housing and Urban Development, 1965, p. 603).

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. Economic effects

The economic effects of the urban renewal program are wide ranging and complex because of the tremendous variation in the nature of projects. There has been no acceptable generalized methodology developed for either describing all the effects or for quantifying them.

Some general observations can be made and a few can be roughly quantified.

Urban renewal projects do serve as a stimulus for private investment. It has been estimated that there will be over \$5 of private redevelopers' investment for every dollar of Federal capital grants involved in current urban renewal undertakings. This is in addition to the local investment in new public facilities.

For many localities, urban renewal represents an opportunity to improve their municipal revenue base through the upgrading of development and of the assessments thereon. It has been estimated that assessments will run about 4½ times the amount prior to redevelopment. It should be recognized that there are very wide variations in the tax effect among localities and projects. In many cases, projects have involved the expansion of universities, or hospitals, or the development of cultural or other public centers. In such cases the net effect on local taxes may be negative.

Most attempts to measure the economic effects of urban renewal have been limited to the area of the projects themselves. There is considerable evidence of a substantial "spillover" effect on surrounding areas and on the city as a whole. While efforts to measure this spillover effect are crude at their very best, it is our estimate that the economic effects on the surrounding area are at least as great as those in the project itself.

10. *Economic classification of program expenditures.* (See table 3.)

Program: Urban renewal projects.

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

TABLE 3.—*Economic classification of program expenditures for fiscal year 1965*

[In millions of dollars]

Federal Government:	
Purchases of goods and services.....	¹ 14. 8
Grants to State and local governments.....	282. 5
Loans to State and local governments (net change of outstanding loan balances).....	41. 8
Total, Federal expenditures.....	339. 1

¹ These expenditures are included in the salaries and expenses appropriation of the Office of the Secretary.

CODE ENFORCEMENT AND DEMOLITION PROJECTS

PART I. DESCRIPTION OF THE PROGRAM

1. *Objectives*

In many cases large residential areas can be kept viable through the concentrated enforcement of existing housing codes. In other cases the continued existence of unsound structures constitutes a blighting influence on the surrounding area. To deal with these two special problems, the Congress has authorized special programs which are a part of the basic urban renewal law but which do not have to conform to all of the requirements normally associated with urban renewal projects.

2. Operation

Federal grants for code enforcement projects may be made to cities, other municipalities, and counties that have statutory authority to enforce building, housing, and related codes. Within designated areas, which must meet eligibility tests, the community will carry out a systematic program for intensive code compliance. That program must provide a definite plan and schedule for bringing all properties into code compliance; an adequate number of trained inspectors; an effective notice, permit, and records system; close coordination among all local governmental units responsible for inspections and other compliance actions; and administrative and legal procedures for the prompt and equitable handling of noncompliance and appeal cases. The municipality must have a satisfactory program and resources for providing all necessary improvements in the code enforcement area; however, some street repairs may be covered as part of the project cost for which Federal grants are available. The project may also include the provision of advisory services on the rehabilitation of structures, financing of repairs and rehabilitation, and on community organization within the affected areas. The municipality must accept the responsibility for the satisfactory relocation of any families which may be displaced through the assisted code enforcement activities.

The Federal grant for code enforcement may not exceed two-thirds (or three-quarters in the case of a municipality having a population of 50,000 or less) of the costs of planning and carrying out the program. Federal grants are also provided for any necessary relocation payments. The direct Federal rehabilitation loan and grant program are available to property owners in code enforcement areas.

Federal grants for demolition are available to municipalities with authority under State and local law to demolish unsound structures which constitute a public nuisance and a serious hazard to public health or welfare. The demolition must be carried out on a planned neighborhood basis and further the overall renewal objectives of the community. The Federal grant may cover two-thirds of the costs of demolition.

3. History

The first code enforcement provisions were enacted in the Housing Act of 1964. However, these proved to be unworkable and were extensively amended in the Housing and Urban Development Act of 1965. The demolition grant program was also authorized in that latter act.

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

Program: Code enforcement and demolition projects.

Department or agency, and office or bureau: Department of Housing and Urban Development; Renewal Projects Administration.

TABLE 1.—*Level of operations or performance, fiscal years 1966–67*¹

Measure	Fiscal year 1966 estimate	Fiscal year 1967 estimate
(a) Magnitude of program:		
Code enforcement projects (cumulative).....	50	150
Demolition projects (cumulative).....	50	150
(b) Applicants or participants: Local communities:		
Code enforcement (cumulative).....	50	135
Demolition (cumulative).....	50	135
(c) Federal finances ²		
(d) Matching or additional expenditures ³		
(e) Number of Federal Government employees ²		
(f) Non-Federal personnel ³		

¹ Not in operation in fiscal 1964 and 1965.² Included in urban renewal projects table.³ Not available.

5. *Estimated magnitude of program in 1970.*

Experience under the code enforcement and demolition grant programs is still too limited to justify any valid estimates of performance several years into the future.

6. *Prospective changes in program orientation.*

(a) *Pending legislative proposals.*—None.

(b) *Proposed administrative or organizational changes.*—The Urban Renewal Administration has been incorporated as a part of the new Department of Housing and Urban Development. Other than this there are no announced organizational or administrative changes pending.

(c) *Probable changes in the conditions under which the program will function in 1970, e.g., technological, economic, or social.*—At this time there are no estimates of possible impacts of changing technological, economic, or social conditions on the operations of the urban renewal program.

7. *Coordination and cooperation*

(a) *Within your bureau, division, or office.*—Coordination achieved through normal administrative channels.

(b) *With other units of your department or agency.*—Liaison has been established with the Federal Housing Administration on the provision of mortgage insurance under section 220 in areas covered by code enforcement projects.

(c) *With other Federal Government departments or agencies.*—Liaison is being established with the U.S. Public Health Service in the field of environmental health.

(e) *With local governments or communities.*—Operations under the code enforcement and demolition grant programs are carried out through local governments.

(g) *With nonprofit organizations or institutions.*—Liaison will be established with such organizations as the International Conference of Building Officials, Building Officials Conference of America, Southern Building Code Congress, American Public Health Association, National Association of Home Builders, and National Association of Housing and Redevelopment Officials.

For (d), (f), (h), and (i) None.

8. *Laws and regulations*

Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 477, sec. 311(a). (See Basic Laws and Authorities on Housing and Urban Development, 1965, p. 285.)

Current appropriations:

Public Law 89-128, approved August 16, 1965, 79 Stat. 520. (See Basic Laws and Authorities on Housing and Urban Development, 1965, p. 596.)

Supplemented by: Public Law 89-309, approved October 31, 1965, 79 Stat. 1133, 1135. (See Basic Laws and Authorities on Housing and Urban Development, 1965, p. 603.)

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects*

Operations under the code enforcement and demolition grant programs are still too new to permit any valid judgment of economic effects.

10. *Economic classification of program expenditures*

There were no expenditures for code enforcement or demolition grants in fiscal year 1965.

RELOCATION PROGRAM

PART I. DESCRIPTION OF THE PROGRAM

1. *Objectives*

Any program involving substantial physical changes in the urban environment will inevitably result in the displacement of individuals, families, and businesses. This is particularly true of urban renewal where the effort to change the urban environment is both conscious and concentrated. Recognizing this, the Congress provided for relocation programs as an integral part of urban renewal. The aim of these programs is to mitigate any hardships which may arise from the necessity of displacement and, to the extent feasible, to make relocation an opportunity for positive efforts to improve the living conditions of those who are displaced.

2. *Operation*

The urban renewal relocation effort is carried out by the local public agency undertaking urban renewal projects with the aid of the Federal financial assistances described below. Basically, this effort involves three facets:

(a) *Relocation feasibility*.—As a prerequisite for the undertaking of an urban renewal project, the local public agency must demonstrate that the relocation of families and individuals who will be displaced will be feasible. During the survey and planning stage, estimates must be made of the number, character, and incomes of the families and individuals who will be displaced. Subject to Federal approval, the locality will establish a standard for decent, safe, and sanitary housing, including standards on ability to pay. Surveys will be made of vacancies, turnover in existing housing, and plans for the construction of new housing which would be available to those displaced.

Based on a general matching of needs and resources, the locality will determine whether it can meet the statutory requirement of relocation feasibility. This finding must be approved by both the governing body of the locality and the Secretary of Housing and Urban Development. Determining relocation feasibility is financed as part of its planning advance of a title I project.

(b) *Relocation assistance.*—As early as possible before the period in which relocation is to be carried out, the locality must establish a site office through which it offers assistance to displaced individuals, families, and businesses in the finding of new quarters. In the case of individuals and families, followup checks are made on those self-relocated to assure that their housing meets the standards for being characterized as decent, safe, and sanitary. As part of the process of relocation assistance, the local public agency may undertake diagnostic and referral services on the various human adjustment problems it encounters in working with residents. Relocation assistance is financed as part of the title I project and shared by the locality and the Federal Government.

(c) *Relocation payments.*—To help those who must be relocated meet the costs involved, a variety of special payments have been authorized—almost all of which are provided as a 100-percent Federal grant rather than shared as project costs. Displaced individuals and families may receive up to \$200 to cover moving expenses and losses of personal property. Low-income families and elderly persons are entitled to a relocation adjustment payment of up to \$500 to assist in meeting other costs incident to displacement. Displaced business firms are entitled to payments for their moving expenses and smaller firms may be eligible for a small business displacement payment in the amount of \$2,500.

3. History

The requirement for establishing relocation feasibility was established in the original Housing Act of 1949. The Housing Act of 1956 first authorized the making of relocation payments and the amounts thereof were increased by the Housing Acts of 1959 and 1961. In the Housing Act of 1964, relocation adjustment and small business displacement payments were first authorized, the relocation feasibility requirement was extended to individuals as well as families, and the Administrator was required to issue rules and regulations covering the nature of relocation assistance activities required. The Housing and Urban Development Act of 1965 increased the amount of the small business displacement payment from \$1,500 to \$2,500.

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

Program: Relocation program.

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

TABLE 1.—*Level of operations or performance, fiscal years 1964-67*

[Dollar amounts in millions]

Measure	Fiscal year 1964 actual	Fiscal year 1965 actual	Fiscal year 1966 estimated	Fiscal year 1967 estimated
(a) Magnitude of the program:				
Families displaced during year.....	18, 232	18, 061	25, 000	25, 000
Individuals displaced during year.....	10, 489	9, 780	12, 000	12, 000
Business concerns displaced during year.....	5, 836	6, 983	6, 000	6, 000
Relocation payments made in year.....	\$10. 3	\$14. 5	\$45	\$45
(b) Applicants or participants: ¹ Urban renewal projects with relocation activity underway.....	418	520	660	795
(c) Federal finances ²				
(d) Matching or additional expenditures ³				
(e) Number of Federal Government employees ⁴				
(f) Non-Federal personnel ⁵				

¹ There may be more than 1 project in a locality with relocation activity.² Relocation activities are financed as an integral part of the carrying out of urban renewal projects.³ Local staff expenses for administering relocation activities are included as a part of project costs. ⁴ Almost all relocation payments are covered by 100 percent Federal grant coming from the overall Federal grant authorization for urban renewal projects. Business relocation payments in excess of \$25,000 each are shared by the locality, but the matching expenditures are very limited.⁴ Federal employment for relocation is part of overall employment for urban renewal projects. No separate breakdown available.⁵ Estimates not available.

5. *Estimated magnitude of program in 1970*

Relocation activities are directly tied into the operations of the urban renewal program for which authorizations of funds extend only to 1969. With the continued increased trend of population concentration in the urban areas of the United States, we can see no reason for any reduction in the need for urban renewal in 1970.

6. *Prospective changes in program orientation*

(a) *Pending legislative proposals.*—The Subcommittee on Intergovernmental Relations of the Senate Committee on Government Operations has conducted hearings on two bills, S. 1201 and S. 1681 which would establish uniform requirements and procedures with respect to persons and businesses displaced under all Federal and federally assisted programs. The substance of the relocation provisions of these bills grows largely out of the urban renewal experience with relocation and is concerned with extending this approach to other Federal programs. The only major change from present urban renewal approach would be to make some changes in the nature and size of relocation payments.

(b) *Proposed administrative and organizational changes.*—The Urban Renewal Administration has been incorporated as a part of the new Department of Housing and Urban Development. Other than this, there are no announced organizational or administrative changes pending.

(c) *Probable changes in the conditions under which the program will function in 1970, e.g., technological, economic, or social.*—At this time there are no estimates of possible impacts of changing technological, economic or social conditions on the operations of the urban renewal program.

7. *Coordination and cooperation*

(a) *Within your bureau, division, or office.*—Coordination is achieved through normal administrative channels.

(b) *With other units of your department or agency.*—There is a very close interlocking of urban renewal relocation activities with the

Public Housing Administration and the Federal Housing Administration. Housing construction assisted by these two agencies constitutes a major resource for the successful carrying out of relocation. At the Washington level, there is frequent consultation and discussion of proposed policies and procedures. At the regional office level, there are frequent consultations on the solution of operational problems, such as the amount of housing needed in a locality to meet relocation needs and the critical question of the timing of the housing so that it will be available when needed.

(c) *With other Federal Government departments or agencies.*—Procedures have been in force for some time for coordination and cooperation between the Urban Renewal Administration (URA) and the Small Business Administration. The Congress has provided the Small Business Administration with authority to assist displaced small business concerns. The two agencies have been cooperating in the provision of technical assistance and guidance to the small business concerns forced to relocate from urban renewal projects. Each local public agency administering the local renewal activities is administratively required to seek the assistance of the Small Business Administration at the earliest possible time during project development and execution. Currently, the SBA is assisting URA to develop informational material for local public agencies on the types of assistance available and the extent to which they can help to make the SBA assistance most effective.

URA has been an active participant in the activities of the Joint Task Force on Health, Education, and Welfare Services and Housing. The task force is comprised of representatives of constituent agencies of the HHFA (HUD) and the Department of Health, Education, and Welfare. The primary objective of the task force has been to increase the quality, quantity, range, and availability of services for the residents of public housing and urban renewal areas. Initially, the emphasis was on residents of low-rent public housing, but more of the work now includes urban renewal and community conservation.

The Office of Economic Opportunity and the Urban Renewal Administration have been working together to encourage joint efforts at the local level. Particular emphasis has been placed upon community action programs in conjunction with urban renewal projects, but other Office of Economic Opportunity programs have also been developed in cooperation with local urban renewal agencies. In some instances the local agency houses both Office of Economic Opportunity and urban renewal programs. In most instances, joint CAP-URA projects have been developed for the purposes of improving the environment, encouraging social rehabilitation, and providing improved opportunities for adequate employment, housing, and medical care.

(d) *With State governments or their instrumentalities.*—The relocation program of URA is not directly associated with State governments, since the statute provides for a Federal-local relationship. However, some States have laws which govern aspects of relocation requirements.

(e) *With local governments or communities.*—An explanation of cooperation and coordination with local governments or communities

is set forth in the response to this question as it relates to the overall urban renewal program.

(f) *With foreign governments or international organizations.*—The Office of International Housing occasionally requests that URA relocation personnel consult with visitors or provide other information and guidance. There are no formal organizational or operating agreements.

(g) *With nonprofit organizations or institutions.*—There are no formal arrangements between URA relocation and nonprofit organizations or institutions. Interested nonprofit organizations such as the Potomac Institute, the National Association of Housing and Redevelopment Officials, and academic institutions have provided some consultative services and have participated in conferences and workshops concerned with relocation. Through the urban renewal demonstration grant program institutions and nonprofit organizations have prepared studies and analyses of various aspects of relocation and related problems. Information on relocation has been made available to interested scholars and others whenever such data have been requested. In some instances research in specific areas of relocation which the Urban Renewal Administration itself has not been able to undertake has been suggested as beneficial to URA and in the public interest. Reports emanating from these research resources have been utilized for program improvement and simplification.

(h) *With business enterprises.*—Not directly applicable to relocation.

(i) *With others.*—Substantially answered under question 7(g) above.

8. *Laws and regulations*

Public Law 1020, 84th Congress, approved August 7, 1956, 70 Stat. 1091, sec. 305.

Public Law 85-104, approved July 12, 1957, 71 Stat. 294, 300, sec. 304.

Public Law 86-372, approved September 23, 1959, 73 Stat. 654, 673, sec. 409.

Public Law 87-70, approved June 30, 1961, 75 Stat. 149, 167, secs. 304, 305.

Public Law 88-560, approved September 2, 1964, 78 Stat. 769, 788, secs. 310 (see Basic Laws and Authorities on Housing and Urban Development, 1965, p. 282).

Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 453, 486, secs. 101(i) and 404 (see Basic Laws and Authorities on Housing and Urban Development, 1965, pp. 283, 409).

30 Federal Register 15145-15149, December 8, 1965, 24 CFR 3.100 et seq.

Current appropriations:

Public Law 89-128, approved August 16, 1965, 79 Stat. 520 (see Basic Laws and Authorities on Housing and Urban Development, 1965, p. 596).

Supplemented by Public Law 89-309, approved October 31, 1965, 79 Stat. 1133, 1135 (see Basic Laws and Authorities on Housing and Urban Development, 1965, p. 603).

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects*

Very little is known about the economic impacts of the program since its main intent is to ameliorate the effects of necessary physical changes. An independent study by the Bureau of the Census indicated that 94 percent of the families displaced from urban renewal areas ended up in standard housing meeting Census Bureau criteria for such housing. However, that study also indicated that there was a cost to the improvement in housing quality—the median proportion of income spent for rent increased from 25 percent to nearly 28 percent.

Two studies of the economic impact of relocation on small business have been published:

"Rebuilding Cities: The Effects of Displacement and Relocation on Small Business," Basil G. Zimmer, Quadrangle Books, Inc.

"The Impact of Dislocation from Urban Renewal Areas on Small Business," William N. Kinnard, Jr., and Zenon S. Malinowski, The University of Connecticut.

10. *Economic classification of program expenditures.* (Shown as part of Urban Renewal Projects.)

REHABILITATION LOANS AND GRANTS

PART I. DESCRIPTION OF THE PROGRAM

1. *Objectives*

One of the principal problems involved in trying to make rehabilitation an effective tool of urban renewal has been the difficulty of property owners in obtaining the necessary financing to bring their buildings up to the standards for the area. Rehabilitation cannot be successful on a piecemeal basis; all, or the great majority of the properties in the area must be brought up to standard if there is to be any long-term effect. In some cases, lending institutions have been unwilling to make credit available in blighted or deteriorated areas. In other cases, the cost of such credit was too high for low-income owners to afford. In still other cases, the financial costs of any borrowings, no matter how low, would make rehabilitation impossible for some families. To meet these financing needs, the Congress has authorized programs of direct Federal low-interest-rate loans and grants to make rehabilitation feasible in areas designated for urban renewal action.

2. *Operation*

Direct contact with the property owner requiring rehabilitation loan or grant assistance is maintained by the local public agency carrying out urban renewal activities in the area concerned. That local public agency provides advisory services to the property owner to determine the nature and extent of needed rehabilitation, the estimates of cost, and the value of the property. The local officials assist the property owner in preparing the necessary loan and grant applications and also gather the necessary additional data needed, such as credit checks, appraisals, etc. The applications are forwarded to the appropriate HHFA regional office for review and approval.

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].

TABLE 1.—*Level of operations or performance, fiscal years 1965–67*¹

[Dollar amounts in millions]

Measure	Fiscal year 1965 actual	Fiscal year 1966 estimate	Fiscal year 1967 estimate
(a) Magnitude of program:			
Residential rehabilitation loans approved.....		\$15.0	\$27.5
Business rehabilitation loans approved.....			\$7.5
Rehabilitation grants approved.....		\$1.5	\$10
(b) Applicants or participants:			
Individuals or families ²		2,500	4,600
Other business firms.....			500
(c) Federal finances: ³			
Unobligated appropriations available.....	\$10	\$50	\$35
Obligations incurred.....		\$15	\$35
Commitments made.....		\$15	\$35
(d) Matching or additional expenditures ⁴			
(e) Number of Federal Government employees ⁵	14	89	94
(f) Non-Federal personnel ⁶			

¹ Not in operation in fiscal 1964.² Numbers used reflect estimated number of residential loans. The number of families or individuals per loan is unknown.³ Finances reflect rehabilitation loans only. Grant amounts are title I projects costs and are therefore reflected in the urban renewal projects table.⁴ Borrowers and recipients of grants may supplement the amounts provided by the Government but the amount of such supplements is unknown.⁵ Employees for loans only. Employees for grant programs are included in figures provided for urban renewal projects.⁶ No estimates available.

5. *Estimated magnitude of program in 1970*

Experience under the rehabilitation loan and grant programs is still too limited to justify any valid estimates of performance several years into the future. There has been a continuing increase in the extent to which rehabilitation is being used by localities in their overall urban renewal efforts and we can expect this increase to continue.

6. *Prospective changes in program orientation*

(a) *Pending legislative proposals.*—None.

(b) *Proposed administrative and organizational changes.*—The Urban Renewal Administration has been incorporated as a part of the new Department of Housing and Urban Development. Aside from this, there are no announced administrative or organizational changes pending.

(c) *Probable changes in the conditions under which the program will function in 1970; e.g., technological, economic, or social.*—At this time there are no estimates of possible impacts of changing technological, economic, or social conditions on the operations of the rehabilitation loan and grant programs.

7. *Coordination and cooperation*

(a) *Within your bureau, division, or office.*—Coordination achieved through normal administrative structure.

(b) *With other units of your department or agency.*—See question 3 for discussion of coordination with the Federal Housing Administration and the Federal National Mortgage Association.

(c) *With other Federal Government departments or agencies.*—See question 3 for discussion of coordination with the Small Business Administration.

(e) *With local governments or communities.*—The rehabilitation loan and grant programs are carried out through local public agencies and

municipalities engaged in undertaking urban renewal activities including code enforcement projects.

For (d), (f), (g), (h), and (i). None.

8. *Laws and regulations*

Rehabilitation loans:

Public Law 88-560, approved September 2, 1964 (78 Stat. 769, 790, sec. 312). Amended by: Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 479, sec. 312 (see Basic Laws and Authorities, on Housing and Urban Development, 1965, p. 246).

Rehabilitation grants:

Public Law 89-117, approved August 10, 1965, 79 Stat. 451, 457, sec. 106 (see Basic Laws and Authorities on Housing and Urban Development, 1965, p. 284).

Current appropriations:

Public Law 89-128, approved August 16, 1965, 79 Stat. 520 (see Basic Laws and Authorities on Housing and Urban Development, 1965, p. 596). Supplemented by: Public Law 89-309 (rehabilitation grants only) approved October 31, 1965, 79 Stat. 1133, 1135 (see Basic Laws and Authorities on Housing and Urban Development, 1965, p. 603).

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects*

Operations under the rehabilitation loan and grant programs are still too new to permit any valid judgments on economic effects. It is believed that the programs will reduce the costs of housing or provide substantially better housing at the same or slightly higher costs for a significant number of families. As an integral part of urban renewal and code enforcement efforts, it will help arrest and reverse the decline of neighborhoods.

10. *Economic classification of program expenditures.* (Included under Urban Renewal Projects.)

There were no expenditures for rehabilitation loans and grants in fiscal year 1965.

Urban Transportation Administration

URBAN MASS TRANSPORTATION

PART I. DESCRIPTION OF THE PROGRAM

1. *Objectives*

The purposes of the urban mass transportation program are:

(a) To assist in the development of improved mass transportation facilities, equipment, techniques, and methods, with the cooperation of mass transportation companies, both public and private;

(b) To encourage the planning and establishment of areawide urban mass transportation systems needed for economical and desirable urban development, with the cooperation of mass transportation companies, both public and private; and

(c) To provide assistance to State and local governments and their instrumentalities in financing such systems, to be operated by public or private mass transportation companies as determined by local needs.

2. *Operation*

The program involves:

(a) Grants to assist public bodies (States, municipalities, and other political subdivisions of States; public agencies and instrumentalities of one or more States, municipalities, and political subdivisions of States; and public corporations, boards, and commissions established under the laws of any State) in the acquisition, construction, and improvement of facilities and equipment for use, by operation, lease, or otherwise, in mass transportation service in urban areas and in coordinating such service with highway and other transportation in such areas. Grants may not exceed two-thirds (one-half where certain planning requirements are not fully met) of that portion of project costs which cannot reasonably be financed from revenues.

(b) Loans to public bodies for the same purpose, in cases when revenues are sufficient to assure repayment but for whom funds are not available in the private market upon reasonable terms. The current interest rate is $4\frac{1}{2}$ percent.

(c) Research, development, and demonstration projects, directly or by contract, in all phases of urban mass transportation. Funds authorized have generally been used for grants to public bodies for two-thirds of the net costs of demonstrating new ideas or methods for improving mass transportation systems or service.

3. *History*

The Housing Act of 1961 (Public Law 87-70) authorized \$25 million for grants to public agencies to assist in demonstrating new ideas or methods for the improvement of urban mass transportation and \$50 million for low-interest rate loans for capital improvements to urban mass transportation systems.

Following a joint study by the Housing and Home Finance Administrator and the Secretary of Commerce, the President recommended to the Congress enactment of legislation to establish a continuing program of assistance in this area.

In 1964, the Congress enacted the Urban Mass Transportation Act of 1964, which provides Federal assistance through capital grants and loans and a program of research, development, and demonstration projects.

These programs, which are outlined in paragraph 2, above, are administered through the Urban Transportation Administration (formerly the Office of Transportation) in the Department of Housing and Urban Development.

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

Program: Urban mass transportation.

Department or agency, and office or bureau: Department of Housing and Urban Development; Urban Transportation Administration [formerly Office of Transportation].

TABLE 1.—*Level of operations or performance, fiscal years 1964-67*

[Dollar amounts in millions]

	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 estimate	Fiscal year 1967 estimate
Number of approved projects.....	11	28	55	55
Participants:				
Multistate authority.....	3	1	(1)	(1)
State government or agency.....	2	5	(1)	(1)
Local government or agency.....	6	22	(1)	(1)
Federal finances:				
Grant amount authorized.....	\$25	\$75	\$150	\$150
Grant amount appropriated.....	\$4.8	\$60	\$130	\$130
Grant funds committed.....	\$4.3	\$59.6	\$130	\$130
Matching expenditures: Funds committed by local and State bodies ¹	\$2.1	\$37.6	\$65	\$65
Number of Federal employees engaged in pro- gram administration at yearend.....	16	23	40	55
Number of non-Federal employees of partici- pating public bodies.....	(1)	(1)	(1)	(1)

¹ Not available, or indeterminate.² 1961 authorization.³ The proportion of the Federal grant to the net project cost varies, depending upon the status of comprehensive and transportation planning in the urban area. These figures show the local contribution when all planning requirements are met, since fund reservations are made on this basis.

NOTE.—No loans were approved in fiscal years 1964 and 1965. In fiscal 1966, 1 loan of \$3,100,000 has been approved. No appropriation for loan program is being requested for fiscal 1967.

5. *Estimated magnitude of program in 1970*

It is not possible at this time to predict with any accuracy the 1970 program level. The authorization for appropriation in the 1964 act is only through 1967. Sufficient data concerning the industry is not yet available to project its long-term capital requirements or the portion of these requirements which can be met without grant assistance.

It is clear, however, that the needs by 1970 will be greater than those which have existed in the past. The vastly increased numbers of people who will live in cities and the absolute limits to which existing urban areas can be turned into roadway and parking areas make it inevitable that substantially larger numbers of persons must be moved by some type of public mass transit. Local government will place increasing dependence upon mass transit as an element of orderly and rational growth.

6. *Prospective changes in program orientation*

Modifications of the urban mass transportation program may occur as a result of anticipated legislation to amend and extend the authorization of the Urban Mass Transportation Act of 1964, or in connection with the organization of the new Department of Housing and Urban Development. The President's proposal for a new Department of Transportation, as mentioned in his recent state of the Union address, may also have a significant effect on the present program.

Several bills were introduced in the last session of Congress directly affecting the program. H.R. 9200 and 21 other identical bills were introduced in the House and S. 2599 in the Senate to establish a 2-year, \$20 million federally supported research program for the development of new urban transportation systems.

Bills have also been introduced (S. 2339 and H.R. 10126, 10170, 10171, and 10172) to increase the Federal funds available for urban mass transportation by permitting a State to use some of the highway trust funds for this purpose.

Other pending legislation of a general nature which would affect the program are: S. 2643, directing the ICC not to approve railroad mergers or consolidations unless they conform to ICC-approved regional plans; S. 1681, to provide for uniform relocation payments and various bills dealing with intergovernmental cooperation.

Predictions for social and economic conditions in 1970 all point to a higher percentage of the growing population living in urban areas. The President stated in his message to Congress on the "Problems and Future of the Central City and Its Suburbs," that the equivalent of 15 cities of 200,000 each will be added every year within the coming generation. This will greatly increase pressures on the cities for better public transportation facilities.

Traffic congestion will intensify with the projected growth of the automobile industry. It is estimated that by 1980 the number of private vehicles will pass the 120 million mark, as compared to the present 85 million. (Also, see comments under question 5.)

7. *Coordination and cooperation*

(a) *Within the Office of Transportation.*—The staff of the Office of Transportation is now, and will be for the foreseeable future, sufficiently small that coordination problems among the several program activities are minimal. Communications are direct and informal.

(b) *With other units of HUD.*—Coordination with other HUD programs is essential in order to fulfill the overall objective of encouraging the planning and establishment of areawide urban mass transportation systems needed for economical and desirable urban development.

The principal means of coordination is through the requirement that capital facilities or equipment be found to be needed in carrying out a program for a unified or officially coordinated urban transportation system as a part of the comprehensively planned development of such area.

The Office of Planning Standards and Coordination, under an Assistant Administrator, has been established to coordinate the comprehensive planning requirements of this and other legislation administered by HUD. The Assistant Secretary for Metropolitan Development reviews all applications for capital assistance to determine whether the comprehensive planning requirement has been met and adequately provides a basis for a transit improvement program.

(c) *With other Federal departments.*—Comprehensive urban area planning is a prerequisite for aid under the Federal Highway Act, as well as under the Urban Mass Transportation Act. The coordination of these requirements is carried out through direct liaison between HUD and the Department of Commerce and joint committees at the regional level and in Washington.

The Department of Labor reviews all applications for assistance under the Urban Mass Transportation Act to determine that fair and equitable arrangements under section 10(c) of the act have been made to protect the interests of affected employees.

The Department of Health, Education, and Welfare, pursuant to section 11 of the act, has established air pollution control standards for facilities or equipment assisted through Federal mass transportation grants or loans. These standards are included in the grant or loan contract.

(d) and (e) *With State and local governments.*—Where State mass transportation agencies have been established (notably Massachusetts, New York, and Pennsylvania) liaison is maintained between HUD and the State agency. In general, however, no overall State agencies exist for the purpose of providing State assistance or coordinating assistance to local agencies on a statewide basis.

Financial assistance under the Urban Mass Transportation Act is in all instances channeled through a public agency, which may be a State or local governmental body, public authority, or an interstate body. The public agency must show that the assistance is needed to carry out a continuing transit improvement program based on adequate comprehensive planning. The public agency must also be able to provide sufficient continuing control to assure that the facilities and equipment are used for the purpose for which the grant or loan is made.

(f) *With foreign governments.*—There is a continuing exchange of ideas and experience through discussion with visiting officials of foreign countries who are interested in transportation problems. These contacts are coordinated through the Office of International Housing and with other Federal agencies, such as the Bureau of Public Roads in the Department of Commerce.

(g) *With nonprofit organizations.*—Such groups as the American Transit Association, Institute of Rapid Transit, Railway Progress Institute, National League of Cities, and the conference of mayors frequently request information and program data with regard to the urban mass transportation program for dissemination to their members. In turn, these organizations keep the Department informed concerning the views and needs of their constituents.

(h) *With business enterprises.*—Private companies providing urban mass transportation service participate in the program under contract or other agreement with the State or local public agency to which a Federal grant or loan may be made.

8. Laws and regulations

Urban Mass Transportation Act of 1964, Public Law 88-365, July 9, 1964.

Housing and Urban Development Act of 1965, Public Law 80-117, August 10, 1965, which repeals section 9(c) of the Urban Mass Transportation Act of 1964 relating to the use of American-made products (sec. 1109).

Independent Offices Appropriation Act of 1966, Public Law 89-128, August 16, 1965.

"Information for Applicants: Mass Transportation Demonstration Program."

"Information for Applicants: Capital Grants and Loans for Urban Mass Transportation."

"Urban Mass Transportation Program Planning Requirements Guide."

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. Economic effects

Data quantifying the economic effects of the urban mass transportation program are not currently available. This is an area in which further research activity, both public and private, is needed.

There is general agreement, however, that public mass transportation (whether bus, rail rapid transit, or commuter rail) is a significant factor in shaping the developing urban complexes of the Nation, providing maximum mobility and choice for people living in these complexes, and preserving the economic vitality of downtown areas. The urban mass transportation program aids in the preservation and improvement of such systems through research and demonstration projects and through the provision of capital assistance where new facilities or equipment cannot be fully supported by transit revenues.

In major cities public transportation is critically essential to the movement of people. Without it, the daily flow of people between their homes and places of work would be virtually impossible. Even if it were physically possible to move these people by private automobile, the expenditures for street and parking facilities would exceed by many times the cost of providing adequate mass transportation facilities, and the land needed for streets and parking would divert land from other uses essential to the maintenance of the public and private economy of the urban area.

In smaller cities, the need for public transportation may be less dramatically apparent than in the great urban centers. This need still exists, however, in providing mobility to that large segment of the population which does not have ready access to private transportation—the young, the elderly, the physically handicapped, and the economically underprivileged.

The employable person who, for whatever reason, does not have an automobile is, in the absence of public transportation, restricted in his ability to seek or hold employment outside a relatively small area. This restriction adversely affects his individual earning power and choice of employment. It likewise restricts the ability of business enterprises to recruit from the entire labor force in the urban area.

The absence of public transportation may remove other choices from sizable groups of people, who are restricted in where they can shop, or where they can go for recreation, or in their participation in civic affairs. This adversely affects both the people whose mobility is restricted and the economic and social structure of the urban area in which they live.

10. *Economic classification of program expenditures.* (See table 2.)

Program: Urban mass transportation.

Department or agency, and office or bureau: Department of Housing and Urban Development; Urban Transportation Administration [formerly Office of Transportation].

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

(In millions of dollars)

Federal Government: Grants to State and local governments (total Federal expenditures)	11.1
Non-Federal expenditures financed by State and local governments ¹	6.0
Total expenditures for program	17.1

¹ Estimated.

Housing Assistance Administration

HOUSING FOR THE ELDERLY AND HANDICAPPED

PART I. DESCRIPTION OF THE PROGRAM

1. *Objectives*

Under the senior citizens housing loan program authorized by section 202 of the Housing Act of 1959, as amended, financial assistance

in the form of direct loans is provided to private nonprofit corporations, consumer cooperatives, and certain public bodies for the construction or rehabilitation of rental housing for the elderly (62 years of age or older) and the handicapped. Loans may be made up to 100 percent of the development cost for periods up to 50 years. The current interest rate on such loans is 3 percent.

This program of direct loans permits assistance for development of nonprofit projects intended to serve those elderly people whose incomes are generally above the levels established for admission to public housing projects but below that needed to pay the rentals for adequate private housing otherwise available.

Project design, site selection, and financial arrangements must be consistent with the ultimate purpose of achieving a pleasant living arrangement at minimum rentals, which promotes the independence and self-reliance of senior citizens. Project planning and design should take into account the desires and needs of older persons for privacy, participation in social and community activities, and access to community services.

2. Operation

The senior citizens housing loan program is administered by the Housing Assistance Administration (formerly by the Community Facilities Administration) through the several regional offices of the Department of Housing and Urban Development. The processing of loan applications takes place within the regional offices where HUD program staff reviews basic loan proposals and technical staff of HUD evaluates the supporting documents. Final approval of the loan takes place in Washington by the Commissioner of the Community Facilities Administration. After loan approval and satisfaction of Federal requirements by the borrower, and receipt of an acceptable bid, the borrower is authorized to proceed with the construction of the project. The project is constructed by private contractors who are the successful bidders. The entire responsibility for project development and operation rests with the borrower after loan approval and bid acceptance. The Federal participation is limited to assuring proper use of loan funds during development and conformance to the general objectives of the program as well as to determining that the borrower can meet loan repayment obligations after the project is in operation.

3. History

The senior citizens housing program came into being with the signing of the Housing Act of 1959 by President Eisenhower in September 1959. This bill authorized appropriations of \$50 million. Congress subsequently appropriated \$20 million to provide for 98-percent loans for a program that was to be considered a pilot program in an effort to meet the housing need of the well elderly. The program was originally administered directly under the Office of the Administrator of the Housing and Home Finance Agency. In May of 1961, this program was transferred to the Community Facilities Administration. Subsequent to the transfer of the program, additional housing legislation broadened the scope of the program and increased authorized appropriations.

The Housing Act of 1961 authorized 100-percent loans. It was administratively determined in December of 1962 that all senior

housing projects developed under this program would be subject to income limits established by the Administrator. In this same year, the size of the projects permissible under the loan program was increased from 50 units to 300. The program continued without significant legislative change until the Housing Act of 1964, which expanded the program to include housing for the handicapped.

Under the Housing Act of 1965, authorized appropriations were increased to \$500 million through 1968, with an interest rate of 3 percent. A supplemental appropriation also raised the funds available through June 30, 1966, from \$275 to \$325 million.

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

Program: Housing for the elderly and handicapped.
Department or agency, and office or bureau: Department of Housing and Urban Development; Housing Assistance Administration [formerly Community Facilities Administration].

TABLE 1.—Level of operations or performance, fiscal years 1964–67

[Dollar amounts in thousands]

Measure and unit	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 estimate	Fiscal year 1967 estimate
(a) Magnitude of program:				
Approved loans:				
This year:				
Projects.....	41	34	43	40
Dwelling units.....	5,128	4,719	6,584	6,000
Federal loan.....	\$57,953	\$57,806	\$80,698	\$73,200
Cumulative:				
Projects.....	109	150	193	233
Dwelling units.....	12,046	17,174	23,758	29,758
Federal loan.....	\$139,508	\$197,461	\$278,159	\$351,359
Construction starts:				
This year:				
Projects.....	30	35	25	45
Dwelling units.....	3,059	4,476	4,104	6,900
Federal loan.....	\$34,110	\$53,428	\$48,464	\$82,200
Cumulative:				
Projects.....	75	105	130	175
Dwelling units.....	7,578	10,937	15,041	21,941
Federal loan.....	\$92,197	\$126,307	\$174,771	\$256,971
Construction completed:				
This year:				
Projects.....	22	30	29	40
Dwelling units.....	2,291	2,737	3,293	5,600
Federal loan.....	\$26,667	\$31,686	\$38,963	\$67,200
Cumulative:				
Projects.....	45	67	96	136
Dwelling units.....	3,528	5,891	9,112	14,712
Federal loan.....	\$39,036	\$65,703	\$104,666	\$171,866
(b) Applicants (loan applications):				
This year:				
Number.....	38	37	64	50
Number of units.....	5,401	5,254	10,063	7,900
Amount.....	\$64,386	\$62,535	\$123,462	\$95,000
Cumulative:				
Number.....	361	393	462	512
Number of units.....	41,596	46,850	56,913	64,813
Amount.....	\$450,879	\$513,414	\$636,876	\$731,876
(c) Federal finances:				
Unobligated appropriation available.....	\$75,000	\$78,176	\$85,218	\$88,488
Obligations incurred.....				
Obligations incurred.....	\$49,296	\$46,858	\$85,000	\$85,000
Allotments made (fund reservations).....	None	None	None	None
(d) Matching or additional expenditures.....	(1)	(1)	(1)	-----
(e) Number of Federal employees.....	0	0	0	-----
(f) Non-Federal personnel.....	(1)	(1)	(1)	-----
(g) Other measures of level.....	-----	-----	-----	-----

¹ Not available. It is difficult, if not impossible, to estimate the number of actual employees involved in this process. Activity ranges from the full-time program or policy staff person, specifically engaged in the direct loan program, to the hundreds of other staff members of the Department, who service smaller aspects of the program on a part-time or itinerant basis. These may include regional office technical review staff, such as attorneys, architect-engineers, finance men, field engineers, general administrative personnel, down to less specialized persons, including typists, file clerks, and the like.

5. *Estimated magnitude of program in 1970*

It is estimated that the program level in 1970 will be between \$150 and \$170 million per year.

6. *Prospective changes in program orientation*

We do not foresee any significant change in program orientation or emphasis within the next few years.

7. *Coordination and cooperation*

(a) Coordination of the senior housing program within CFA is accomplished through the Assistant Commissioner for Operations and Engineering. The program depends on other organization units for services and technical assistance.

(b) through (i) Coordination of the senior housing program with other Government or private agencies and groups is accomplished through the Assistant Administrator for Senior Housing for the Housing and Home Finance Agency. He provides policy guidance and assures that the objectives and policies of the program are coordinated with other programs as appropriate.

8. *Laws and regulations*

Housing Act of 1959, Public Law 86-372, September 23, 1959: Program was enacted with an authorization of \$50 million; related facilities limitation was \$5 million.

Housing Act of 1961, Public Law 87-70, June 30, 1961: Authorization was increased from \$50 million to \$125 million; related facilities limitation was removed; permitted 100-percent loans, deleting previous 2-percent equity requirement.

Senior Citizens Act of 1962, Public Law 87-723, September 28, 1962: Increased authorization from \$125 million to \$225 million; confined loans to new construction for both housing and related facilities.

Joint resolution, Public Law 88-158, October 24, 1963: Increased authorization from \$225 million to \$275 million.

Housing Act of 1964, Public Law 88-560, September 2, 1964: Authorization increased from \$275 million to \$350 million; handicapped families eligible regardless of age; loans may be made for the rehabilitation or conversion of existing structures to provide housing and related facilities.

Housing and Urban Development Act of 1965, Public Law 89-117, August 10, 1965: Increased authorization from \$350 million to \$500 million; reduced maximum interest rate to 3 percent.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects*

(a) The direct loan program has made possible lower costs of housing for elderly persons, by virtue of the lower interest rate, and the longer term for the loans. This has freed older persons to use the money thereby released for other needs, such as food, medicine, and clothing. The elderly who do not actually have to enter homes for the aged and remain in living arrangements under 202 auspices are able to conserve their money until later medical emergencies require it.

For those families supporting older persons, the same benefit applies, in the case of lowered rents deriving from the lower interest rate, times the number of families involved each year.

(b) (c), (d), (e), and (f) not applicable.

(g) This program, developed in the past 6 years, has been rising very rapidly, out of any proportion to the GNP. However, the construction, salary, and other expenditure benefits do contribute to the GNP. [See (h) below.]

(h) Other economic effects:

(1) About four-fifths of loan goes for construction and other labor, which produces about 15 percent in Federal taxes, and one quarter of this in State and local taxes.

(2) About one-half of the loan is for materials, on which there is an average sales tax of 2 percent.

(3) Real estate values increase upon construction as a project, by about 75 percent of the value of the land, which is about 10 percent of the total cost of the project.

(4) Each project produces an increase in the number of man-years of labor, assuming that 80 percent of the project is construction cost, and that each \$1,000 produces 198 man-hours of labor, and an average of 2,000 man-hours makes up a man-year.

10. *Economic classification of program expenditures.* (See table 2.)

Program: Housing for the elderly and handicapped.

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

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

[In millions of dollars]

Federal Government:

Purchases of goods and services.....	1.0
Loans to nonprofit organizations.....	42.6

Total Federal expenditures ¹	43.6
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¹ \$43,600,000 represents gross expenditures. Applicable receipts are \$2,200,000, leaving net expenditures of \$41,400,000.

Federal National Mortgage Association

SECONDARY MARKET OPERATIONS

PART I. DESCRIPTION OF THE PROGRAM

1. *Objectives* ¹

The secondary market operations of the Federal National Mortgage Association, basically a privately financed activity, have as their statutory objective the provision of supplementary assistance to the secondary market for home mortgages by providing a degree of liquidity for mortgage investments, thereby improving the distribution of investment capital available for home mortgage financing. FNMA accomplishes this objective by its purchases of acceptable Federal Housing-insured (FHA) and Veterans-guaranteed (VA) mortgages and Farmers Home-insured loans (FHDA) in areas where, and at times when, investment funds are in short supply and by selling such mortgages and loans in areas where and when investment funds are available. FNMA is also authorized to make bank-type short-term loans which are secured by FHA-insured or VA-guaranteed mortgages or FHDA-insured loans, and to purchase, sell, and deal otherwise in participations in such federally insured loans and mortgages.

¹ The secondary market operations of the Federal National Mortgage Association are authorized by the Federal National Mortgage Association Charter Act as set forth in 12 U.S.C. 1716 et seq. and more particularly in secs. 1716-1719 thereof.

2. Operations

The Federal National Mortgage Association is a national corporation that had its inception in 1938 as a wholly owned instrumentality of the Federal Government pursuant to title III of the National Housing Act as then amended (52 Stat. 8). In 1954, the Association was rechartered as a mixed-ownership corporation (68 Stat. 590); all of its common stock is freely transferable and is owned by private shareholders; the preferred stock is owned in part by the Federal Government (Secretary of the Treasury) and in part by FNMA in the form of corporate treasury stock. The capitalization of the Association pertains only to the secondary market operations, one of three compartments from which the Association's activities are conducted.

The corporation's mortgage activities are conducted under three separate functions or operations—(1) the secondary market operations, basically a privately financed activity; (2) the special assistance functions; and (3) the management and liquidating functions, both the latter of which are operated for the account of the Government with U.S. Treasury funds (excepting the interests of, and funds of, investors in FNMA's participation certificates.) Each of the three activities has separate accountability and operates in much the same way as though each was a separate corporation. For purposes of efficiency and economy, however, staff and common services for all three programs are consolidated so that there is a single legal staff, a single accounting staff, a single audit staff, et cetera. A majority of the corporation's employees work on, or serve, and their expenses are charged to, more than one program or activity. An expense distribution system to record costs on a program basis is kept in the official books which are subject to audit.

FNMA conducts its overall activities nationally through five field offices located throughout the country so as to best serve the needs of the organizations which do business with the Association. In addition to these field offices (located in Philadelphia, Pa., Atlanta, Ga., Chicago, Ill., Dallas, Tex., and Los Angeles, Calif.), FNMA maintains a fiscal agency office and a mortgage sales office in New York City and an administrative or central office in Washington, D.C.

3. History

FNMA is a corporation which was established in 1938 to provide a market for the purchase and sale of FHA-insured mortgages. The scope of the Association's activities was broadened in 1948 to provide similar facilities for VA-guaranteed mortgages and, in 1965, for rural housing loans insured by the Farmers Home Administration of the Department of Agriculture. The secondary market operations of the Association date from 1954 when the corporation was rechartered by statute to provide a secondary market facility for home mortgages and to provide that the operation shall be "financed by private capital to the maximum extent feasible" (68 Stat. 590).

The secondary market operations of the Association are financed, in the main, through the issuance of preferred stock to the Secretary of the Treasury and common stock to organizations that sell mortgages to, or that borrow funds from, the Association and by borrowings from private investors through sales to them of the corporation's

debentures and short-term discount notes not exceeding 10 times the sum of FNMA's capital and surplus in these operations. Other funds are derived from portfolio liquidation, fees, and charges for various services by the Association, interim borrowings from the Secretary of the Treasury, income from investments other than mortgages, and income from general operations.

The FNMA Charter Act provides that when all of the outstanding preferred stock held by the Secretary of the Treasury has been retired, the assets and liabilities of the corporation in connection with, and the control and management of, the secondary market operations shall be transferred to the owners of the outstanding common stock in order that the operations might thereafter be carried out by a privately owned and privately financed corporation.

As stated under question No. 1 of this part, the basic objective of the secondary market operations is to provide supplementary assistance to the secondary market for home mortgages by providing a degree of liquidity for mortgage investments, thereby improving the distribution of investment funds available for home mortgage financing. In achieving this objective, the Association purchases acceptable FHA-insured and VA-guaranteed mortgages and FHDA-insured loans from organizations (such as mortgage banking companies, State and federally supervised banks and savings and loan associations, insurance companies, and other such organizations) in areas where, and at times when, mortgage funds are in short supply and sells such mortgages or loans from portfolio in areas where and when investors (such as banks, insurance companies, and the like) have funds available for mortgage investment.

Under its secondary market operations, dating from November 1, 1954, FNMA has contracted to purchase 491,682 FHA and VA mortgages totaling \$5,904 million in 10½ years through June 30, 1965, and purchased 457,440 mortgages with unpaid principal balances aggregating \$5,411 million. During the same period, sales aggregated 199,206 mortgages totaling \$2,332 million. The purchases related to properties located in 48 States, the District of Columbia, Puerto Rico, and the Virgin Islands as indicated in the answer to question No. 9(f) of part II hereof.

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

Program: Secondary market operations.

Department or agency, and office or bureau: Department of Housing and Urban Development; Federal National Mortgage Association.

TABLE 1.—*Level of operations or performance, fiscal years 1964-67*

[Dollars in millions]

Measure	Unit	1964		1965		1966 estimate		1967 estimate	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount
(a) Magnitude of program.....	Mortgages: Immediate and commitment contracts executed.....	18,295	\$183.5	32,969	\$356.7	185,000	\$2,000.0	104,000	\$1,300.0
	Purchases.....	17,888	179.2	28,286	204.8	158,000	1,900.0	96,000	1,200.0
	Sales.....	9,797	112.5	7,007	72.7	480	5.0	2,300	25.0
	Other.....	None	None	None	None	None	None	None	None
(b) Applicants or participants: State government agencies.....	Units of housing.....	None	None	None	None	None	None	None	None
Local communities or governments.....	Mortgage banking organizations.....	17,919	None	20,439	165,000	165,000	None	100,000	None
Individuals or families.....	Banks and trust companies.....	231	94	91	125	685	None	None	None
Other.....	Savings and loan associations.....	10	None	19	35	10	None	None	None
	Insurance companies.....	1	None	6	None	10	None	None	None
(c) Federal finances: Unobligated appropriations available (borrowing fund)(1).....			2,365.4		2,407.8		2,820.8		2,200.8
Revolving fund(2).....			360.0		506.4		2,154.2		1,484.2
Allocations or commitments made.....			183.5		356.7		2,000.0		1,300.0
Allocations or additional expenditures for the program.....			None		None		None		None
(d) Matching or Federal Government employees administering the program.....	Man-years.....	985		860		920		985	
(e) Number of Federal Government employees administering the program.....	Number of persons: Under contract (fiscal).....	4		4		4		4	
(f) Non-Federal personnel employed in program.....	Attorneys (individuals, firms, trustees).....	869		914		950		950	
	FNMA mortgage servicing organizations.....	1,080		1,085		1,085		1,085	
(g) Other measures of level or magnitude of performance.....	Portfolio liquidation other than sales.....	12,956	183.7	13,080	173.7	13,900	195.0	17,900	250.00

¹ FNMA's Secondary Market Operations are not financed with appropriated funds. Required funds are obtained, in the main, by borrowings from private investors or, on an interim basis, from the Secretary of the Treasury, subscriptions to preferred and common stock, and portfolio liquidation.

² As noted in answer to question No. 2, the association's employees are not segregated

in respect to the various functions or operations but operate as a single staff for all activities.
: Servicers utilized in connection with FNMA's overall activities are not identified with any one function or operation.

5. *Estimated magnitude of program in 1970.* (See table 2.)TABLE 2.—*Secondary market operations, fiscal year 1970*

Activity	Number of mortgages	Approximate volume
Immediate and commitment contracts executed to purchase mortgages.....	75,000	\$810,000,000
Purchases.....	69,500	750,000,000
Sales.....	13,900	150,000,000
Repayments and other liquidation.....	21,100	350,000,000

6. *Prospective changes in program orientation*

(a) *Pending legislative proposals.*—From time to time, there have been discussions among the various housing industry groups regarding the advisability and feasibility of expanding FNMA's secondary market operations to permit the Association to deal in conventionally financed mortgages in addition to those which are underwritten by an agency or instrumentality of the Federal Government. Such a bill was introduced in the Senate (S. 787) on January 27, 1965. No action was taken on the bill during the current session of the Congress. Should this bill, or its equivalent, be enacted into law, the Association's activities under its secondary market operations could be materially affected and would enable the corporation to expand the scope of its services to the housing industry and the housing economy generally.

(b) *Proposed administrative and organizational changes.*—None contemplated at this time.

(c) *Probable changes in the conditions under which the program will function in 1970.*—None anticipated at this time.

7. *Coordination and cooperation*

(a) *Within FNMA itself.*—None other than to the extent specified in answer to question No. 2.

(b) *With other units of agency—HUD.*—

(1) Under an arrangement entered into in March 1962 between the Association and the Federal Housing Commissioner, the Association has acquired, as of June 30, 1965, for the portfolio of its secondary market operations 27,889 Federal Housing Commissioner-owned mortgages, totaling \$263 million, in exchange for FNMA-held FHA debentures which FNMA had acquired in connection with the foreclosure of certain corporation-owned FHA mortgages. This action relieved the Federal Housing Administration of the necessity of servicing that volume of mortgages with staff employees. FNMA's purchases of these mortgages and their addition to its portfolio were accomplished with a minimum of adjustment to its personnel staffing. Since, as indicated, the mortgages in question were previously owned by FHA and had been serviced for that agency by FHA staff employees, the acquisition of the mortgages by FNMA effected substantial savings in personnel expenses to the FHA and simultaneously provided FNMA's contract servicers with additional servicing income under the corporation's arrangement of having its one- to four-family housing mortgages serviced by private servicers under contract.

Other examples (affecting FNMA as a whole and not specifically the secondary market operations):

(2) Between mid-March 1964 and October 1, 1965, administrative services for the voluntary home mortgage credit program (VHMCP),

which theretofore had been provided by the Administrator of HHFA, were provided through FNMA pursuant to the delegation by the Administrator. Under the Housing Act of 1954, delegation by the Administrator of the program and the establishment of its operating policies and supervision of the National Voluntary Home Mortgage Credit Extension Committee composed of 14 representatives of the real estate, homebuilding, and home-financing industries. These representatives were appointed by the Administrator of HHFA, who was also Chairman of the Committee. At the time of the change referred to above, the National Committee operated through six regional subcommittees all of which were provided with administrative services by the respective regional offices of HHFA. That portion of the National Housing Act (68 Stat. 637.) which provided for the establishment and functioning of the VHMCP expired by act of law as of October 1, 1965.

(3) Pursuant to the provisions of 73 Stat. 654, 79 Stat. 451 and 79 Stat. 667, FNMA is authorized, under its management and liquidating functions, to make commitments to purchase, and to purchase, service or sell any obligations offered to it by the Secretary of Housing and Urban Development or any mortgages covering residential property offered to it by any Federal instrumentality. Under this arrangement, FNMA has taken over the management and servicing of approximately \$159 million of HHFA (now HUD) mortgages that were previously serviced for the agency by the Public Housing Administration (Lanham Act housing mortgages) and by the Community Facilities Administration. The Association, under its management and liquidating functions, has also acquired, as of June 30, 1965, 19,807 Federal Housing Commissioner-owned mortgages, totaling \$171 million, in exchange for FNMA-held FHA debentures or for cash.

(4) During 1965, pursuant to an arrangement entered into between FNMA and the Administrator, HHFA (now Secretary of Housing and Urban Development), this Association will undertake to service, on a temporary and experimental basis, rehabilitation loans that are created under section 312 of the National Housing Act (78 Stat. 769) and simultaneously will acquaint the personnel of local public agencies in respect to FNMA's servicing techniques with the view that servicing of the loans will eventually be assumed by the personnel of the local public agencies in the areas in which the properties in question are located.

(c) and (f) *With other Federal Government departments or agencies; with foreign governments or international organizations.*—The Association has made arrangements, from time to time, with the Agency for International Development (AID) under which certain corporation personnel have been assigned the responsibility of investigating the possibilities and feasibility of developing secondary market financing for home mortgages in Latin American countries and elsewhere, using domestic or foreign capital or a combination of the two. In this connection, a FNMA employee visited Chile on two different occasions in 1960 and 1961; three corporation employees spent approximately a month each in South America during 1965, one each in Peru, Venezuela, and Ecuador; and on two occasions a FNMA employee also spent a period of time in 1964 and 1965 in Jamaica, for similar purposes.

For (d), (e), (g), and (i).—None.

(h) With our own and VA mortgages, as indicated in answer to question No. 7(b) above, the Association by private servicing organizations. During fiscal year 1965, the servicing of FNMA's mortgage portfolios was performed by 1,035 servicing organizations on a contract basis for which the Association paid, under the secondary market operations alone, servicing fees aggregating \$9,796,584.

(2) FNMA's legal services, other than those which are conducted on a staff basis, are performed for the Association on a contract basis by individual attorneys, legal firms, or by trustees. During fiscal year 1965, the Association's overall legal services, including foreclosure litigation or other such matters, were performed by 914 different attorneys, legal firms or trustees to whom were paid legal fees totaling \$817,000 under the secondary market operations.

8. Laws and regulations

Federal National Mortgage Association Charter Act, as amended through September 9, 1965 (title III of National Housing Act, 12 U.S.C. 1716, et seq.)

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. Economic effects

(a) *Effects on personal incomes of persons served or involved.*—The effects, if any, of FNMA's activities, under the secondary market operations, on the personal income, etc., of its individual mortgagors cannot be specifically identified. However, as noted in answer to question No. 7(b) above, FNMA, during 1965 alone paid almost \$10 million of servicing fees to its 1,035 contract servicers and approximately \$817,000 of fees to attorneys, legal firms, and trustees under its secondary market operations.

(b) *Effects on the placement or productivity of workers, or both, and on their earnings.*—Not identifiable.

(c) *Effects on business or individual organizations and management; the stimulation of new business.*—See comments in respect to question 9(a) above. Under its secondary market operations, FNMA has purchased 274,658 FHA mortgages totaling \$3,186 million and 182,782 VA mortgages amounting to \$2,225 million from originating organizations providing in the aggregate financing for 460,243 family residences or dwelling units (approximately 182,800 units under VA financing and 277,450 under FHA financing). Far more significant than its actual purchases, however, is the fact that the Association's existence and known continuous availability of its secondary market operations as a sort of backstop for mortgage financing provides needed, and perhaps indispensable, assurances to those who buy, sell, and deal in mortgages in the broad general secondary market.

(d) *Effects on the stability, level, volume, or other aspects of sales, prices, or other phases of economic activity.*—The flexibility of FNMA's secondary market operations, which includes the ability to adjust readily to changing market conditions so as to meet effectively the financing needs of the housing industry, and the corporation's role as a stabilizing influence on the mortgage market, are widely recognized. A few of FNMA's services are cited:

(1) During the last 10% years, the corporation, under its secondary market operations, has continuously been in the market for FHA and VA mortgages.

(2) When the market is "tight," FNMA's purchasing activities expand, thereby making a relatively greater volume of mortgage funds available in capital shortage areas. Thus, in 1957 and 1960, both tight money years, FNMA's secondary market purchases were \$1,021 million and \$980 million, respectively.

(3) When the market eases, and the need for liquidity furnished by FNMA decreases, mortgages are sold to private investors and the proceeds are used to buy more mortgages or to reduce borrowings. Illustrative are the \$446 million of sales in 1958, \$522 million in 1961, and \$780 million in 1963.

(4) FNMA's purchase prices are generally in the upper range of the market, thus providing stability to the price structures and interest rates for FHA and VA mortgages.

(5) Sales prices are sufficiently high to avoid undercutting the market for FHA and VA mortgages and to help to strengthen the position of such mortgages in the general market.

(6) In its financing program, FNMA is able to bring into the mortgage market a volume of investment funds (including those of public and private pension funds, foundations, personal and corporate trusts, foreign accounts, etc.) that would otherwise be channeled into other forms of investments.

(e) *Any other benefits.*—Generally speaking, FNMA's mortgage purchasing activities are heaviest when mortgage funds are in short supply and relatively expensive and lightest when the opposite conditions prevail. Thus, FNMA provides the housing industry with a volume of funds obtained from private sources at times when the regular outlets of mortgage originators are restrictive or nonexistent. Conversely, in times when funds of private mortgage investors are in excess of needs, the Association's portfolio provides a source from which investors can obtain FHA and VA mortgages for income purposes. FNMA thus operates as an important supplement to the general secondary market by acquiring a sizable portfolio of mortgages at times when private investment funds are in short supply and selling them when private investment funds are generally available. Such FNMA activities thus perform a valuable service in distributing private investment capital between capital shortage and capital surplus areas and help to smooth out the peaks and valleys of home financing which have long had an adverse effect on the efficient functioning of the housing industry.

FNMA's mortgage purchases under its secondary market operations are, in the main, oriented toward the financing of housing for low- and moderate-income families rather than for high-income groups and for luxury homes. Under its secondary market operations, FNMA has provided financing for more than 460,000 family residences or dwelling units having an average of \$11,753 per unit—a figure which is substantially below the statutory \$15,000 per dwelling maximum mortgage amount limitation for these operations that was established in 1954 and the \$20,000 limitation established in 1959. The dollar amount limitation on mortgage purchases under the secondary market operations was removed entirely in 1964 by 78 Stat. 769.

(f) *Pertinent geographic differentials.*—The following table shows the distribution of FNMA's purchases and sales of mortgages under its

secondary market operations from November 1, 1954, through June 30, 1965, on a State basis:

TABLE 3.—FNMA—Purchases and sales by States

[Dollar amounts in thousands]

State	Purchases		Sales	
	Number	Amount	Number	Amount
Total.....	457,440	\$5,411,238	199,206	\$2,332,259
Alabama.....	6,503	76,555	3,827	46,507
Alaska.....	56	1,378		
Arizona.....	14,786	164,404	7,655	84,547
Arkansas.....	6,286	67,917	1,470	16,304
California.....	81,597	1,038,499	34,639	436,942
Colorado.....	7,840	94,264	3,127	37,533
Connecticut.....	115	1,339	71	770
Delaware.....	923	10,081	759	8,149
District of Columbia.....	92	1,139	35	435
Florida.....	39,299	472,218	18,347	217,134
Georgia.....	10,412	115,906	6,922	77,260
Hawaii.....	1,939	29,670	759	11,296
Idaho.....	1,742	21,903	156	1,818
Illinois.....	9,958	129,061	2,259	28,656
Indiana.....	11,100	136,577	3,828	45,865
Iowa.....	1,586	19,282	366	4,149
Kansas.....	8,388	94,513	1,014	11,260
Kentucky.....	2,948	34,542	1,379	16,292
Louisiana.....	13,432	156,186	4,252	50,994
Maine.....	210	1,842		
Maryland.....	1,328	14,886	834	9,385
Massachusetts.....	322	3,099	297	2,833
Michigan.....	33,170	410,767	22,686	268,314
Minnesota.....	2,847	36,961	2,084	26,272
Mississippi.....	2,272	25,332	1,238	14,868
Missouri.....	6,825	82,231	3,397	40,916
Montana.....	889	11,967	46	608
Nebraska.....	2,316	28,734	934	11,820
Nevada.....	9,066	130,497	2,828	40,399
New Jersey.....	2,384	25,357	2,007	21,132
New Mexico.....	13,047	152,510	2,334	26,781
New York.....	1,269	24,308	600	6,875
North Carolina.....	2,761	31,051	1,725	19,224
North Dakota.....	96	1,242	23	359
Ohio.....	17,988	233,977	11,199	142,864
Oklahoma.....	14,971	157,023	4,013	40,647
Oregon.....	3,928	44,544	2,168	24,151
Pennsylvania.....	2,634	28,213	1,676	18,235
Puerto Rico.....	4,761	46,923	4,420	41,636
Rhode Island.....	63	603		
South Carolina.....	4,089	43,064	1,800	18,872
South Dakota.....	1,934	22,753	782	8,619
Tennessee.....	6,011	65,486	3,761	41,286
Texas.....	74,162	783,875	26,128	284,613
Utah.....	5,574	65,885	2,852	30,204
Virginia.....	6,754	76,866	5,629	62,030
Virgin Islands.....	27	415		
Washington.....	13,394	154,389	2,174	25,209
West Virginia.....	269	3,101	175	1,770
Wisconsin.....	886	11,001	352	4,570
Wyoming.....	2,161	26,892	149	1,856

(g) *The measurable contribution of the program to either the magnitude or the rate of growth of the gross national product.*—FNMA's contribution to the gross national product in 1965 is considered to be the in-place value of the housing applicable to the mortgages it purchased during the year, fees paid to private servicing organizations for servicing its mortgage portfolio, legal fees paid to individual attorneys, legal firms or trustees for foreclosure litigation and other matters, in-

terest on borrowings from the public, dividends paid to holders of its common stock and costs of administration, including wages and salaries of its employees. The total of these, detailed below, amounts to \$412.3 million or 0.06 percent of the estimated 1965 gross national product of \$678 billion.

Value of housing:	\$272.0
FHA-insured mortgages-----	48.9
VA-guaranteed mortgages-----	
Total housing value-----	320.9
Other goods and services-----	13.7
Interest (to public)-----	74.3
Dividends (to public)-----	3.4
Total contribution to gross national product-----	412.3
Ratio to \$678 billion GNP, 1965 (percent)-----	.06

It should be noted that although many of FNMA's mortgage purchases are applicable to existing housing, it is assumed that such purchases serve to release private funds for the generation of new housing. In addition, FNMA's contribution to the gross national product may be duplicated by the FHA and VA to the extent of the value of housing applicable to the mortgages insured or guaranteed by each of those instrumentalities as detailed above and, as a consequence, allowance should be made for such duplications.

(h) *Other data or comments relevant to economic impacts of secondary market operations.*—FNMA's activities under the secondary market operations involved the purchase of 28,286 mortgages covering 29,439 housing units for a total mortgage value of \$304.8 million during 1965. Using the measurements provided by the U.S. Department of Labor, it is estimated that these purchasing activities generated 59.2 million man-hours of employment providing \$176.4 million in wages, for the year. The foregoing is applicable to FHA-insured and VA-guaranteed mortgages as follows:

[Dollar amounts in millions]

	FHA mortgages	VA mortgages
Mortgages purchased-----	24,661	3,625
Housing units-----	25,814	3,625
Amount-----	\$258.4	\$46.4
Employment:-----		
Hours-----	50,175,218	9,008,664
Amount-----	\$149.5	\$26.8

10. *Economic classification of program expenditures.* (See table 4.)

Program: Secondary market operations.
Department or agency, and office or bureau: Department of Housing and Urban Development; Federal National Mortgage Association.

HUMAN RESOURCES PROGRAMS

TABLE 4.—*Economic classification of program expenditures for fiscal year 1965*
[In thousands of dollars]

Category	Trust fund expenditures		
	Expenditures for operations	Expenditures to the Federal Government general and special accounts (intragovernmental exchanges)	Total expenditures financed by business enterprises and others (individuals)
Purchase of goods and services:			
Wages and salaries.....	3,371		3,371
Other (including administrative expense).....	6,344		6,344
Mortgage servicing fees.....	9,797		9,797
Legal services.....	817		817
Other categories:			
Operating costs:			
Interest on borrowings from:			
Public.....			
Treasury.....	74,315		74,315
Provision for losses.....		1,260	1,260
Miscellaneous expenses.....	1,386		1,386
Dividends on preferred stock held by the Treasury.....	19		19
Dividends on common stock held by the public.....		2,023	2,023
Federal income tax equivalent.....	3,399		3,399
Program costs:		11,483	11,483
Mortgages acquired from FHA in exchange for FHA debentures.....	51,552		51,552
Mortgage purchases from, and loans to, the public.....	248,268		248,268
Borrowings from the Treasury.....		4,460	4,460
Purchase of preferred stock from Treasury.....		38,000	38,000
Total program and operating expenditures.....	399,268	57,226	456,494

¹ Represents net repayments to the Treasury in fiscal 1965 (\$566,800,000 was repaid and \$562,400,000 was borrowed).

² The secondary market operations produce receipts from earnings of interest, fees, and other income, and from sales, repayments, and other liquidations of the mortgage portfolio. These receipts were used to reduce expenditures so that the net trust expenditure amounted to only \$91,468,000. Of the total \$57,226,000 in expenditures made to the Federal Government, \$42,460,000 represents the amount included in the Federal budget as administrative budget receipts.

NOTE.—In the national income accounts the secondary market operations of the Federal National Mortgage Association are classified as a Government enterprise. The administrative budget net expenditures of negative \$42,500,000 are combined with the net trust fund expenditures of \$91,500,000. After allowance is made for intragovernmental transfers, the net cash expenditures in fiscal 1965 are \$32,000,000.

SPECIAL ASSISTANCE FUNCTIONS

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives¹

The special assistance functions of the Federal National Mortgage Association have as their statutory objective the provision of special assistance (when, and to the extent that, the President or the Congress have determined that it is in the public interest) for the financing of (1) selected types of home mortgages (pending the establishment of their marketability) originated under special housing programs designed to provide housing of acceptable standards at full economic costs for segments of the national population which are unable to obtain adequate housing under established home financing programs, and (2) home mortgages generally as a means of retarding or stopping a decline in mortgage lending and homebuilding activities which threatens materially the stability of a high level national economy.

¹ The special assistance functions of the Federal National Mortgage Association are authorized by the Federal National Mortgage Association Charter Act as set forth in 12 U.S.C. 1716 et seq., and more particularly in secs. 1716 and 1720 thereof.

The special assistance functions of FNMA are conducted for the account of the Federal Government with U.S. Treasury funds (excepting the interests of, and funds of, investors in FNMA participation certificates). The objectives or purposes of this phase of FNMA's activities are accomplished by its purchases of Federal Housing insured (FHA) and Veterans Administration guaranteed (VA) mortgages covering new or special types of homes or housing in which the Federal Government has manifested a particular interest but in respect to which private financing is temporarily or permanently inadequate.

2. Operation ²

For practical purposes, the special assistance functions of FNMA may be regarded as an extension of the corporation's management and liquidating functions which, between 1938 and 1954, operated mainly with Federal funds to provide support for FHA- and VA-financed housing generally and specifically for special types or categories of housing such as cooperative, defense, military and disaster housing, housing located in Alaska, Hawaii, and Guam, and for multifamily and single-family rental housing projects.

FNMA conducts its special assistance functions nationally through five field offices located throughout the country so as to best serve the needs of the organizations which do business with the Association. In addition to these field offices (located in Philadelphia, Pa.; Atlanta, Ga.; Chicago, Ill.; Dallas, Tex.; and Los Angeles, Calif.) FNMA maintains a fiscal agency office and a mortgage sales office in New York City and an administrative or central office in Washington, D.C.

3. History

FNMA is a corporation which was established in 1938 to provide a market for the purchase and sale of FHA-insured mortgages. The scope of the Association's activities was broadened in 1948 to provide similar facilities for VA-guaranteed mortgages. The special assistance functions of the Association date from 1954 when the corporation was rechartered by statute to provide special assistance for the financing of selected types or categories of housing for which private capital is inadequate (68 Stat. 590).

The special assistance functions of the Association are financed, in the main, by borrowings from the Secretary of the Treasury within limitations prescribed by the Congress and the sale of beneficial interests, or participations, in first mortgages owned by the Association under these functions. Other funds are obtained from portfolio liquidation, fees or charges for various services rendered by the Association, income from investments other than mortgages, interest income, and net income from operations.

As stated under question No. 1 of this part, the basic objective of the special assistance functions is to provide financial assistance for the financing of selected types or categories of housing that qualify under special programs designated by the President of the United States or by the Congress. In achieving this objective, the Association purchases the FHA-insured and VA-guaranteed mortgages on the related special types or categories of housing involved, holds them in portfolio

² See response to question 2 for the secondary market operations program of the Federal National Mortgage Association.

pending establishment of their marketability in the general secondary market and sells them to the extent feasible in areas where and when investors (such as banks, insurance companies, and the like) have funds available for investment in such mortgages.

Under its special assistance functions, dating from November 1, 1954, FNMA has contracted to purchase 165,160 FHA and VA mortgages totaling \$3,613 million in 10½ years through June 30, 1965, and purchased 137,244 mortgages with unpaid principal balances aggregating \$2,494 million. During the same period, sales aggregated 31,110 mortgages totaling \$666 million. The purchases related to properties located in 48 States, the District of Columbia, Guam, and Puerto Rico, as indicated in the answer to question No. 9(f) of part II hereof.

Effective in February 1962 FNMA adopted a policy of refunding three-fourths of its commitment fee charged in connection with outstanding and future commitments issued under its special assistance functions for the purchase of multifamily mortgages, provided the seller, within the commitment period, requested such a refund, agreed to immediate termination of the commitment contract and furnished evidence satisfactory to the Association that arrangements had been completed for financing the mortgages privately (expanded in November 1962 to include project mortgages containing five or more units of housing). Commitment contracts totaling \$391.0 million and involving 167 projects had been terminated under this procedure as of June 30, 1965. The procedure not only reduced the dollar amount of mortgages which the Association would otherwise have been required to purchase, but also, simultaneously, made the released authority available for other housing programs or for other governmental purposes and made it possible for private participation in the special assistance programs to be increased by an amount equal to the terminated contracts.

FNMA's special assistance programs which have been authorized by the President of the United States and by the Congress and activities thereunder as of June 30, 1965, are shown in table 5, below in this section.

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

Program: Special assistance functions.

Department or agency, and office or bureau: Department of Housing and Urban Development; Federal National Mortgage Association.

TABLE 1.—Level of operations or performance, fiscal years 1964-67

(Dollar amounts in millions)

Measure	Unit	Fiscal year 1964		Fiscal year 1965		Fiscal year 1966 estimate		Fiscal year 1967 estimate	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount
(a) Magnitude of program.....	Mortgages: Immediate and commitment contracts executed. Purchases. Sales.....	2,089	\$135.7	2,251	\$234.1	1,900	\$363.0	1,100	\$459.0
		2,272	19.9	2,179	99.7	1,710	190.0	700	236.9
		4,490	86.5	1,761	203.7	200	2.0	2,700	25.0
(b) Applicants or participants: State government agencies..... Local communities or governments..... Individuals or families..... Other.....	Units of housing..... Mortgage banking organizations..... Banks and trust companies..... Savings and loan associations..... Insurance companies.....	None None 6,894 155 24 4 2	None None 8,929 167 26 5 2	None None 8,929 167 26 5 2	None None 8,929 167 26 5 2	None None 15,600 160 30 5 2	None None 15,600 160 30 5 2	19,600 19,600 19,600 19,600 19,600 19,600 19,600	None None None None None None None
(c) Federal finances: Unobligated appropriations available (unobligated) borrowing authority (available). ¹ Obligations incurred..... Allotments or commitments made..... Matching or additional expenditures for the program.....			1,837.3		2,055.4		1,850.2		2,035.1
(d) Number of Federal Government employees administering the program. ² (e) Non-Federal personnel employed in program. ³			238.5 105.7		285.2 234.1		415.4 363.0		494.1 459.0
	Man-years.....	None		None		None		None	
		955		860		920		965	
(f) Other measures of level or magnitude of performance.	Number of persons: Under contract (fiscal). Attorneys (individuals, firms, trustees). FNMA mortgage servicing organizations. Portfolio liquidation other than sales. Sales of beneficial interests or participations in mortgages.	4 899 1,080 4,799 None		4 914 1,035 4,374 106.1		4 950 1,035 3,900 82.5 \$655.0		4,000 86.0 \$225.0	

¹ The special assistance functions are not financed with appropriated funds but, instead, are financed mainly with funds borrowed from the U.S. Treasury subject to the limitations established by the Congress.

² As noted in answer to question No. 2, the Association's employees are not segregated

in respect to the various functions or operations but operate as a single staff for all activities.

Services utilized in connection with FNMA; overall activities are not identified with any one function or operation.

5. *Estimated magnitude of program in 1970*TABLE 2.—*Special assistance functions, fiscal year 1970*

Activity	Number of mortgages	Approximate volume
Contracts executed.....		
Purchases.....	6,500	\$770,000,000
Sales.....	6,200	725,000,000
Repayments and other liquidations.....	2,200	25,000,000
	8,000	117,000,000

6. *Prospective changes in program orientation*

None contemplated at this time.

7. *Coordination and cooperation*

(a) *Within FNMA itself.*—None.

(b) *With other units of agency—HUD.*—

(1) Under an arrangement entered into in March 1962 between the Association and the Federal Housing Commissioner, the Association subsequently acquired for the portfolio of its special assistance functions 2,767 Federal Housing Commissioner-owned mortgages, totaling \$26 million, in exchange for FNMA-held FHA debentures which FNMA had acquired in connection with the foreclosure of certain corporation-owned FHA mortgages. This action relieved the Federal Housing Administration of the necessity of servicing that volume of mortgages with staff employees. FNMA's purchases of these mortgages and their addition to its portfolio were accomplished with a minimum of adjustment in its personnel staffing. Since, as indicated, the mortgages in question were previously owned by FHA and had been serviced by FHA staff employees, the acquisition of the mortgages by FNMA effected substantial savings in personnel expenses to the FHA and simultaneously provided FNMA's contract servicers with additional servicing income under the corporation's arrangement of having its one- to four-family housing mortgages serviced by private servicers under contract.

(2) FNMA and FHA have entered into a working arrangement under which (a) the Association requests the President of the United States to authorize it to expend some specified portion of its special assistance funds for commitments to purchase and purchases of FHA section 221(d)(3) below-market interest rate mortgages on housing for low and moderate income families and (b) the Federal Housing Commissioner maintains an effective control over the amount of FHA's outstanding commitments to insure mortgages under this category of housing by allocating related insuring authority among the agency's multifamily insuring offices on the basis of FNMA's authorization to commit to purchase such mortgages. In view of the low interest rate that is borne by this category of mortgages and the improbability that the related housing will be financed by private enterprise organizations, the total amount of FHA's allocations and its commitments to insure are limited to the total amount of FNMA's purchasing authority under this program of housing.

For (c), (d), (e), (f), (g), and (i). None.

(h) *With business enterprise.*—

(1) FNMA's servicing of mortgages as indicated in answer to question No. 4, is conducted for the Association by private servicing organizations under contract. During fiscal year 1965, FNMA's

overall servicing was performed by 1,035 servicing organizations on a contract basis for which the Association paid, under the special assistance functions alone, servicing fees aggregating \$4,336,704.

(2) FNMA's legal services, other than those which are conducted on a staff basis, are performed for the Association on a contract basis by individual attorneys, legal firms or by trustees. During fiscal year 1965, the Association's legal services, including foreclosure litigation or other such matters were performed by 914 different attorneys, legal firms or trustees to whom were paid legal fees totaling \$343,000 under the special assistance functions.

8. Laws and regulations

Federal National Mortgage Association Charter Act as amended through September 9, 1965 (title III of National Housing Act, 12 U.S.C. 1716 et seq.)

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. Economic effects

(a) *Effects on personal incomes of persons served or involved.*—The effects, if any, of FNMA's activities, under the special assistance functions, on individual mortgagors cannot be specifically identified. However, as noted in answer to question No. 7, FNMA, during 1965 alone paid more than \$4 million of servicing fees to its contract servicers under the Special Assistance Functions and over \$0.3 million of legal fees to attorneys, legal firms, and trustees under these functions.

(b) *Effects on the placement or productivity of workers, or both, and on their earnings.*—Not specifically identifiable.

(c) *Effects on business or individual organizations and management; the stimulation of new business.*—See comments in respect to question No. 9(a) above. Under its special assistance functions, FNMA has purchased 83,851 FHA mortgages totaling \$1,844 million and 53,393 VA mortgages aggregating \$650 million from originating organizations providing financing for 208,802 family residences or dwelling units (approximately 53,400 VA units and 155,400 FHA units). Also, as noted in connection with answer to question No. 3, FNMA commitment contracts totaling \$391 million were terminated by assignment to private enterprise organizations thereby making that volume of investments available to such organizations and simultaneously decreasing, by a like amount, the Government's contractual obligations to expend Federal funds to purchase the related mortgages.

(d) *Effects on the stability, level, volume, or other aspects of sales, prices, or other phases of economic activity.*—Under its special assistance functions, the Association helps to bring into existence a volume of housing which probably would not be constructed were it not for the financial backstop that is provided by the Government through this FNMA facility.

For example, one of FNMA's major special assistance programs involves the utilization of below-market interest rate financing to provide housing accommodations for low and moderate income families whose incomes are too high to permit them to qualify as occupants of publicly constructed housing and too low to permit them to acquire housing accommodations at full economic costs. Other programs provide financing for homes utilizing new and experimental types of

materials and technological processes, housing in Guam, and on restricted Indian lands. FNMA's special assistance functions activities have performed a particularly valuable service to the home-building industry and the overall economy by helping to popularize certain specific categories of housing which are now generally acceptable to private investors in the general secondary market, e.g., housing for cooperative groups, for the armed services (FHA secs. 803 and 809), in Alaska, for the elderly, in urban renewal areas and for victims of major disasters.

FNMA's special assistance functions provide an interim market for new programs of housing mortgages pending establishment of their marketability in the general secondary market. Generally speaking, FNMA's purchase prices, under its special assistance functions, are established at levels which are sufficiently high to provide reasonable assurance that the needed housing will be produced but not so high as to preempt the market and to exclude private enterprise from participating in the programs. Such prices provide stability for the price structure for FHA and VA mortgages. The prices at which FNMA sells mortgages from its special assistance functions portfolio are sufficiently high to avoid undercutting the market for FHA and VA mortgages and thus help to strengthen the position of such mortgages in the general secondary market.

(e) *Any other benefits.*—As previously stated, FNMA's special assistance functions are utilized to provide financing of homes for segments of the national population which are unable to obtain adequate housing of acceptable standards at full economic costs under established home financing programs. For the most part, FNMA's purchases under its special assistance functions have been oriented toward the construction of new housing and the rehabilitation of existing homes, thereby having a specific impact on activities of the building trades and related organizations as well as upon individual home buyers and renters. When new and previously untried types or categories of housing are introduced, private lenders are often reluctant to provide necessary financing until such time as the related mortgages have become generally acceptable to investors in the general secondary market. As a consequence, there is a definite need for an interim market in which mortgages covering special types or categories of housing can be financed pending establishment of their marketability. FNMA's special assistance functions provide such a market and thereby render a signal service to the housing industry, the housing economy, and to the segments of the national population benefited thereunder, some specific examples of which are cited in answer to question No. 9(d).

(f) *Pertinent geographic differentials.*—The distribution of FNMA's purchases and sales of mortgages under its special assistance functions from November 1, 1954, through June 30, 1965, is as follows:

TABLE 3.—Purchases and sales by States

[Dollar amounts in thousands]

	Purchases		Sales	
	Number	Amount	Number	Amount
Total.....	137, 244	\$2, 493, 567	31, 110	\$665, 803
Alabama.....	7, 377	88, 253	1, 930	25, 032
Alaska.....	2, 598	60, 193	2, 136	48, 440
Arizona.....	6, 733	103, 677	123	27, 171
Arkansas.....	1, 296	40, 213	79	10, 442
California.....	9, 493	196, 258	2, 445	44, 504
Colorado.....	3, 231	47, 445	414	7, 328
Connecticut.....	80	14, 210	53	1, 509
Delaware.....	191	9, 340	66	6, 967
District of Columbia.....	202	11, 474	2	4, 618
Florida.....	16, 998	231, 865	2, 515	62, 301
Georgia.....	5, 690	82, 740	169	19, 781
Guam.....	70	961		
Hawaii.....	960	40, 173	4	5, 192
Idaho.....	272	3, 545	2	22
Illinois.....	2, 569	49, 054	437	13, 259
Indiana.....	2, 860	38, 914	725	8, 572
Iowa.....	1, 231	16, 671	54	500
Kansas.....	1, 599	40, 936	5	10, 163
Kentucky.....	2, 774	56, 089	467	25, 206
Louisiana.....	4, 309	55, 864	433	4, 858
Maryland.....	343	6, 770	189	1, 926
Massachusetts.....	3	4, 768	1	1, 662
Michigan.....	11, 356	157, 818	5, 086	60, 812
Minnesota.....	1, 114	17, 182	62	1, 288
Mississippi.....	736	11, 741	186	2, 099
Missouri.....	1, 442	60, 803	1	2, 952
Montana.....	162	2, 118	1	291
Nebraska.....	491	6, 900	97	1, 045
Nevada.....	1, 868	37, 709	48	2, 906
New Hampshire.....	5	16, 654		
New Jersey.....	343	52, 341	279	6, 297
New Mexico.....	3, 956	53, 973	32	1, 729
New York.....	147	104, 943	102	34, 801
North Carolina.....	2, 317	49, 783	1, 629	30, 642
North Dakota.....	118	1, 527		
Ohio.....	7, 687	148, 382	2, 321	29, 661
Oklahoma.....	2, 374	48, 916	146	16, 831
Oregon.....	1, 259	23, 592	126	8, 061
Pennsylvania.....	691	43, 657	261	7, 080
Puerto Rico.....	901	12, 882	606	8, 179
Rhode Island.....	1	1, 206	1	1, 027
South Carolina.....	976	49, 544	398	10, 303
South Dakota.....	26	867	1	246
Tennessee.....	6, 325	71, 962	933	12, 333
Texas.....	12, 829	186, 778	3, 554	58, 962
Utah.....	2, 552	29, 939	28	303
Virginia.....	3, 766	44, 197	2, 862	32, 377
Washington.....	1, 430	31, 468	66	4, 499
West Virginia.....	202	3, 785		
Wisconsin.....	762	16, 788	13	1, 412
Wyoming.....	529	6, 749	22	264

(g) *The measurable contribution of the program to either the magnitude or the rate of growth of the gross national product.*—FNMA's contribution to the gross national product in 1965 is considered to be the in-place value of the housing applicable to the mortgages it purchased during the year; fees paid to private servicing organizations for servicing its mortgage portfolio; legal fees paid to individual attorneys, legal firms, or trustees for foreclosure litigation and other matters; and costs of administration, including wages and salaries of its employees. The total of these items detailed below amounts to \$110.9 million or 0.016 percent of the estimated 1965 gross national product of \$678 billion.

[Amounts in millions]

Value of housing:	
FHA-insured mortgages.....	104, 5
VA-guaranteed mortgages.....	5
Total housing value.....	105. 0
Other goods and services.....	5. 9
Total contribution to gross national product.....	110. 9
Ratio to \$678,000,000,000 GNP, 1965 (percent).....	. 016

It should be noted that although many of FNMA's mortgage purchases are applicable to existing housing, it is assumed that such purchases serve to release private funds for the generation of new housing. In addition, FNMA's contribution to the gross national product may be duplicated by the FHA and VA to the extent of the separate value of housing applicable to the mortgages insured or guaranteed by those instrumentalities as detailed above, and, as a consequence, allowance should be made for such duplications.

(h) *Other data or comments relevant to economic impacts of special assistance functions.*—FNMA's activities under the special assistance functions involved the purchase of 2,179 mortgages covering 8,929 housing units for a total mortgage value of \$99.7 million during 1965. Using the measurement provided by the U.S. Department of Labor, it is estimated that these purchasing activities generated 19.7 million man-hours of employment providing \$59.1 million in wages for the year. The foregoing is applicable to FHA-insured and VA-guaranteed mortgages as follows:

[Dollar amounts in millions]

Category	FHA mort- gages	VA mort- gages
Mortgages purchased.....		
Housing units.....	2, 144	35
Amount.....	8, 894	35
Employment:	\$99. 3	\$0. 4
Hours.....	19, 568, 337	84, 927
Amount.....	\$58. 8	\$0. 3

10. *Economic classification of program expenditures.* (See table 4.)

Program: Special assistance functions.

Department or agency, and office or bureau: Department of Housing and Urban Development; Federal National Mortgage Association.

TABLE 4.—*Economic classification of program expenditures for fiscal year 1965*
[Dollars in thousands]

Categories	Federal Government expenditures
Purchases of goods and services:	
Wages and salaries.....	1, 391
Other (administrative expense).....	222
Mortgage servicing fees.....	4, 336
Legal services.....	343
Other categories:	
Operating costs:	
Interest on borrowings from Treasury.....	42, 875
Provision for losses.....	1, 182
Miscellaneous expenses.....	276
Program costs: Mortgage purchases.....	99, 619
Total program and operating expenditures ¹	150, 244

¹ The special assistance functions produce receipts from earnings of interest, fees, and other income, and from sales of mortgages and participations, repayments, and other liquidations of the mortgage portfolio. These receipts exceeded expenditures by \$375,849,000 for the year.

NOTE.—In the national income accounts these operations are classified as a government enterprise and treated as such.

TABLE 5.—Cumulative program activity, through June 30, 1965

[Dollar amounts are in thousands]

Program	Funds authorized ¹	Contracts		Purchased			Liquidations	Balance of funds available
		Executed	Canceled or withdrawn	Undisbursed	Dwelling units	Mortgages	Amount	
Presidential authorization.....	\$2,510,268	\$1,722,661	\$470,682	\$305,670	88,596	48,259	\$946,309	\$1,628,703
No. 1. Disaster.....	10,000	1,167	41	---	105	105	1,126	365
No. 2. Guam.....	7,500	1,671	162	548	70	70	961	9,229
No. 3. Urban renewal.....	762,500	958,150	323,336	20,130	60,049	39,938	614,084	50
No. 4. Alaska (terminated).....	66,975	62,049	5,074	---	2,455	2,455	56,975	6,041
No. 5. Military and defense (terminated).....	11,072	11,131	59	---	1,320	203	10,095	(²)
No. 6. Consumer co-op (terminated).....	710	710	---	---	96	1	710	(²)
No. 7. Elderly persons.....	251,000	248,860	140,485	---	10,811	5,066	108,375	192,402
No. 8. Low cost (terminated).....	1,744	2,294	550	---	194	194	1,744	(²)
No. 9. Below market interest rate.....	1,412,500	433,525	973	283,429	13,372	103	149,123	988,084
No. 10. Experimental housing.....	15,000	2,452	2	1,563	66	66	887	12,552
No. 13. Restricted Indian lands.....	5,000	2,652	---	---	53	53	652	2
Liquidation recoveries ²	(35,078)	---	---	---	---	---	---	4,364
Not yet allocated.....	41,345	---	---	---	---	---	---	41,345
Congressional authorization.....	1,120,176	1,864,627	342,800	788	117,439	86,218	1,520,979	816,825
No. 6. Cooperative.....	225,000	287,464	90,480	---	15,029	10,354	196,984	60,307
Consumer.....	65,150	68,317	34,985	---	2,566	253	33,332	13,799
Nonconsumer.....	159,850	219,147	55,495	---	12,463	10,101	163,652	46,508
No. 7. Armed services.....	500,000	576,404	94,660	788	31,929	5,383	480,956	308,655
Secs. 803 and 810.....	441,250	488,046	75,942	---	26,705	159	412,104	274,027
Sec. 809.....	58,750	88,358	18,718	788	5,224	529	68,552	34,628
No. 10. Low and moderate (terminated).....	395,176	1,000,759	157,720	---	70,481	70,481	843,039	23,738
Total.....	3,630,444	3,587,288	813,542	306,453	206,085	134,477	2,467,288	1,187,239
								2,043,837

¹ Terminated programs; liquidations restored to authorization.² Revolving authorizations except terminated programs. Liquidations may also be³ Includes \$775 thousands obligated funds.

None.—Excludes mortgages received in exchange for FNMA-held FHA debentures.

Federal Housing Administration

Questions 1, 2, and 3 are discussed separately for each of the seven basic programs of the Federal Housing Administration. The replies to the other questions follow and cover all the programs.

SALES HOUSING PROGRAMS

PART I. DESCRIPTION OF THE PROGRAM

1. *Objectives*

The broad objectives of the various FHA programs for sales housing mortgage insurance are contained in the Declaration of National Housing Policy, as described in section 2 of the Housing Act of 1949.

Pertinent among these are:

1. Increasing housing production to eliminate housing shortages;
2. Achieving as soon as feasible the goal of a decent house and suitable living environment for every American family, thus advancing the growth, wealth, and security of the Nation;
3. Enabling the housing industry to make its full contribution toward an economy of maximum employment, production, and purchasing power.

These programs further aim to:

1. Encourage private enterprise to serve as large a part of the total need as it can;
2. Employ government assistance where feasible to enable private enterprise to serve more of the total need than it otherwise might;
3. Encourage and assist the development of well-planned, integrated, residential neighborhoods, the development and redevelopment of communities and the production, at lower costs, of housing of sound standards of design, construction, livability, and size for adequate family life.
4. To facilitate provisions of adequate housing for urban and rural nonfarm families with incomes so low that they are not being decently housed in new or existing housing—where these needs are not being met through reliance solely upon private enterprise;
5. Stabilize the housing industry at a high annual volume of residential construction.

Departing from the general language of legislation, the more specific purposes of the sales housing programs include: (1) Broadening the opportunity for home ownership to include all who seek this form of tenure and from whom there is reasonable assurance of repayment of loans, and (2) encouraging private lenders to undertake a degree of risk which they might not otherwise be willing to assume, or which they might not legally assume in the absence of insurance.

These basic purposes, in general, apply to all 10 of the FHA sales housing programs. But in addition, the individual programs each have special objectives or priorities. These special objectives are listed below, by individual program (program designations are sections of the National Housing Act):

203(b) is the basic sales housing program for financing new or existing one- to four-family dwellings, under which 80 to 90 percent of FHA's sales home volume is insured. It has no special objective over and above the basic objectives outlined above.

203(b)(2) provides for financing of housing for veterans who have not used eligibility under the veterans home loan programs of the Veterans' Administration.

203(h) provides for financing replacement or reconstruction of owner-occupied homes damaged or destroyed by natural disaster.

203(i) provides for financing new or existing homes in small towns, and outlying urban and rural nonfarm areas.

213 provides for financing of mortgages on individual sale properties released from nonprofit cooperative sales projects.

220 provides for financing of newly constructed or rehabilitated homes in urban renewal areas.

221(d)(2) provides for financing of low-cost homes for families displaced by urban renewal and other government action, and for other low- and moderate-income families.

222 provides for financing of proposed or existing dwellings for servicemen.

234 provides for financing of mortgages on individual units in condominium projects. (Condominium ownership provides fee simple title to a dwelling unit but includes undivided interest in common property of the overall project. It permits ownership of individual units in multifamily structures as well as detached houses sharing common facilities.)

809 provides for financing of new sales housing for civilian employees at or near research or development installations of the Department of Defense, NASA, AEC, and employees of contractors thereof, on certification by the appropriate department or agency.

810 provides for financing of new sales housing after an initial rental period for military and essential civilian personnel of the armed services, NASA, and AEC, and for employees of contractors for these agencies, upon a finding by FHA of need.

2. Operation

The mortgage insurance programs are a direct Federal operation, conducted by field offices with headquarters supervision.

The FHA sales house operations consist essentially of insurance to private lenders against the possibility of nonrepayment of long-term mortgage loans. A premium for this insurance is generally paid by the borrower, through the mortgage lender, to FHA. The insurance premiums provide both for reserves against losses and for operating and administrative costs. In addition, fees are assessed for various services such as appraisal, inspection, and processing actions. Overall, the operation is conducted without net cost to the Federal Government.

The section 222 program for servicemen is an exception to the statement that insurance premiums are paid by the borrower. These premiums are paid by the armed services until termination of the servicemen's ownership.

The objectives of the FHA sales house programs are achieved primarily through advantages in terms over mortgages typically available in the conventional mortgage market. These advantages in terms would ordinarily not be offered by private lenders due to increased risk of loss, or would be offered only at substantially higher interest charges commensurate with the acceptance of greater risk.

There are also various legal restraints on acceptable risk and permissible interest rates. FHA insurance is the operative factor which makes these higher risks and lower yields acceptable to private lenders, and which likewise permits exception to legal restraints on risk criteria. For the privilege of obtaining insurance, lenders, builders, and home purchasers comply with FHA minimum property standards, underwriting requirements, regulations, limitations on mortgage amounts, etc. The special purpose programs offer more liberal loan-to-value ratios, amortization periods, risk standards, appraisal standards, or construction standards, etc., as incentives toward achieving their special objectives.

3. History

Section 203(b).—The first FHA insurance program for sales home mortgages was the section 203(b) program, authorized by the National Housing Act adopted June 26, 1934. It provided for 80 percent, 20-year loans. Maximum interest rates were to be established by the Federal Housing Administrator at not more than 5 percent with authority to go up to 6 percent if the mortgage market so required in a given locality or for a given class of loan. Insurance premiums were required at not less than one-half percent nor more than 1 percent. By regulation, FHA established the requirement for level-term monthly payments, and later established a requirement for escrow payments for taxes and insurance premiums. These two requirements proved sound innovations and became established practices throughout the mortgage industry, replacing the short-term unamortized mortgages which previously prevailed in the private mortgage market and which caused serious problems during the depression of the thirties.

The needs of the Nation for financing homeownership and for stimulating residential construction since 1934, however, have occasioned repeated liberalization of terms under the section 203(b) program. At present, loans for new homes and existing homes over 1 year old may be as great as 97 percent of the first \$15,000 of value, plus 90 percent of the next \$5,000, plus 80 percent of the remainder. The maximum loan amount for a one-family dwelling is \$30,000. New homes are entitled to a 35-year repayment term while existing homes are entitled to a 30-year term. Many other details of the program have also been gradually altered from time to time, as needs and experience have dictated. More than 2.6 million new homes and more than 3.9 million existing homes had been insured under 203(b) as of mid-1965. Over the 30-year period, these totals average out at about 220,000 mortgages insured per year.

Section 203(b)(2).—This is a new program authorized by the Housing and Urban Development Act of 1965. It provides special terms for veterans who have not previously used VA eligibility for home purchase. Favorable terms over 203(b) cover loan-to-value ratio only; viz, 100 percent on first \$15,000 of value, 90 percent on next \$5,000, and 85 percent of remaining value.

Section 203(h).—This program was authorized by the Housing Act of 1954 to assist owner-occupants whose homes are destroyed or damaged by disaster. It originally provided 100 percent mortgages with a maximum mortgage amount of \$7,000. The mortgage amount has been raised by subsequent amendments to a present limit of

\$12,000. Volume data are normally combined with 203(b), but when last tallied separately (March 1965) the cumulative total of homes insured under 203(h) was 113.

Section 203(i).—This program was authorized by the Housing Act of 1954, replacing a title I, section 8, program of similar character (adopted 1950) which in turn had replaced a class 3 program under title I, section 2, originally authorized by the National Housing Act Amendments of 1938. Sections 2 and 8 accounted for more than 84,000 units insured over their approximately 17-year life.

Through August of 1965, more than 75,000 units had been insured under section 203(i). The volume under this program ran much higher during the late 1950's than recently, probably because of the broadening of eligibility criteria of the 221(d)(2) program by the Housing Act of 1961. Section 221(d)(2) may now be used with at least equal advantage in a majority of cases that would have previously been eligible only under 203(i).

Section 203(i) terms have generally been amended from time to time as housing market conditions have indicated the need. The 1965 act increased the maximum mortgage limit to \$12,500, with a loan-to-value ratio of 97 percent.

Section 213.—The 213 cooperative housing program was authorized by the Housing Act of 1950, and the sales cooperative is a variation of the cooperative concept. Management cooperatives are also covered by the same section, and are described elsewhere in this report under rental housing programs. Section 213 superseded previous authority for financing housing cooperatives granted under section 207 in 1948.

The sales cooperative (as contrasted to a management cooperative) is best described as a purchasing cooperative. For example, a group of prospective home buyers can band together in a nonprofit corporation and use their collective bargaining power to obtain a more favorable purchase price for new homes, than they might otherwise secure as individuals.

With the passage of time, the 213 program has primarily evolved into a method for production of homes by operative builders, to be marketed through a cooperative with appropriate financing procedures, in contrast to early expectations that organized cooperative groups might use the program for bargaining with builders en bloc and thus achieve savings in contract construction of homes for individual ownership. Through August 1965, over 33,000 sales homes had been insured under section 213, though activity under the program has declined sharply since 1961. The reduced section 213 sales housing activity (mostly by operative builders) is believed due to the substantially improved terms made available under other sale home programs by the Housing Act of 1961. Such minor advantages of 213 sales financing as remained for operative builders were virtually eliminated by the Housing and Urban Development Act of 1965.

Section 220(b) home mortgages.—This program was enacted in 1954 because existing FHA home mortgage programs were often inappropriate for financing homes in urban renewal areas, owing to the requirement for a finding of economic soundness. Conventional mortgage loans were also unavailable for similar reasons. The 220 sales housing program authorized FHA insurance of mortgages on properties in areas with approved rehabilitation programs without a finding of

economic soundness. In 1955 the program was amended to base mortgage amounts on replacement costs rather than on appraised values. About 3,400 new homes and 850 existing homes had been insured under the program through August of 1965.

Section 221(d)(2).—This program was authorized by the Housing Act of 1954 to provide favorable terms for home purchase by families displaced by urban renewal and other Government action. In 1961 the program was amended to make nondisplacees eligible, though displacees retain a slightly lower downpayment privilege and FNMA special assistance financing.

The program now primarily services low- and moderate-income families. This is largely accomplished through relatively low mortgage ceilings, currently \$11,000 for a one-family unit (which may be increased by the Commissioner up to \$15,000 in high-cost areas).

Through August of 1965, nearly 60,000 new homes and over 100,000 existing homes had been insured under this program, with volume substantially accelerated since the 1961 amendment.

Section 222.—This section was authorized by the Housing Act of 1954 to permit certain active duty servicemen to obtain mortgage insurance on homeowner housing. The transitory nature of military service had previously tended to make mortgage loans unavailable to servicemen.

The program has been amended from time to time, the latest amendment occurring in the Housing and Urban Development Act of 1965. Mortgages are now authorized up to \$30,000 with 3 percent down on the first \$15,000 of value, plus 10 percent of the next \$5,000, and 15 percent of the remainder.

As of August 1965, about 58,000 new homes and 107,000 existing homes had been insured under the program.

Section 234.—This program was authorized by the Housing Act of 1961. It provides for insurance of mortgages on individual units when units are held under condominium conditions. Condominium ownership is permitted in any project insured under any of the FHA multifamily programs with the exception of section 213 management-type cooperatives. The Housing Act of 1964 provided that projects could be initiated as condominiums under section 234.

When this program was enacted, only Puerto Rico had legal provisions to accommodate condominium ownership. As of now, 47 of the 50 States plus the Virgin Islands and the District of Columbia have enacted condominium enabling laws, and 2 of the 3 remaining States have such action pending—all traceable to the original stimulus provided by the Federal program.

As of August 1964, only 556 individual units had been insured under the section 234 program, but application activity for both individual units and projects suggests that increasing activity is to be expected. The creation of the program is also believed to have stimulated substantial conventionally financed condominium activity.

Section 809.—This program was authorized by the Housing Act of 1955 because the nature of civilian employment at Federal research and development centers renders arrangement of mortgage financing for home purchase difficult for these employees, both through conventional sources and established FHA programs.

Mortgage terms and other features of the program are similar to section 203(b) but the requirement for economic soundness is omitted. The law provides that the Commissioner may require the Secretary of

Defense to guarantee the FHA insurance fund against loss, if he determines that the mortgage is not an acceptable risk.

As of August 1965, about 5,300 new homes and 6,500 existing homes had been insured under the program.

Section 810.—This program was authorized by the Housing Act of 1959. The units must be held for rental for a period of not less than 5 years, after which they may be sold. There had been no insurance or application activity under this section through August of 1965.

4. *Level of operations.* (See general answer covering all FHA programs.)
5. *Estimated magnitude of program in 1970.* (See general answer covering all FHA programs.)
6. *Prospective changes in program orientation.* (See general answer covering all FHA programs.)
7. *Coordination and cooperation.* (See general answer covering all FHA programs.)
8. *Laws and regulations.* (See general answer covering all FHA programs.)

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects.* (See general answer covering all FHA programs.)
10. *Economic classification of program expenditures.* (See general answer covering all FHA programs.)

RENTAL HOUSING PROGRAMS

PART I. DESCRIPTION OF THE PROGRAM

1. *Objectives*

Nearly all of the objectives as outlined for FHA sales housing programs apply equally to the FHA rental housing programs. The obvious exception to this statement is the sales housing objective of "broadening the opportunity for home ownership * * *." Rental housing programs, instead, have the objective of facilitating a continued availability of a diversity of structural forms, amenities, and means of tenure. Rental tenure may serve needs, or consumer preferences, or both. Rental housing frequently tends to serve those whose occupations or habits involve substantial mobility and for whom homeownership is, therefore, less suitable or less desirable.

Rental housing also serves those who do not wish to assume the risks or responsibility that homeownership implies. The largest market segment served by rental housing, however, tends to be those who have been unable to accumulate the required equity for homeownership investment or who are otherwise unable to qualify as acceptable credit risks for long-term mortgages. This group is composed in large part of younger families and individuals in early stages of the life cycle who will eventually become homeowners after assets accumulate, employment becomes more settled, and careers mature at higher earning levels.

A second objective of rental housing programs is to provide for higher density structural types which permit maximum economic use of strategically located land in high-cost urban areas, to the

extent that such accommodations are in adequate demand to be supported over the life of the mortgage.

Higher density development provides more efficient access to community facilities such as public transportation, libraries, parks, shopping, churches, etc., than does low-density detached housing. And it also permits efficient provision of management services and other amenities seldom available in single-family houses.

In addition to these basic objectives of all rental housing programs, each of the several FHA rental housing programs has one or more special purposes or objectives. These are indicated below for each program:

207 is the basic rental housing program for financing construction or rehabilitation of rental housing. It may be used for any structural type in a project of eight or more units. (It is not a special-purpose program.)

213 provides for financing of construction, rehabilitation, or acquisition of existing structures by a nonprofit cooperative association; or provides for construction or rehabilitation by a corporation intending to sell to a nonprofit cooperative. (For "management cooperatives" to be occupied by members, as distinguished from sales cooperatives covered under sales housing programs.) Provides for all structural types in projects of five or more units.

220 provides for financing construction or rehabilitation of rental housing projects in urban renewal areas. Provides for all structural types in projects of two or more units.

221(d)(3) provides for both market and below-market interest rate financing of construction or rehabilitation of rental and cooperative housing for moderate income families. Priority is given to families displaced by urban renewal or other government action. Handicapped and elderly persons also qualify as occupants. Sponsorship is limited to nonprofit organizations, cooperatives, limited dividend corporations, and public bodies (except those which are exclusively public housing authorities). Any structural type in projects of five or more units may be approved.

221(d)(4) provides for the same purposes as 221(d)(3) market rate, except this program is designed for private profit-motivated sponsors and may be built in areas that do not have a workable program.

810 provides for financing construction of rental housing for military and essential civilian personnel of the armed services, NASA, and AEC, and for employees of contractors for these agencies upon a finding by FHA of need. After initial 5 years as rental housing, or a shorter period if the Commissioner determines need for rental housing has ceased, units may be purchased with an insured mortgage.

2. Operation

The rental housing programs, as well as many of the special programs, are supervised by an Assistant Commissioner for Multifamily Housing, a Washington staff, and five regional representatives. There is also a separate Multifamily Insuring Office in New York. Otherwise, the regular FHA insuring offices administer the rental

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.

The program has been amended from time to time and volume under the program has averaged about 4,000 to 5,000 units annually since enactment. As of August 1965, a total of 68,400 units have been insured under the program.

Section 220.—This program was authorized by the Housing Act of 1954, after it was determined that mortgage funds from customary sources were unavailable for development of rental housing in urban renewal areas. Existing FHA programs were often inappropriate for the special circumstances and requirements of urban renewal redevelopment. Over 48,000 rental housing units had been insured under section 220 as of August 1965.

Section 221(d)(3).—This program was originally authorized in the Housing Act of 1954 to provide housing at moderate rentals for families displaced by urban renewal. Only nonprofit sponsors were originally eligible as mortgagors. It had but limited success in achieving its relocation objective due to the extreme difficulty of synchronizing the availability of new units with the timing of displacement.

The program was substantially changed by the Housing Act of 1961 as follows:

1. The objective was redirected toward low- and moderate-income families generally, though displacees still have priority for initial occupancy and waiting list status.

2. New classes of sponsors were made eligible, including management cooperatives, limited dividend corporations, and investor sponsors planning sale to cooperatives.

3. A new, separate, below-market interest rate program was created under section 221(d)(3). This program has such substantial advantage over the market rate program in most circumstances that it generally is preferred by the special sponsor classes eligible for either program.

Activity data on the market rate 221(d)(3) program is not readily separated from that of the 221(d)(4) program. However, a tabulation of projects insured through May of 1965 showed 37 "old law" (d)(3) projects, 13 "new law" market rate (d)(3) projects, and 41 (d)(4) projects—for a total of 91 projects. Combined data for all market rate 221 projects as of August 1965 showed a new total of 99 projects insured, covering 12,435 dwelling units.

The "new law" 221(d)(3) market rate program offers a slight advantage over section 213 for financing low- and moderate-cost management cooperatives, and to date, nearly all of the limited activity under the program has been in cooperative development.

Section 221(d)(4).—This program was authorized by the Housing Act of 1959. It provides a program for profit motivated sponsors with objectives identical to those of the section 221(d)(3) market rate program, including the 1961 changes outlined above.

Section 810.—This program was authorized by the Housing Act of 1959. It originally required certification of need by the Department of Defense (DOD) and was subject to a possible FHA requirement for DOD guarantee of losses. The DOD responsibility was eliminated in 1961. No units were insured under the program prior to 1963, and only 17 projects containing 2,046 units have been insured to date.

4. *Level of operations.* (See general answer covering all FHA programs.)

5. *Estimated magnitude of program in 1970.* (See general answer covering all FHA programs.)
6. *Prospective changes in program orientation.* (See general answer covering all FHA programs.)
7. *Coordination and cooperation.* (See general answer covering all FHA programs.)
8. *Laws and regulations.* (See general answer covering all FHA programs.)

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects.* (See general answer covering all FHA programs.)
10. *Economic classification of program expenditures.* (See general answer covering all FHA programs.)

BELOW MARKET INTEREST RATE RENTAL HOUSING PROGRAM FOR LOW- AND MODERATE-INCOME FAMILIES (SECTION 221(d)(3))

PART I. DESCRIPTION OF THE PROGRAM

1. *Objectives*

The general objectives outlined for both sales and rental housing programs of FHA, of course, also apply to the 221(d)(3) below market interest rate (BMIR) program. However, the primary objective is to make adequate housing available at below market rentals to those families whose incomes are insufficient to afford decent housing available in the private market. The program is mainly intended to serve those families of low and moderate income whose incomes are above those eligible for public housing. A second objective is to serve as a relocation resource for families displaced by urban renewal and other Government action.

2. *Operation*

Responses to this question on operation of rental housing programs also apply to this program.

The below market interest rate feature of the program, however, involves additional unique operational features. The program achieves its objectives of lower rents through an interest rate substantially below market rates. It is therefore dependent on FNMA purchase of mortgages, and acceptance of applications under the program requires prior reservation of FNMA special assistance funds. Legislative intent also requires that FHA establish income limits for tenant eligibility in BMIR projects, to assure that the assistance serves those for whom it was intended.

The one-half percent insurance premium is waived on this program. Losses are to be provided for by appropriation.

3. *History*

This program was authorized by the Housing Act of 1961. It originally tied interest rates to the average interest cost of Federal borrowing as determined by the Treasury Department. But the Housing and Urban Development Act of 1965 has now fixed the interest rate at not to exceed 3 percent.

The program has been successful in achieving its moderate income goals, and applications covering nearly all of the special assistance funds allocated to the program through fiscal year 1965 had been committed. Applications covering over 84,000 dwelling units had been received as of August 1965, including more than 35,000 units already insured.

4. *Level of operations.* (See general answer covering all FHA programs.)
5. *Estimated magnitude of program in 1970.* (See general answer covering all FHA programs.)
6. *Prospective changes in program orientation.* (See general answer covering all FHA programs.)
7. *Coordination and cooperation.* (See general answer covering all FHA programs.)
8. *Laws and regulations.* (See general answer covering all FHA programs.)

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects.* (See general answer covering all FHA programs.)
10. *Economic classification of program expenditures.* (See general answer covering all FHA programs.)

EXPERIMENTAL HOUSING PROGRAM (SEC. 233)

PART I. DESCRIPTION OF THE PROGRAM

1. *Objectives*

The objective of the program is to foster the testing and utilization of advanced housing technology aimed at reducing housing costs, improving housing standards, or enhancing neighborhood design.

2. *Operation*

The program operates through insurance of mortgages on housing incorporating experimental designs or construction techniques or materials. This speeds the use of worthy new concepts by reducing the lender's potential risks. All experimental features of submissions are evaluated and accepted or rejected at the FHA central office. Nonexperimental features are processed by the insuring office. Mortgages that meet the eligibility requirements for insurance under any of the various FHA title II home or project mortgage programs may be eligible for insurance under the experimental housing program.

3. *History*

The program was first authorized by the Housing Act of 1961. Though it was originally limited to housing meeting the requirements of 203(b) and 207, it was expanded to cover all additional types of title II housing by the Housing Act of 1964. To date, 112 homes have been insured under the program, and applications have recently been averaging about 12 cases per month.

4. *Level of operations.* (See general answer covering all FHA programs.)

5. *Estimated magnitude of program in 1970*

The 1970 dollar volume is estimated at about \$50 million—divided 40 percent single family and 60 percent multifamily housing.

6. *Prospective changes in program orientation*

None contemplated at this time.

7. *Coordination and cooperation*

(i) Aspects of the program in which opportunities for coordination and cooperation arise or might be created:

(a) Within the Studies and Experimental Housing Section the experimental housing program is coordinated with the technical studies program. These two programs supplement each other with respect to the production of beneficial research results.

There is also coordination between the experimental housing program and the activities of the Engineering and Architectural Sections of the Architectural Standards Division and the Valuation, Cost and Land Planning Sections of the Appraisal and Mortgage Risk Division. For example, when the Engineering Section lacks criteria by which to evaluate a new construction technique or material it may refer the sponsor or producer to the experimental housing program for submission of his innovation in experimental structures.

(b) There is extensive cooperation between the program and the Urban Renewal Division of FHA. To date rehabilitation of slum dwellings in New York City has been the primary cooperative project involved.

(c) Other Federal Government departments and agencies with which the program cooperates include the Office of the Administrator, Housing and Home Finance Agency; Department of Defense (Committee 12); and Office of Economic Opportunity.

The Office of the Administrator of the Housing and Home Finance Agency operates a low-income housing demonstration program. Submissions to that program are from time to time referred to the experimental housing program for technical evaluation and advise. The Office of the Administrator and all of the HHFA constituent agencies are kept informed of the work being done in the section 233 program through the HHFA Research Coordinating Board.

The Office of Economic Opportunity has, on a number of occasions, requested assistance from the experimental housing program in technical matters concerning low-cost residences for the poor. Reviews of designs and techniques for different styles of construction have been made for OEO under the program. There is substantial opportunity for further cooperation between OEO and FHA on housing matters.

(d) None at present.

(e) Very close cooperation is in effect between the New York City government and the program in relation to rehabilitation of slum dwellings in that city. Cooperation on similar projects with other city governments is anticipated.

(f) Liaison is maintained with the National Research Council of Canada.

(g) through (i) The program will consider submissions of experimental projects from and work with any kind of legitimate sponsor.

(ii) Arrangements developed to promote coordination and cooperation:

(a) An FHA consumer bulletin has been distributed widely to disseminate information on the purpose of the program, the general program rules, procedure for sponsors, and processing requirements.

(b) For the New York City slum dwelling rehabilitation work a task force has been created to determine methods and approaches to be followed and the design, materials, and techniques to be used; to provide a sociological and political environment conducive to the success of the undertaking; and to facilitate and expedite the undertaking in any other ways possible.

8. *Laws and regulations.* (See general answer covering all FHA programs.)

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects*

(a) Effects on personal incomes of persons served or involved and on the distribution of personal income:

As a consequence of the contemplated lowering of construction costs through the program home buyers should be able to buy the same or better quality homes for less money than at present or better homes for the same price. This will, in effect, increase the home buyers' income.

(b) through (h) Potentially the rehabilitation of slum dwellings in New York City alone involves approximately 43,000 buildings. Similar situations exist in varying degree in every city in the Nation. If the current project in New York proves successful, there will be a new rehabilitation industry creating thousands of jobs for skilled and unskilled laborers as well as an increased need for professional engineers, architects, technologists, and management people.

In addition, many large and small producers of building materials and components have become interested in the New York City rehabilitation work. These producers have visited the pilot project, now completed, and are studying the possibilities of developing new low-cost products or adapting present ones for a rehabilitation market. Such development and marketing work should significantly stimulate the building products industry thus creating many more jobs and increasing substantially the gross national product.

10. *Economic classification of program expenditures.* (See general answer covering all FHA programs.)

LAND DEVELOPMENT INSURANCE PROGRAM (TITLE X)

PART I. DESCRIPTION OF THE PROGRAM

1. *Objectives*

Title X of the Housing and Urban Development Act of 1965 authorizes FHA to insure mortgages to assist private enterprise in the acquisition and development of land to serve the needs of a rapidly expanding urban population. The urban expansion that has already occurred since World War II has substantially depleted the supply of improved building sites to such an extent that the price of available improved lots has increased more than the costs of building houses. Difficulties in obtaining financing for land development have con-

tributed to this problem, and title X was devised to assist in the financing of land acquisition and especially land improvements such as water and sewerage facilities, streets, curbs, sidewalks, etc.

2. Operation

Although the field instructions have not yet been issued, title X provides that FHA shall administer a system of mortgage insurance under which up to 50 percent of the estimated value of land before development and 90 percent of the estimated cost of development, or not to exceed 75 percent of the estimated value of the property upon completion of the land development, may be borrowed with an insured mortgage. The total cost of a single land development undertaking may not at any time exceed \$10 million. The statute provides that public, private, or cooperatively owned water supply and sewerage disposal systems may be insured also, if it is necessary to build new systems. The land development must comply with all State or local laws and must be consistent with a comprehensive plan which covers, or with comprehensive planning being carried on for, the area in which the land is situated, and must meet other criteria established in the statute and regulations.

3. History

The land development insurance program has not begun to operate, although regulations and field instructions are being prepared and it is expected that they will be issued shortly. The legislative history of title X goes back a number of years to the late 1950's, when studies were made of methods by which financing of land improvements could be facilitated. A bill similar to title X was introduced by former Congressman Rains in 1960 and again in 1961. The program with some modifications was included in the Administration's legislative recommendations in 1964, but was deleted in the Housing Act of that year as enacted by the Congress. The present wording of title X of the Housing and Urban Development Act of 1965 is the result of careful study within the Congress and by both private and Government officials over a period of several years.

- 4. Level of operations.* (See general answer covering all FHA programs.)
- 5. Estimated magnitude of program in 1970.* (See general answer covering all FHA programs.)
- 6. Prospective changes in program orientation.* (See general answer covering all FHA programs.)
- 7. Coordination and cooperation.* (See general answer covering all FHA programs.)
- 8. Laws and regulations.* (See general answer covering all FHA programs.)

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

- 9. Economic effects.* (See general answer covering all FHA programs.)
- 10. Economic classification of program expenditures.* (See general answer covering all FHA programs.)

NURSING HOME PROGRAM (SECTION 232)

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

The purpose of the Federal Housing Administration's program of mortgage insurance for nursing homes is set forth in the enabling legislation, section 232 of the National Housing Act. It is, "to assist the provision of urgently needed nursing homes for the care and treatment of convalescents and other persons who are not acutely ill and do not need hospital care but who require skilled nursing care and related medical services." In general, the program is designed to help reduce the national shortage of nursing homes by providing facilities that are economically sound and structurally adequate for the safety and proper care of occupants.

2. Operation

The FHA helps sponsors of nursing homes to get mortgage loans on favorable terms through established lending institutions by insuring the lenders against possible loss. All nursing homes developed under the section 232 program are constructed or rehabilitated by private builders, and are owned and managed by private concerns or individuals.

The nursing home program is administered directly by local FHA insuring offices. Except for modifications necessitated by the nature of nursing home mortgage insurance transactions, FHA regulations and operating procedures for section 232 are similar to those for multifamily rental-housing projects insured at market interest rates.

Before insuring any mortgage under section 232, FHA must have certification from the appropriate State agency of the State in which the nursing home is to be located that there is a need for the home; that there are in force in the State (or its political subdivision) reasonable minimum standards for licensing and operating nursing homes; and that these standards will be applied and enforced with respect to any FHA-insured nursing home in the State.

3. History

Section 232, authorizing FHA insurance of mortgages to finance construction or rehabilitation of nursing home facilities providing accommodations for 20 or more persons, was added to the National Housing Act in 1959. Up to that time there had been a dearth of available funds to finance proprietary (organized for profit) nursing homes and limited familiarity of lending institutions with the problems and opportunities in this field.

Congressional action in 1961 increased the permissible ratio of loan-to-value for section 232 projects from 75 to 90 percent, thus reducing the required equity from 25 to 10 percent. This amendment, according to the legislative history, was designed primarily to encourage the smaller nursing homeowner to provide better physical facilities for the care of those who must be confined to nursing homes.

In 1964, section 232 was amended to make private nonprofit nursing home sponsors eligible for FHA mortgage insurance for nursing home construction on the same terms as proprietary sponsors. Since passage of the 1964 act, it has been possible for the sponsor of a nonprofit nursing home to qualify for a combination FHA-insured mort-

gage and Federal grant or loan made by the Department of Health, Education, and Welfare under the Hill-Burton program.

From the beginning of the section 232 program in 1959 through September 1965, applications for FHA insurance were received for 744 nursing homes. These applications involved nearly 68,000 beds, including some 43,000 in projects already insured. Of the total, six applications, involving 650 beds, were for homes to be operated by nonprofit groups.

4. *Level of operations.* (See general answer covering all FHA programs.)
5. *Estimated magnitude of program in 1970.* (See general answer covering all FHA programs.)
6. *Prospective changes in program orientation.* (See general answer covering all FHA programs.)
7. *Coordination and cooperation.* (See general answer covering all FHA programs.)
8. *Laws and regulations.* (See general answer covering all FHA programs.)

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects.* (See general answer covering all FHA programs.)
10. *Economic classification of program expenditures.* (See general answer covering all FHA programs.)

HOUSING FOR THE ELDERLY (SECTION 231)

PART I. DESCRIPTION OF THE PROGRAM

1. *Objectives*

Many of the general objectives outlined for sales and rental housing programs also apply to the 231 elderly housing program. More specifically, however, the 231 program aims to provide financing for rental projects especially designed for elderly persons, 62 years of age and older.

Housing accommodations in the general market are not frequently well suited to the special needs of our growing elderly population and the private market incentives to build or finance such specialized housing have not developed to assure an adequate supply.

2. *Operation*

Responses to this question on operation of rental housing programs, also apply to this program.

Special standards have been prepared to encourage designs specifically tailored to the needs of the elderly, even where some features may not be wholly suitable for family living as an alternative market. Mortgage amounts are based on replacement cost rather than market value and 100-percent mortgages are available to nonprofit sponsors. Profit-motivated sponsors may obtain 90-percent mortgages.

3. *History*

Special mortgage insurance for elderly housing projects was first provided by amendment to section 207 in 1956. However effective attainment of the objectives of these amendments was limited by requirement of the 207 program that units be designed for family living. Therefore, section 231 was added to the National Housing Act in 1959 to provide a program specifically adapted to the specialized need.

As of August 1965 more than 35,000 units of rental housing had been insured under the program.

4. *Level of operations.* (See general answer covering all FHA programs.)

5. *Estimated magnitude of program in 1970.* (See general answer covering all FHA programs.)

6. *Prospective changes in program orientation.* (See general answer covering all FHA programs.)

7. *Coordination and cooperation.* (See general answer covering all FHA programs.)

8. *Laws and regulations.* (See general answer covering all FHA programs.)

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects.* (See general answer covering all FHA programs.)

10. *Economic classification of program expenditures.* (See general answer covering all FHA programs.)

QUESTIONS 4-10 FOR ALL FEDERAL HOUSING ADMINISTRATION PROGRAMS

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

Program: FHA insurance operations. (Covers all FHA programs discussed in preceding sections.)

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

TABLE 1.—Level of operations or performance, fiscal years 1964-67

Measure	Unit	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 con- gressional estimates	Fiscal year 1967 con- gressional estimates
(a) Magnitude of the program.					
Sales housing.....	Mortgages insured:	459,395	512,774	492,960	553,700
Rental housing, market rate of interest.....	Dwelling units:	36,533	27,540	27,505	37,330
Rental housing, below-market rate of interest.....	do 1.....	10,286	14,569	22,960	31,680
Experimental housing.....	do.....		108	390	2,000
Land development mortgage insurance.....	Lois.....			15,900	38,000
Nursing homes.....	Beds.....	9,221	7,399	10,355	7,920
Housing for the elderly.....	Dwelling units.....	5,299	6,175	4,130	1,270
(b) Applicants or participants:					
State government agencies ²					
Local communities or governments ²					
Families.....					
Sales housing.....	Insured mortgages in force, and com- missioner-held mortgages or prop- erties:				
Rental housing, market rate of interest.....	Dwelling units.....	3,781,401	3,991,701	4,177,729	4,447,639
Rental housing, below-market rate of interest.....	do 1.....	762,320	732,158	727,092	709,661
Experimental housing.....	do.....	20,055	34,772	57,742	89,663
Land development mortgage insurance.....	Lois.....		108	494	2,486
Nursing homes.....	Beds.....	22,076	29,303	15,900	38,000
Housing for the elderly.....	Dwelling units.....	28,167	34,365	40,107	48,285
(c) Federal finances:					
Unobligated appropriations available ²					
Obligations incurred.....	Debentures issued.....	\$499,717,350	\$559,667,000	\$240,000,000	0
Allocments or commitments made ²					
(d) Matching or additional expenditures for the program ²					
(e) Number of Federal Government employees administering, or super- vising the activity.....		8,118	7,996	8,130	8,515
(f) Non-Federal personnel employed in the program.....	Fee appraisers ³	24	64	172	111
(g) Other measures of level or magnitude of performance ²					

¹ Excludes mobile home spaces.² Not applicable.³ Estimated.

5. Estimated magnitude of the program in 1970

The level of activity that will materialize under FHA programs by 1970 will depend on a variety of influences, some of which can be reasonably anticipated while others will arise from actions and decisions evolving from interim events.

Aggregate population has been projected by the Census Bureau to rise to about 209 million by 1970. This would be an increase of about 7.3 percent from 1965. However, in the age bracket from 22 to 45 years, the increase would be only 6.2 percent. This is the group that contains most of the first-time home buyers and renters, and which would have the greatest impact on FHA's future activities. The number of elderly persons over 65 is expected to increase by 8.1 percent during the next 5 years and provide somewhat greater demands for senior citizen housing and nursing homes.

We do not visualize any technological or social innovations during the next 5 years that would have a notable impact on FHA activity. There are a number of forces now at work that can be expected to continue and perhaps accelerate, however, during this period. One of these, on the technological side, is the increasing use of manufactured and preassembled construction components. These factory-built parts reduce the amount of site labor required, speed up construction time, and counteract to some extent the upward pressures on building costs. Another, on the social policy side, is the increasing emphasis given to the provision of better housing for families of low and moderate income. The below-market-interest-rate program under section 221(a)(3) is making an important contribution toward meeting moderate income housing needs. The rent supplement program, authorized by Congress in 1965, can potentially make significant improvements in the housing conditions for low-income families, if and when funds for program operations are appropriated.¹

The construction of planned development on a larger scale than heretofore is now occurring. This emergence of new towns and satellite communities might be classed as a socioeconomic innovation to cope with problems of urban sprawl and mass. The addition of title X to the National Housing Act by the 1965 housing legislation will enable FHA to insure loans for the development of large tracts and will facilitate development planning on larger scales than were previously feasible in many cases.

Events that now are unpredictable could have a significant impact on FHA's activity during the next 5 years. Future developments in the capital markets will influence both the structure of interest rates and the supply of funds available for investment in FHA-insured mortgages. Institutional shifts between different types of lenders in the accumulation of thrift funds could have a bearing on the demand for FHA mortgages as investment media. Also, major changes in the investment policy of lender groups would have a similar effect. Other changes in the capital markets might arise from actions by monetary authorities or from business and economic conditions. While we do not have any reason to anticipate major shifts, they have occurred in the past on short notice, and could happen again.

The level of activity in various FHA programs in 1970 is apt to be influenced more by competitive forces that govern the rate of the

¹ \$12 million authorized under Supplemental Appropriations Act of 1966 will cover contract authorizations for approximately 20,000 units.

agency's participation than by other factors. Other things being equal, FHA's sales and rental programs would be expected to share in the modest growth of families entering the ages of initial homeownership. However, the share of the market for new sales housing that has been financed with FHA-insured loans has declined substantially from the levels of 10 years ago. It is difficult to say whether this decline will halt in the next 5 years, and whether it will be reversed.

In the case of rental housing for families of low and moderate income, the role of FHA increased substantially between 1960 and 1965. Further increases may be expected because of recent legislative enactments. Nursing homes illustrate how financing participation patterns may change rapidly. When the Congress first authorized FHA mortgage insurance for proprietary nursing homes there was a shortage of private investment capital available for such facilities. However, in the last year or two there has been a growing interest in nursing homes by private investors and sponsors, and the press has reported that many new private projects are being proposed, constructed, and operated. In such a changed outlook on the need for proprietary nursing homes, it would not be surprising for FHA's proportionate role to decline even though its total activity might increase.

6. Prospective changes in program orientation

(a) Pending legislative proposals with potential effect on FHA programs include:

(1) The proposed Demonstration Cities Act of 1966 (H.R. 12343). While this bill would not directly affect FHA programs, it might reasonably be expected to result in more intensive use of them.

(2) The proposed Housing and Urban Development Amendments of 1966 (H.R. 13064). In addition to technical and clarifying amendments to the National Housing Act, this bill proposes to raise mortgage limits on the section 221(d)(2) program, which should improve the effectiveness of this program under today's market cost conditions, thereby resulting in its more intensive use. The bill also proposes a program of research and applied technology which, while not an FHA program, would no doubt produce results that would affect FHA operations in various favorable respects.

(3) The proposed supplemental appropriation action to fund the rent supplement program (H. Doc. 380) would activate that program.

(b) Proposed administrative and organizational changes: The establishment of the Department of Housing and Urban Development by Public Law 89-174 has necessarily involved some administrative and organizational changes, and additional changes will undoubtedly follow. However, it is not anticipated that these changes will have a major substantive impact on the orientation or emphasis of FHA activities or programs.

(c) Changes in conditions under which FHA programs will function in 1970 have been discussed in question 5.

7. Coordination and cooperation

The various programs of the Federal Housing Administration are coordinated with policies of the Department of Housing and Urban Development, and more broadly, with policies of the Administration.

Within the agency, this coordination is accomplished by frequent meetings between the Secretary and the Commissioners of the constituent agencies, as well as by use of the usual channels of communication on matters involving specific policy issues. Further, the staffs of FHA, the Office of the Secretary and the other constituent agencies, work together continually on problems involving common interests. Contacts may be by telephone, personal meetings, or through formal or informal ad hoc task groups or committees. The subject matter of such meetings and communications ranges from budget and legislative matters to correspondence and operating problems in which there are interests besides FHA's. Numerous examples of coordination and cooperation could be furnished from the daily work schedules of the staff and top officials.

Outside of the HUD network, various functions of FHA bring it into contact with other departments and agencies. For example, the nursing homes and senior citizens housing programs involve mutual interests with sectors of the Department of Health, Education, and Welfare. Nursing homes may also involve the Small Business Administration. Many facets of sales housing programs are closely related to the loan guarantee service of the Veterans' Administration, with whom close working relations are maintained in both field and central offices. Housing problems in small towns and rural areas lead to communications with the Farmers Home Administration of the Department of Agriculture. The testing and evaluation of new building materials involves arrangements with the Bureau of Standards of the Department of Commerce. The agency participates with the Bureau of the Census in planning the contents of new decennial census enumerations as well as in obtaining census data from time to time on such things as population, housing, building permits, and construction expenditures. Military housing and other special programs for employees working on Federal projects require liaison with the Department of Defense, Atomic Energy Commission, and the National Aeronautics and Space Administration. Special housing vacancy surveys are conducted for FHA by the Post Office Department. The international division of FHA provides technical assistance and guidance to the Agency for International Development under an agreement between HUD and that Agency.

Ordinarily, most FHA programs do not require coordination with State and local governments or their agencies. However, the nursing home program involves the participation of State health departments, and the insurance of mortgages within urban renewal projects involves working with local redevelopment agencies. The programs of FHA do not concern foreign governments or international organizations, although, as indicated above, FHA reviews housing project proposals on behalf of AID in Latin America, Africa, and the Far East.

In the case of housing for senior citizens, nursing homes and rental projects for families of low- and moderate-income, nonprofit bodies may be the sponsors of a project. In such cases, their status is examined, and each is specifically approved by FHA for the purpose for which it has applied.

Business enterprises are active participants in FHA programs. Applications for mortgage insurance are submitted to FHA by approved mortgagees who are usually institutional investors, viz, banks savings institutions, insurance companies, and mortgage bankers.

Basic statutes require that mortgagor applicants under many multi-family housing programs be corporations or cooperatives. The corporations may be proprietary, and in some cases, limited dividend or nonprofit.

8. *Laws and regulations*

The basic authority for FHA programs is contained in the National Housing Act, as amended. The original act is identified as Public Law 479, 73d Congress, H.R. 9620, approved June 27, 1934, 48 Stat. 1246; 12 U.S.C. 1701 et seq. (1946 ed.).

The amendments to the National Housing Act are cited below.

Following this is a list of additional laws and information pertaining to the Federal Housing Administration and a list of appropriation acts covering FHA programs for fiscal years 1955 through 1966.

THE NATIONAL HOUSING ACT AND ACTS AMENDATORY THERETO

- Public Law 479, 73d Cong., H.R. 9620, approved June 27, 1934, 48 Stat. 1246.
- Public Law 76, 74th Cong., H.R. 6021, approved May 28, 1935, 49 Stat. 293.
- Public Law 305, 74th Cong., H.R. 7617, approved August 23, 1935, 49 Stat. 722.
- Public Law 486, 74th Cong., S. 4212, approved April 3, 1936, 49 Stat. 1187.
- Public Law 525, 74th Cong., H.R. 11968, approved April 17, 1936, 49 Stat. 1233.
- Pub. Res. 6, 75th Cong., S.J. Res. 38, approved February 19, 1937, 50 Stat. 20.
- Public Law 44, 75th Cong., S. 1228, approved April 22, 1937, 50 Stat. 70.
- Public Law 424, 75th Cong., H.R. 8730, approved February 3, 1938, 52 Stat. 8.
- Public Law 111, 76th Cong., H.R. 5324, approved June 3, 1939, 53 Stat. 804.
- Public Law 24, 77th Cong., H.R. 3575, approved March 28, 1941, 55 Stat. 55.
- Public Law 138, 77th Cong., H.R. 4693, approved June 28, 1941, 55 Stat. 364.
- Public Law 248, 77th Cong., H.R. 5395, approved September 2, 1941, 55 Stat. 686.
- Public Law 559, 77th Cong., H.R. 6927, approved May 26, 1942, 56 Stat. 301.
- Public Law 15, 78th Cong., S. 677, approved March 23, 1943, 57 Stat. 42.
- Public Law 158, 78th Cong., S. 755, approved October 14, 1943, 57 Stat. 570.
- Public Law 159, 78th Cong., H.R. 3291, approved October 15, 1943, 57 Stat. 571.
- Public Law 392, 78th Cong., S. 1947, approved June 30, 1944, 58 Stat. 648.
- Public Law 27, 79th Cong., S. 681, approved March 31, 1945, 59 Stat. 47.
- Public Law 388, 79th Cong., H.R. 4761, approved May 22, 1946, 60 Stat. 207.
- Public Law 480, 79th Cong., S. 2341, approved July 1, 1946, 60 Stat. 408.
- Public Law 120, 80th Cong., S. 1230, approved June 26, 1947, 61 Stat. 182.
- Public Law 129, 80th Cong., H.R. 3203, approved June 30, 1947, 61 Stat. 193.
- Public Law 132, 80th Cong., S.J. Res. 135, approved June 30, 1947, 61 Stat. 202.
- Public Law 366, 80th Cong., S. 1720, approved August 5, 1947, 61 Stat. 777.
- Public Law 394, 80th Cong., S. 1770, approved December 27, 1947, 61 Stat. 945.
- Public Law 468, 80th Cong., S. 2361, approved March 31, 1948, 62 Stat. 101.
- Public Law 864, 80th Cong., S. 2790, approved July 1, 1948, 62 Stat. 1206.
- Public Law 901, 80th Cong., H.R. 6959, approved August 10, 1948, 62 Stat. 1268.
- Public Law 31, 81st Cong., H.R. 1731, approved March 30, 1949, 63 Stat. 18.
- Public Law 52, 81st Cong., S. 851, approved April 23, 1949, 63 Stat. 57.
- Public Law 171, 81st Cong., S. 1070, approved July 15, 1949, 63 Stat. 413.
- Public Law 211, 81st Cong., S. 1184, approved August 8, 1949, 63 Stat. 570.
- Public Law 278, 81st Cong., S.J. Res. 109, approved August 30, 1949, 63 Stat. 681.
- Public Law 387, 81st Cong., S.J. Res. 134, approved October 25, 1949, 63 Stat. 905.
- Public Law 475, 81st Cong., S. 2246, approved April 20, 1950, 64 Stat. 48.
- Public Law 498, 81st Cong., H.R. 7846, approved May 2, 1950, 64 Stat. 97.
- Public Law 107, 82d Cong., H.J. Res. 303, approved August 3, 1951, 65 Stat. 173.
- Public Law 139, 82d Cong., S. 349, approved September 1, 1951, 65 Stat. 293.
- Public Law 155, 82d Cong., H.R. 4914, approved September 28, 1951, 65 Stat. 365.
- Public Law 214, 82d Cong., S. 2244, approved October 26, 1951, 65 Stat. 647.
- Public Law 531, 82d Cong., S. 3066, approved July 14, 1952, 66 Stat. 601.
- Public Law 5, 83d Cong., S.J. Res. 27, approved March 10, 1953, 67 Stat. 4.
- Public Law 94, 83d Cong., S. 2103, approved June 30, 1953, 67 Stat. 121.
- Public Law 438, 83d Cong., S.J. Res. 167, approved June 29, 1954, 68 Stat. 320.
- Public Law 560, 83d Cong., H.R. 7839, approved August 2, 1954, 68 Stat. 590.
- Public Law 10, 84th Cong., S.J. Res. 42, approved March 11, 1955, 69 Stat. 11.
- Public Law 94, 84th Cong., S. 67, approved June 28, 1955, 69 Stat. 172.

- Public Law 119, 84th Cong., S.J. Res. 85, approved June 30, 1955, 69 Stat. 225.
 Public Law 221, 84th Cong., S. 2630, approved August 4, 1955, 69 Stat. 471.
 Public Law 345, 84th Cong., S. 2126, approved August 11, 1955, 69 Stat. 635.
 Public Law 405, 84th Cong., H.J. Res. 471, approved February 10, 1956, 70 Stat. 11.
 Public Law 574, 84th Cong., S. 3515, approved June 13, 1956, 70 Stat. 273.
 Public Law 1020, 84th Cong., H.R. 11742, approved August 7, 1956, 70 Stat. 1091.
 Public Law 85-10, 85th Cong., H.J. Res. 209, approved March 27, 1957, 71 Stat. 7.
 Public Law 85-104, 85th Cong., H.R. 6659, approved July 12, 1957, 71 Stat. 294.
 Public Law 85-240, 85th Cong., S. 1574, approved August 30, 1957, 71 Stat. 524.
 Public Law 85-364, 85th Cong., S. 3418, approved April 1, 1958, 72 Stat. 73.
 Public Law 85-442, 85th Cong., S.J. Res. 171, approved June 4, 1958, 72 Stat. 176.
 Public Law 85-857, 85th Cong., H.R. 9700, approved September 2, 1958, 72 Stat. 1105.
 Public Law 85-900, 85th Cong., H.R. 9147, approved September 2, 1958, 72 Stat. 1726.
 Public Law 86-70, 86th Cong., H.R. 7120, approved June 25, 1959, 73 Stat. 141.
 Public Law 86-149, 86th Cong., H.R. 5674, approved August 10, 1959, 73 Stat. 302.
 Public Law 86-372, 86th Cong., S. 2654, approved September 23, 1959, 73 Stat. 654.
 Public Law 86-500, 86th Cong., H.R. 10777, approved June 8, 1960, 74 Stat. 166.
 Public Law 86-578, 86th Cong., S. 3226, approved July 5, 1960, 74 Stat. 314.
 Public Law 86-624, 86th Cong., H.R. 11602, approved July 12, 1960, 74 Stat. 411.
 Public Law 86-774, 86th Cong., H.R. 11573, approved September 13, 1960, 74 Stat. 915.
 Public Law 86-788, 86th Cong., H.J. 784, approved September 14, 1960, 74 Stat. 1028.
 Public Law 87-38, 87th Cong., S.J. Res. 89, approved May 25, 1961, 75 Stat. 85.
 Public Law 87-70, 87th Cong., S. 1922, approved June 30, 1961, 75 Stat. 149.
 Public Law 87-623, 87th Cong., S. 2876, approved August 31, 1962, 76 Stat. 418.
 Public Law 87-756, 87th Cong., H.R. 13067, approved October 5, 1962, 76 Stat. 751.
 Public Law 88-54, 88th Cong., H.J. Res. 467, approved June 29, 1963, 77 Stat. 73.
 Public Law 88-127, 88th Cong., S. 1952, approved September 23, 1963, 77 Stat. 163.
 Public Law 88-560, 88th Cong., S. 3049, approved September 2, 1964, 78 Stat. 769.
 Public Law 89-117, 89th Cong., H.R. 7984, approved August 10, 1965, 79 Stat. 451.

ADDITIONAL LAWS AND INFORMATION PERTAINING TO THE FEDERAL HOUSING ADMINISTRATION

- Reorganization Plan No. 1 of 1939, approved April 25, 1939.
 Executive Order No. 9070, approved February 24, 1942.
 Reorganization Plan No. 3 of 1947, approved May 27, 1947.
 Public Law 116, 80th Cong., H.R. 2872, approved June 25, 1947, 61 Stat. 180.
 Public Law 139, 82d Cong., S. 349, approved September 1, 1951, 65 Stat. 293.
 Public Law 161, 84th Cong., H.R. 6829, approved July 15, 1955, 69 Stat. 324.
 Public Law 216, 84th Cong., H.R. 4904, approved August 3, 1955, 69 Stat. 448.
 Public Law 221, 84th Cong., S. 2630, approved August 4, 1955, 69 Stat. 471.
 Public Law 802, 84th Cong., H.R. 11077, approved July 25, 1956, 70 Stat. 653.
 Public Law 968, 84th Cong., H.R. 12270, approved August 3, 1956, 70 Stat. 991.
 Public Law 85-162, 85th Cong., H.R. 8996, approved August 21, 1957, 71 Stat. 403.
 Public Law 85-241, 85th Cong., H.R. 8240, approved August 30, 1957, 71 Stat. 531.
 Public Law 85-658, 85th Cong., H.R. 13015, approved August 20, 1958, 72 Stat. 636.
 Public Law 86-3, 86th Cong., S. 50, approved March 18, 1959, 73 Stat. 4.
 Public Law 86-73, 86th Cong., H.R. 2256, approved June 30, 1959, 73 Stat. 156.
 Public Law 86-119, 86th Cong., S.J. Res. 124, approved July 31, 1959, 73 Stat. 266.
 Public Law 86-275, 86th Cong., H.R. 8575, approved September 16, 1959, 73 Stat. 558.
 Public Law 86-626, 86th Cong., H.R. 11776, approved July 12, 1960, 74 Stat. 425.

- Public Law 87-141, 87th Cong., H.R. 7445, approved August 17, 1961, 75 Stat. 342.
 Public Law 87-719, 87th Cong., S. 3580, approved September 28, 1962, 76 Stat. 664.
 Public Law 87-741, 87th Cong., H.R. 12711, approved October 3, 1962, 76 Stat. 716.
 Public Law 87-779, 87th Cong., H.R. 13044, approved October 9, 1962, 76 Stat. 778.
 Executive Order No. 11063, approved November 20, 1962.
 Public Law 88-25, 88th Cong., H.R. 5517, approved May 17, 1963, 77 Stat. 20.
 Public Law 88-507, 88th Cong., H.R. 11296, approved August 30, 1964, 78 Stat. 640.
 Public Law 89-117, 89th Cong., H.R. 7984, approved August 10, 1965, 79 Stat. 451.
 Public Law 89-128, 89th Cong., H.R. 7997, approved August 16, 1965, 79 Stat. 520.
 Public Law 89-174, 89th Cong., H.R. 6927, approved September 9, 1965, 79 Stat. 667.
 Executive Order No. 11246, approved September 24, 1965.
 Public Law 89-309, 89th Cong., H.R. 11588, approved October 31, 1965, 79 Stat. 1133.

FHA INSURANCE AUTHORIZATIONS

- Active FHA Insurance Authorizations Under the National Housing Act as of December 31, 1965.
 Inactive FHA Insurance Authorizations Under the National Housing Act as of December 31, 1965.

APPROPRIATION ACTS PROVIDING FUNDS FOR OPERATIONS OF FHA PROGRAMS, FISCAL YEARS 1955 THROUGH 1966

Fiscal year 1955:

- Independent Offices Appropriation Act, Public Law 83-428.
 Supplemental Appropriation Act, Public Law 83-663.
 Urgent Deficiency Appropriation Act, Public Law 84-3.

Fiscal year 1956:

- Independent Offices Appropriation Act, Public Law 84-112.
 Second Supplemental Appropriation Act, Public Law 84-533.

Fiscal year 1957: Independent Offices Appropriation Act, Public Law 84-623.

Fiscal year 1958:

- Independent Offices Appropriation Act, Public Law 85-69.
 Second Supplemental Appropriation Act, Public Law 85-352.
 Federal Employees' Salary Increase Act, Public Law 85-472.

Fiscal year 1959:

- Independent Offices Appropriation Act, Public Law 85-844.
 Supplemental Appropriation Act, Public Law 85-766.
 Second Supplemental Appropriation Act, Public Law 86-30.

Fiscal year 1960: Independent Offices Appropriation Act, Public Law 86-255.

Fiscal year 1961:

- Independent Offices Appropriation Act, Public Law 86-626.
 Third Supplemental Appropriation Act, Public Law 87-14.

Fiscal year 1962:

- Independent Offices Appropriation Act, Public Law 87-141.
 Supplemental Appropriation Act, Public Law 87-332.

Fiscal year 1963:

- Independent Offices Appropriation Act, Public Law 87-741.
 Supplemental Appropriation Act, Public Law 88-25.

Fiscal year 1964: Independent Offices Appropriation Act, Public Law 88-215.

Fiscal year 1965:

- Independent Offices Appropriation Act, Public Law 88-507.
 Second Supplemental Appropriation Act, Public Law 89-16.

Fiscal year 1966:

- Independent Offices Appropriation Act, Public Law 89-128.
 Supplemental Appropriation Act, Public Law 89-309.
 Second Supplemental Appropriation Act, Public Law 89-426.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects*

(a) *Effects on personal incomes of persons served or involved and on the distribution of personal income.*—Ordinarily the insurance of a mortgage does not have a direct or measurable effect on the incomes of the persons served, or on the distribution of personal income. The decision of a mortgagor to buy or build a residential building for his own occupancy would usually have some effect on his income distribution pattern because of the need to maintain debt service payments. And in some situations, the location of housing in relation to places of work and other factors may have some influence on the income of its occupants. However, these are hypothetical concepts that are seldom measured and are often unmeasurable.

(b) *Effects on the placement or productivity of workers, or both, and on their earnings.*—It has often been observed that the lack of adequate housing has an adverse effect on the productivity of workers who are obliged to reside in such structures. However, we are not familiar with any studies that have sought to quantify the productivity gain that may be imputed to improved shelter. We have been advised that a study of this topic is underway at the University of California at Los Angeles, using data from underdeveloped nations.

(c) *Effects on business or industrial organization and management.*—Numerous housing experts contend that current and recent levels of home construction, about 1.5 million units annually, could not have been achieved without the "social invention" represented by the FHA program of home mortgage insurance. Prior to enactment of the National Housing Act, the home mortgage system in the United States was, indeed, a shaky institution. It was characterized by nonamortizing first mortgages of limited durations, requiring payment in full at the end of the mortgage term. These first mortgages usually had limited coverage, ordinarily no more than 50 or 60 per cent. In order to meet the remaining high equity requirements, the home purchaser resorted to second and third mortgage borrowings, which, although amortizing, were of very short duration and bore high interest rates.

The vulnerability of this system was exposed by the depression of the 1930's, when homeowners found themselves unable to make lump-sum payments on first mortgages, which banks, in turn, found themselves unable to renew.

The "social invention" of the FHA mortgage insurance program supplied a sound basis for financing of home purchases. Essentially, it provided for (1) a single mortgage that covered a very substantial portion of the value of the home, thus precluding the need for second mortgages, (2) fixed monthly payments throughout the life of the mortgage which covered both principal and interest and which were established at levels sufficient to amortize indebtedness completely at the end of the payment period, (3) an interest rate low enough to provide convenient financing terms for purchasers and sufficiently high in yield to attract private investment, and (4) a program of insurance, with premiums paid by the borrower, which gave protection

to the lender against possible loss in the event of foreclosures. The same general advantages applied, as well, to the FHA mortgage insurance programs for rental housing.

The mortgage insurance protection feature attracted private investment, and the long-term, low-interest, fixed monthly payment features of the mortgages greatly broadened the market for new housing by reducing monthly carrying costs to levels that could be afforded by many more households. The FHA-type of financing supplied a "yardstick" for private industry, and the same general lending pattern came to be used commonly by private lenders in their non-FHA-insured lending activities. In fact, it is interesting to note that several years ago, a system of private mortgage insurance was established to serve certain savings and loan associations.

During World War II, under a program to provide privately built housing for immigrant warworkers and after World War II, when FHA (as well as VA) bent every effort to provide housing for families of returning war veterans, the FHA programs supplied the basis for development of great efficiencies in "project" construction. These large-scale projects, sometimes involving thousands of homes, provided opportunities for introducing rationalization of production and for achieving large-scale economies of mass materials purchases. Under this stimulus, such techniques as precutting, and prefabrication of such components as roof trusses and rafters and module wall sections became commonplace. Standard floor plans allowed prefabrication of sheet metal ductwork, and some developers bench-assembled plumbing "trees," allowing rapid hookup with plumbing fixtures. Millwork items were standardized, and long production runs on windows and doors allowed great economies to be achieved. Large-scale mass production also supported development of mobile equipment for earthmoving and materials handling and lightweight power hand tools.

Industry responded with development of new products that helped lower material and labor costs. These included widespread use of dry wall construction for interior walls, packaged chimneys, new materials for siding, and roofing, etc.

Large-scale project construction also involved adherence to FHA standards for land development and planning. These concerned such items as provision for safe traffic flow, proper densities, provision of appropriate public utilities, etc. These standards, as well, became yardsticks for the entire industry. The development of a building industry capable of producing 1.5 million units a year has, in turn, stimulated the development of firms engaged in production of building materials, appliances and home furnishings. New firms have been formed and existing ones enlarged in response to market demands.

(d) *Effects on the stability, level, volume, or other aspects of employment, wages, costs, production, sales, prices, or other phases of economic activity.*—The availability of home loan credit at long maturities and with small initial equities because of FHA mortgage insurance, has undoubtedly broadened the base of effective demand for housing. On several occasions, the Federal Government has sought to stimulate residential construction as a countercyclical aid by liberalizing the

terms of FHA loans and by increasing the availability of secondary market support for such loans. Both executive actions and legislation have been used to achieve such ends.

The National Bureau of Economic Research has made studies of Federal credit programs, and has drawn some conclusions about the effect of Federal mortgage underwriting on the level, volume, costs and prices of housing. However, the U.S. Government has not, to our knowledge, accepted and adopted all of these conclusions as official positions.

(e) *Any benefits (not included above).*—Various FHA programs are designed to provide housing or housing finance for special groups of the population. More specifically, section 221 relates to displacees and families of low and moderate income; section 222 to military servicemen, as does title VIII; section 231 to elderly persons; and section 232 to nursing homes. In the 1965 legislation, three new special programs were added: (1) rent supplements were authorized for low-income families who will live in rental units constructed or rehabilitated under section 221(d)(3) and financed at market interest rates; (2) veterans who have not used their VA loan guarantee entitlement or who are not eligible under VA statutes, may obtain loans insured by FHA on somewhat more favorable terms than non-veterans; (3) land development loans up to \$10 million were authorized to be insured by FHA to foster a more orderly pattern of urban growth.

(f) *Pertinent geographic differentials.*—All FHA programs are operative nationwide without local or regional differentiation. However, when a surplus supply of housing develops in a particular local housing market area, a temporary curtailment in new FHA commitment activity may have to be made until the surplus is absorbed. Fees, charges and interest rates are uniform nationwide. The private capital markets generally reflect geographical differences in availability of funds for investment in mortgages in the secondary markets. As a rule, market prices vary so that yields are somewhat lower in the eastern metropolitan centers, and higher in the Southwest and West, as well as in small towns. A table follows showing cumulative State-by-State participation in FHA programs.

TABLE 2.—Volume of FHA-insured mortgages and loans by State of location of property, 1934-64

[Dollar amounts in thousands]

State	Total amount	Home mortgages ¹		Project mortgages ²		Property improvement loans	
		Number	Amount	Units	Amount	Number	Net proceeds
Total ³	\$96,483,518	7,305,066	\$68,208,960	1,122,426	\$11,760,627	27,324,012	\$16,508,615
Alabama.....	1,349,068	105,367	1,037,633	14,716	116,571	382,767	194,864
Alaska.....	208,705	7,590	152,790	3,973	48,093	5,438	7,821
Arizona.....	1,708,746	135,480	1,328,598	19,505	205,350	260,271	174,798
Arkansas.....	724,029	67,007	554,242	4,958	59,167	195,474	110,620
California.....	13,216,568	1,112,714	10,842,759	105,207	1,227,761	2,419,571	1,146,048
Colorado.....	1,153,324	90,025	900,814	7,541	82,249	272,944	170,261
Connecticut.....	1,247,721	90,801	961,170	15,458	169,999	206,585	116,551
Delaware.....	359,757	26,162	288,058	6,184	64,042	15,795	7,658
District of Columbia.....	438,390	9,095	80,962	29,521	263,562	146,260	93,866
Florida.....	3,969,921	302,412	2,993,805	37,847	465,737	733,701	510,379
Georgia.....	1,841,526	144,718	1,400,106	28,594	244,137	355,561	197,283
Hawaii.....	453,162	24,529	310,042	10,338	139,942	4,139	3,178
Idaho.....	497,237	39,351	359,502	1,812	21,551	164,460	116,184
Illinois.....	3,470,186	233,556	1,999,005	39,208	434,737	1,651,057	1,036,444
Indiana.....	2,348,613	207,729	1,752,429	11,422	99,956	915,745	596,227
Iowa.....	892,089	69,307	630,112	2,876	27,992	392,087	233,985
Kansas.....	1,238,208	112,084	942,753	10,138	113,291	313,035	182,164
Kentucky.....	901,789	66,706	592,473	10,752	108,902	376,068	200,414
Louisiana.....	1,551,036	125,633	1,240,120	13,658	133,775	286,644	177,140
Maine.....	354,830	29,747	244,038	4,307	48,826	112,452	61,967
Maryland.....	1,781,224	115,690	1,113,630	47,898	350,563	581,295	317,031
Massachusetts.....	1,551,102	85,053	928,117	14,817	207,925	688,768	415,059
Michigan.....	5,700,123	450,980	4,038,042	27,730	318,175	2,294,786	1,343,911
Minnesota.....	1,471,194	87,337	944,690	9,948	98,209	724,635	428,295
Mississippi.....	680,380	59,869	530,761	5,374	55,351	173,703	94,268
Missouri.....	2,252,590	172,280	1,559,212	21,459	263,711	804,440	429,667
Montana.....	383,372	28,312	281,320	2,665	37,920	83,554	64,124
Nebraska.....	829,757	69,306	640,598	6,601	82,058	170,619	107,100
Nevada.....	499,781	31,921	401,279	5,691	71,629	34,509	26,873
New Hampshire.....	184,298	13,973	127,030	1,344	18,631	68,881	38,636
New Jersey.....	3,702,979	250,648	2,281,463	84,146	844,687	816,735	576,829
New Mexico.....	656,138	52,440	527,200	5,914	69,745	74,453	69,194
New York.....	8,505,628	370,235	3,637,319	223,156	2,589,803	2,920,414	2,278,506
North Carolina.....	1,170,084	87,421	739,597	24,627	206,616	334,189	203,871
North Dakota.....	189,217	8,387	82,030	4,002	63,471	62,342	43,717
Ohio.....	4,657,040	345,517	3,375,505	34,640	310,336	1,726,084	971,199
Oklahoma.....	1,734,991	165,757	1,402,662	8,303	94,662	398,283	237,667
Oregon.....	1,191,323	101,587	898,618	9,659	106,809	307,681	185,896
Pennsylvania.....	3,771,841	330,714	2,701,273	33,903	339,161	1,326,725	731,406
Rhode Island.....	333,078	27,763	269,758	1,719	20,234	80,250	43,086
South Carolina.....	738,311	67,107	561,064	11,626	111,191	124,838	66,056
South Dakota.....	278,705	24,050	204,695	2,483	29,792	63,881	44,218
Tennessee.....	1,723,590	149,458	1,318,798	14,767	112,801	578,018	291,990
Texas.....	5,739,820	489,492	4,232,193	49,673	457,977	1,721,174	1,049,654
Utah.....	815,189	65,117	627,102	2,682	33,515	263,323	154,572
Vermont.....	95,905	9,985	78,288	193	2,053	28,140	15,563
Virginia.....	2,269,915	167,336	1,665,866	51,166	385,946	387,996	218,103
Washington.....	3,234,062	284,249	2,599,212	16,602	177,909	710,554	456,941
West Virginia.....	408,230	36,542	304,082	900	5,383	152,662	98,765
Wisconsin.....	830,921	61,498	589,555	7,111	69,113	313,267	172,253
Wyoming.....	230,325	22,391	207,062	7,111	6,626	23,631	16,637
Canal Zone.....	8,689	-----	-----	530	8,689	-----	-----
Guam.....	30,489	370	5,190	1,270	24,801	449	499
Puerto Rico.....	874,770	71,012	676,497	10,972	107,178	67,783	91,087
Virgin Islands.....	6,463	286	4,063	129	2,300	97	100

¹ For volume by sections, see Housing and Home Finance Agency, 18th Annual Report, table III-12.² For volume by sections see *ibid.*, table III-13.³ Based on cases tabulated through 1964, including sec. 225 open end advances, sec. 609 manufactured housing loans, and adjustments not distributed by States.

(g) *The measurable contribution of the program to either the magnitude or the rate of growth of the gross national product, if such a contribution can be identified.*—By making certain assumptions, it might be possible to arrive at some estimates of the contribution that FHA activity makes to the gross national product. No formal and detailed study of this nature has yet been undertaken. The estimates which

are supplied below, therefore, are only the roughest of approximations, tentative in nature, and subject to substantial modification upon more detailed and precise study.

Some of the assumptions which could be made are:

1. The extremely liberal financing provisions under FHA home mortgages, as compared to other vehicles for home financing, suggest that the great bulk of new homes for purchase under FHA programs might not otherwise have been produced.

2. The insurance of mortgages for existing homes, which constitutes the bulk of FHA home mortgage insurance activity, frees mortgage funds for support of a certain amount of new conventionally financed construction that might not otherwise have been built. For purposes of these calculations, it is believed that a 30 percent indirect impact represents a reasonable and conservative estimate.

3. The extremely liberal financing provisions of FHA for multifamily rental housing, together with the recognition that the special purpose rental programs of FHA account for a very large part of the agency's rental housing insurance activity, suggest that rental development under FHA programs would not have occurred, otherwise.

In calendar year 1965, FHA issued mortgage insurance commitments, as follows:

Home mortgages: \$3.1 billion for new construction and \$11 billion for existing housing.

Rental mortgages: \$649 million for new construction and \$57.4 million for existing projects.

Property improvement: \$634 million.

On the basis of the foregoing, it is estimated that directly and indirectly, FHA mortgage insurance commitments in 1965 supported new construction borrowings in the amount of \$6.4 million for homes and \$666 million for rental housing, or a total of about \$7 billion. On the basis that mortgages do not cover the entire value of the property but the value includes raw land purchases which do not augment the national product, the estimated value of construction supported by the programs would amount to about \$6.9 billion. Values yielded by property improvements under FHA programs would bring this total to about \$7.5 billion, about 1.1 percent of the 1965 GNP.

Employment and payrolls directly and indirectly supported by FHA programs are estimated as follows:

Home mortgages, covering an estimated \$6.2 billion of new construction:

On-site employment: Based on Department of Labor estimates of 68 man-hours per \$1,000 of contract amount; 1,800 hours employment per year; and average hourly rate of \$3.68. Man-years employment, 234,000; annual payroll, \$1.6 billion.

Off-site employment: Based on Department of Labor estimates of 126 man-hours per \$1,000 of contract amount; 2,000 hours employment per year; and average hourly rate of \$2.60. Man-years employment, 391,000; annual payroll, \$2.0 billion.

Rental housing mortgages, covering an estimated \$645 million of new construction:

On-site employment: Based upon Department of Labor estimates of 76 man-hours per \$1,000 of contract amount; 1,800

hours employment per year; and average hourly rate of \$3.68. Man-years employment, 27,200; annual payroll, \$181 million.

Off-site employment: Based upon Department of Labor estimates of 122 man-hours per \$1,000 of contract amount; 2,000 hours of employment per year; and average hourly rate of \$2.60. Man-years employment, 39,400; annual payroll, \$205 million.

Property improvement, covering about \$634 million:

On-site employment: Based upon Department of Labor estimates of 121 man-hours per \$1,000 of contract amount; 1,800 hours employment per year; and average hourly rate of \$3.68. Man-years employment, 42,500; annual payroll, \$282 million.

Off-site employment: Based upon Department of Labor estimates of 85 man-hours per \$1,000 of contract amount; 2,000 hours of employment per year, and an average hourly rate of \$2.60. Man-years employment, 26,900; annual payroll, \$140 million.

Roughly estimated, therefore, FHA mortgage insurance commitment activity in 1965 would support 761,000 man-years of employment and an estimated \$4.4 billion in payrolls.

10. *Economic classification of program expenditures.* (See Table 3.)

Program: FHA insurance operations.

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

TABLE 3.—*Economic classification of program expenditures for fiscal year 1965*

[In millions of dollars]

Federal Government:	
Wages and salaries-----	84.1
Mutual mortgage insurance payments-----	8.0
Other-----	767.2
Total Federal expenditures ¹ -----	859.3

¹ Represents gross expenditures.

NOTE.—In fiscal 1965 gross expenditures of the Federal Housing Administration were \$859,300,000. These were reduced by \$974,700,000 total receipts, leaving a negative net expenditure of \$115,400,000. In the national income accounts the FHA is classified as a Government enterprise and treated as such.

Public Housing Administration

PART I. DESCRIPTION OF THE PROGRAM

1. *Objectives*

The objectives of the Public Housing Administration are sketched broadly in the preamble to the U.S. Housing Act of 1937, as amended:

To provide financial assistance to the States and political subdivisions thereof for the elimination of unsafe and insanitary housing conditions, for the eradication of slums, for the provision of decent, safe, and sanitary dwellings for families of low income, and for the reduction of unemployment and the stimulation of business activity * * *

And developed further in the declaration of policy as introduced by section 1 of the same act:

It is hereby declared to be the policy of the United States to promote the general welfare of the Nation by employing its funds and credit, as provided in this act, to assist the several States and their political subdivisions to alleviate present and recurring unemployment and to remedy the unsafe and insanitary housing conditions and the acute shortage of decent, safe, and sanitary dwellings for families of

low income, in urban and rural nonfarm areas, that are injurious to the health, safety, and morals of the citizens of the Nation. In the development of low-rent housing it shall be the policy of the United States to make adequate provision for larger families and for families consisting of elderly persons * * *

"The role of public housing," as pointed out by President John F. Kennedy, "* * * is basically pragmatic: it is designed to strengthen our human resources—in the light of our own constructive self-interest." Public housing, then, to use a phrase from the title of the Joint Economic Committee's inquiry, is indeed a "human resources program."

"The basic philosophy of the housing program is that the end result must be better living * * * better neighborhoods and * * * better housing * * * it all adds up to a better city," according to HHFA Administrator Robert C. Weaver.

"Public housing is a cornerstone in the national public welfare program * * * pledging creation of economic and social opportunities for the less fortunate * * *" (PHA Commissioner Marie C. McGuire).

2. Operation

The Public Housing Administration provides financial assistance to local housing authorities in order to help maintain the low-rent character of the locally owned federally aided dwellings. These are planned by the local agencies, constructed by private contractors under contracts let by the local agencies, and managed by the local agencies. Technical assistance is provided the local authorities by PHA, and supervision of local authority activity occurs to the extent directed by the Congress for the purpose of assuring that the projects achieve the purposes of the U.S. Housing Act. The following brief explanation of how the federally aided public housing program operates is—unless otherwise noted—an explanation of the rental (as distinguished from the "mutual help") program. Federally aided public housing has been most often provided through new construction (as distinguished from the purchase or leasing of existing properties) and unless otherwise noted, the following discussion will be in terms of new construction.

Based upon a showing of existing local need, the local housing authority makes application to the Public Housing Administration for a program reservation and preliminary loan for a given number of public housing units. This application must be approved by the local governing body, and is followed by the execution of an agreement of cooperation between the local housing authority and the local governing body. In this agreement the local government agrees to furnish the usual municipal services to the project. In turn, the local housing authority agrees to make a payment in lieu of taxes. The payment in lieu of taxes generally amounts to 10 percent of shelter rents, which payment is usually in excess of the tax revenue from the site prior to construction of the project. Upon independent verification of the existence of need, the Public Housing Administration will issue a program reservation for the requested units. This takes the form of a statement to the local housing authority that upon completion of certain prerequisites the Public Housing Administration is prepared to assist with the development of the dwellings.

Planning the project.—A preliminary loan contract is usually the first contract executed between the Public Housing Administration and the local housing authority. It provides funds with which the

local authority may proceed with preliminary planning of its project, including site selection and market surveys. If an authority wishes, it can, pursuant to procedures set forth in the Housing and Urban Development Act of 1965, plan to acquire existing housing either for use as is or after rehabilitation.

As planning advances, a development program is produced by the local authority. This program is a detailed account of the authority's plans and schedule for the development of the dwellings and is a prerequisite to the annual contributions contract.

Construction.—After the Public Housing Administration executes an annual contributions contract with the local housing authority, a construction contract is awarded to the lowest responsible bidder, subject to approval by the Public Housing Administration. The local authority then issues orders to proceed to the contractor and construction is started.

Management.—When the project is completed, the local housing authority, having established income limits and rents, will accept tenants and the management phase of the program will begin. Except in the case of the elderly (including the disabled and the handicapped) and those displaced by governmental action, there must be a gap of at least 20 percent between the upper rental limits for admission and the lowest rents at which private enterprise unaided by subsidy is providing a substantial supply of standard housing. Rents are set for each family in relation to its income. From the rents collected, the local authority pays all operating expenses, including a payment in lieu of taxes to the local taxing body.

Consistent with the principle of local autonomy, maximum income limits and rents are set by the local housing authority and are not disapproved by the Public Housing Administration unless they threaten the financial solvency or the low-rent character of the project. Similarly, the adoption of reasonable regulations establishing admission policies, including preferences, is a function of the local housing authority.

Financing and Federal annual contributions.—Local housing authority obligations are not a debt or liability of the State or of the municipality which they serve. The financing plan, therefore, relies upon the use of Federal funds and credit. The Public Housing Administration is authorized to lend the local housing authority up to 90 percent of the total development cost of its project. Planning funds as discussed under "Planning the Project," are provided by direct Public Housing Administration advances to the local housing authority. As construction proceeds, it becomes financially advantageous for a housing authority to market its short term notes (called temporary notes) to private investors. The security for these notes is a commitment by the Public Housing Administration to advance the amount needed to cover the principal and interest on the notes when they mature.

When the project approaches completion, the local housing authority, with the cooperation of the Public Housing Administration, will sell its long-term housing bonds on the private market. From the proceeds of the sale of these bonds the local housing authority retires all its temporary notes and repays all Federal loans, plus interest.

These bonds are secured by a pledge of the annual contributions unconditionally payable in an amount sufficient to retire the capital cost of the housing within 40 years. The faith of the United States is pledged to the payment of the annual contributions. Where the rental income exceeds the amounts needed for operating expenses and payments in lieu of taxes, such excess is used to reduce the amount of the Federal annual contribution.

Certain additional contributions may be made in respect to low-rent dwellings in which extremely low income elderly persons and families live and to those low-rent dwellings occupied by low-income families and individuals displaced by urban renewal or public housing projects after January 26, 1964.

Leased housing.—The Public Housing Administration provides financial assistance to local authorities for the housing of low income families in leased accommodations under sections 10(c) and 23 of the U.S. Housing Act of 1937. The maximum annual contribution with respect to leased housing is the fixed annual contribution which would be established for a newly constructed project in the community designed to accommodate the comparable number, sizes, and kinds of families. The leased accommodations must provide decent, safe, and sanitary dwelling accommodations, must satisfy minimum standards established by the PHA, and be in full compliance with local code requirements. It is anticipated that in some cases the owners of properties which do not meet the minimum standard will be willing to make necessary repairs in order to secure the advantage of a lease with a local authority. Such an approach would add to the supply of decent housing and would upgrade neighborhoods.

The neighborhood in which the housing is located must be primarily residential and free of any characteristics seriously detrimental to family life and one in which substandard dwellings do not predominate; or the neighborhood may be the subject of a concerted program, actively underway, which is designed to bring it up to this standard with the leasing by the local authority as an element of this program.

Under the section 23 program, which is expected to be the one most often used, the local governing body must approve use of the program in the locality. This program is exempt from some of the requirements applicable to the conventional program; among these are the requirements for tax exemption, a cooperation agreement with the local governing body, and the 20 percent gap between the upper rental limits for admission and the lowest rents at which private enterprise unaided by subsidy is providing a substantial supply of standard housing. Generally, the local authority may not lease more than 10 percent of the units in a structure, and its leases may be for a term of 1 to 3 years (renewable).

Acquisition, or acquisition and rehabilitation, of existing housing.—The use of existing housing is not a new field in this country or in the low-rent housing program. However, the will of the Congress, indicated in connection with the Housing and Urban Development Act of 1965, is that local authorities will strive to provide about 60,000 units in the next 4 years by this method.

In this program, the PHA has established minimum standards for the structures and the neighborhoods; and financial assistance will be provided where the structure and neighborhood meet these standards

or where there is assurance that they will be brought up to the standards. It is hoped that this program will (1) conserve and improve residential neighborhoods, (2) serve as the focus or as an integral part of the improvement and rehabilitation of neighborhoods in combination with the assistance provided in the Housing and Urban Development Act of 1965 for code enforcement, demolition of substandard housing, construction of neighborhood centers, open spaces in built-up areas and urban beautification, and (3) be utilized to maintain or enhance the heterogeneous social or economic characteristics of a neighborhood. Buildings of various types, ranging from apartment hotels and multifamily projects to row houses and free-standing single dwellings, may be appropriate to an acquisition and rehabilitation program. In determining the suitability of building types, careful consideration is to be given to the specific livability requirements of families in need of housing in the community who will occupy the buildings. In many situations the use of existing housing can produce low-rent housing more speedily than new construction, which may be especially important in meeting relocation needs; provide housing at a lower capital cost; provide housing for large families; provide housing on scattered sites; and be an integral part of rehabilitation in urban renewal areas.

Where rehabilitation of the structure is required to bring it up to the established standard, such rehabilitation may be accomplished before or after acquisition of the property by the local authority. Under a new method in this field, properties which have been selected or approved by the local authority are acquired and rehabilitated by qualified homebuilders or rehabilitators, and are then sold to the local authority. This method has the advantage of eliminating most of the problems and delays involved in direct local authority rehabilitation work and reducing the administrative burden on the local authority and the PHA. Such a program will also effectively mobilize and utilize the skills and resources of real estate brokers and agents, homebuilders, rehabilitators and lending institutions who do not ordinarily participate in new low-rent housing construction.

Mutual help housing.—A unique variation of the "low-rent" type of federally aided public housing was developed in 1962 to meet special conditions encountered on Indian reservations. In this program, the occupant of the PHA-aided housing is not a tenant, but a participant, who acquires an equity in his home by contributing labor and in some cases land and/or material. The participant makes regular monthly payments to cover the costs of insurance and administration, and in addition he makes payments toward equity in accordance with his income. The PHA pays annual contributions at the highest authorized rate, and when the total amount of such annual contributions and equity payments are sufficient to repay the funds borrowed by the tribal housing authority in the development of the housing, title to the property passes to the participant. Where the participant's contribution amounts to 20 percent of the development cost of the housing, he may achieve ownership in about 17 years.

3. History

A brief history of the program would take note of the fact that its present basic approach was established in the United States Housing Act of 1937. The process of establishment took note of predecessor activities in the Housing Division of the Public Works Administration.

The act established the U.S. Housing Authority. Activities of the Federal Security Agency (subsistence homesteads and green towns) were also transferred to it.

The low-rent public housing program was barely underway when World War II led to the necessity of providing first "defense housing" and later "war housing." For this purpose, low-rent housing was temporarily diverted to the needs of defense industry employees. New programs of "war housing" (especially Lanham Act housing under Public Law 849) were undertaken by the U.S. Housing Authority reconstituted as the Federal Public Housing Authority in 1942. Other war housing projects were transferred from other Federal agencies, such as the Federal Works Administration, the Defense Homes Corporation, the U.S. Maritime Commission, the Navy Department, the Mutual Homes Ownership Agency, the Public Buildings Administration, the Tennessee Valley Authority, the War Department, and the War Foods Administration, when the FPHA was created. In the war emergency local housing authorities were utilized to construct and manage public housing for war effort related purposes. For many local authorities this constituted their first public housing experience; for all local authorities it provided valuable experience that could be drawn upon in meeting postwar needs and emergencies.

The end of World War II brought the problems of conversion of permanent housing to low-rent occupancy, and disposal of emergency housing and permanent housing not desired for low-rent use by the localities. The construction of temporary housing for veterans took place in the immediate postwar period. In 1949 the low-rent public housing needs of the Nation were recognized by the Congress in the passage of the United States Housing Act of 1949, which authorized a new program of 810,000 federally aided low-rent units. However, the outbreak of hostilities in Korea in 1950 again led to imposition of severe restrictions on the low-rent program.

A series of amendments to the United States Housing Act of 1937, and of program limitations by Presidential directive and appropriation act limitations, followed from 1950 through 1964. Their impact ranged from the limitation upon and the outright prohibition of new programing in 1 year to permission to proceed with 100,000 units (over a 3-year period) in the Housing Act of 1961. The Housing Act of 1964 authorized 37,000 units, and the Housing and Urban Development Act of 1965 authorized 240,000 units of low-rent housing over a 4-year period. Ability to utilize new methods of providing such housing through leasing and acquisition with or without rehabilitation of existing structures was enhanced through that legislation.

In recent years efforts have been made to serve overlooked segments of our population. Chief among these new approaches have been those serving the elderly, for providing housing for the American Indians on their reservations, the needs of individuals displaced by public actions, and the needs of the disabled and handicapped.

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

Program: Public Housing Administration.

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

TABLE 1.—*Level of operations or performance, fiscal years 1964-67 and 1969*

Measure	Fiscal year				
	1964	1965	1966 estimate	1967 estimate	1969 estimate ¹
(a) Magnitude of the program (in housing units): Total (under annual contributions contract or further).....	710, 276	725, 551	766, 551	826, 551	984, 000
Designed for general family occupancy (other than Indian).....	628, 246	632, 647	646, 551	681, 551	775, 000
Designed for occupancy by elderly (other than Indian).....	79, 267	89, 990	116, 000	140, 000	200, 000
Indian program.....	2, 763	2, 914	4, 000	5, 000	9, 000
New construction.....	705, 276	719, 551	754, 551	803, 551	879, 000
Acquisition and rehabilitation.....	5, 000	6, 000	9, 000	13, 000	65, 000
Leasing.....			3, 000	10, 000	40, 000
(b) Applicants or participants:					
Local housing authorities.....	1, 541	1, 677	1, 845	2, 090	2, 300
Tenant families (including 1-person families), Total.....	550, 069	574, 439	614, 000	670, 000	800, 000
(Elderly).....	(142, 418)	(160, 496)	(184, 000)	(210, 000)	(270, 000)
(c) Federal finances (thousands of dollars):					
Unobligated appropriations available.....					
Obligations incurred.....	744, 540	699, 025	921, 840	1, 154, 114	(²)
Allotments or commitments made:					
(1) PHA annual contributions commitment balance at year end.....	333, 813	346, 027	375, 369	418, 156	(²)
(2) PHA undisbursed loan commitment at year end.....	1, 152, 000	1, 049, 545	1, 104, 823	1, 168, 538	(²)
(d) Matching or additional expenditures for the program ³	(²)	(²)	(²)	(²)	(²)
(e) Number of PHA employees, average for year.....	1, 478	1, 462	1, 538	1, 750	(²)
Administration.....	1, 389	1, 388	1, 467	1, 673	(²)
Project development or management.....	89	73	71	77	(²)
(f) Non-Federal personnel engaged in the program.....	24, 000	25, 000	27, 000	29, 000	34, 000

¹ The Housing and Urban Development Act of 1965 provides program authorizations only for a 4-year period ending in 1969.

² Not available.

³ This is normally in the form of exemption from local property taxes, less the payments in lieu of taxes, which are generally at the rate of 10 percent of shelter rents.

5. *Estimated magnitude of program in 1970.* (See table 1 for estimate for 1969.)

6. *Prospective changes in program orientation*

(a) The Public Housing Administration does not make legislative proposals directly to the Congress.

(b) Administrative and organizational changes will be reflected in the organization of the Department of Housing and Urban Development, which will include the PHA.

(c) This office does not project any significant changes in technological, economic, or social conditions that would work a market change in the nature of the program. Any such changes will be reflected by the agency adjusting its program.

7. *Coordination and cooperation*

Coordination and cooperation with other programs and agencies have been both implicit and explicit in the nature of PHA operations, as a glance at the abbreviated history presented in response to question 3 would indicate. Our response to the question will be in terms of present posture of the agency.

(a) Within the Public Housing Administration there is both a geographic (regional offices) and a functional (program planning, housing development, housing management, and internal administration) organization of our personnel. Coordination and cooperation are required of all these organizational units for the purpose of allocating the limited supply of new housing units, and for preparing one organizational unit to undertake the sequence of operations that follow when another organizational unit has completed its assignment.

(b) Within the Department of Housing and Urban Development, both program and personnel data are furnished to the Office of the Administrator for coordination of reports outside the agency, and cooperation within the agency. Public Housing Administration personnel consult with staff (both in and out of Washington) of the Office of the Administrator, the Federal Housing Administration, the Urban Renewal Administration, and the Community Facilities Administration for program-planning purposes, exchanging information on surveys and analyses, FHA defaults, and programing plans.

(c) The Public Housing Administration actively cooperates with the Bureau of the Budget, the Office of Economic Opportunity, the Office of Emergency Planning, the Departments of Commerce, Defense, Health, Education, and Welfare (particularly the Division of Indian Health of the Public Health Service), Interior (particularly the Bureau of Indian Affairs), Justice, and Labor, the General Accounting Office, the Library of Congress, various congressional committees, and various boards, committees, and commissions, in carrying out its work. This cooperation takes the form of joint task forces, inter-agency committee memberships, memorandums of understanding, cooperation agreements, and information supplying and evaluation.

(d) State government coordination and cooperation are largely indirect, through the medium of local agencies operating under State enablements and State regulation. All pertinent provisions of State legislation are honored in administration of the federally aided low-rent public housing program.

(e) Local governments and communities are directly involved in PHA operations through their local housing agency, which usually has the form of a local housing authority. The local housing authority, or its equivalent, applies for, develops, and operates the federally aided low-rent programs made possible by the U.S. Housing Act of 1937. The local government approves the application and agrees, through a cooperation agreement, to provide certain forms of assistance, either through contributions or acceptance of payments in lieu of taxes.

(f) The Public Housing Administration has no ongoing relations with either foreign governments or international organizations.

(g) Nonprofit organizations and institutions of many types, such as the National Association of Real Estate Boards, National Association of Home Builders, National Association of Housing and Redevelopment Officials, National Housing Conference, American Institute of Architects, Boy Scouts of America, Boys' Clubs of America, American Red Cross, YMCA, YWCA, Goodwill Industries, National Council on Aging, and various settlement houses, health and welfare councils, and similar organizations, are in constant communication with this agency concerning matters of mutual interest impinging upon the well-being of low-income persons and families.

8. Laws and regulations

The U.S. Housing Act of 1937, as amended, constitutes the basic authorization for the federally aided public housing program. Appropriation bills have (among other things) imposed varying limitations on program activity in the several fiscal years since passage of the U.S. Housing Act of 1949.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. Economic effects

The economic effects of the public housing program administered by this agency may be measured directly by the impact of the planning, construction, and operating activity involved. There is an indirect economic impact of low-rent public housing that is much more difficult to measure, but that is much more significant. This is the economic effect of providing good housing at rents within the financial resources of low-income persons and families, and includes such elusive matters as the economic value of improved physical health, mental health, and social health.

Depending upon the quality of the local operation, and supporting social services brought to bear by local agencies, the short- and long-term effects upon the lives of public housing tenants and their neighbors will vary. The inevitable tendency of these operations, however, is toward the reduction of morbidity and death rates, increase in school attendance rates, decrease in fire and police call rates, and the heightening of the tenants' awareness that their community is concerned about their welfare—without regard to race, color, or economic condition.

Based on a construction rate of 35,000, and a rehabilitation rate of 15,000 units a year, it is estimated that the Public Housing Administration program will provide some 58,000 man-years of on- and off-site employment, and a payroll of \$340 million for the construction and/or rehabilitation of dwellings, in 1 year.

10. Economic classification of program expenditures. (See table 2.)

Program: Public Housing Administration.

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

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

[In millions of dollars]

Federal Government:

Purchases of goods and services:

Wages and salaries.....	13.6
Other.....	4.0

Grants to State and local governments.....	206.3
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Loans to State and local governments.....	11.3
---	------

Interest on Treasury borrowings.....	.2
--------------------------------------	----

Receipts and reimbursements in excess of other expenditures.....	-5.2
--	------

Total Federal expenditures ¹	230.1
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Non-Federal expenditures financed by local housing authorities ²	263.8
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Total expenditures for program.....	493.9
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¹ Refers to net expenditures. Gross expenditures for the PHA were \$790,100,000.

² Estimated.

INDEPENDENT AGENCIES

APPALACHIAN REGIONAL COMMISSION

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

The Appalachian program objective is to promote the economic development of the Appalachian region comprising parts of 11 States: Alabama, Georgia, Kentucky, Maryland, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, and Virginia; and all of West Virginia. Further, it is to assist the region in meeting its special problems and to establish a framework for joint Federal and State efforts toward providing the basic facilities essential to its growth and attacking its common problems and meeting its common needs on a coordinated and concerted regional basis. Funds are available to invest in public facilities in areas with significant potential for growth.

2. Operation

The program operates through a State-Federal agency, the Appalachian Regional Commission, composed of 12 Governors, one of whom is State cochairman, and a Presidential appointee, the Federal Cochairman. All decisions require the concurrent vote of a majority of the States and the Federal Cochairman, and no project can be implemented which has not been recommended and submitted by a State.

The Commission operates from a Washington headquarters. With the exception of small personal staffs for the Federal Cochairman and States' regional representative, the Commission staff is composed of "State-Federal" employees (i.e., not Federal Government). There are no field offices.

Project funding proposals are submitted to headquarters by the States, analyzed by the Commission staff, and submitted to the Commission for recommendation. Upon a favorable vote the projects may be funded by the Federal agency to which funds have been appropriated. No Appalachian money may be spent by such an agency without Commission recommendation. Through its staff and consultants the Commission conducts a program of research, intergovernmental development programing, and technical assistance to the States.

3. History

The Appalachian program is the result of the work of the Conference of Appalachian Governors on interstate cooperation for economic development dating from 1960. The President's Appalachian Regional Commission produced a report on the region's situation in 1964, the Appalachian Regional Development Act was passed in March 1965, and the Appalachian Regional Commission held its first meeting in April. After a "quick-start" operation to get projects, particularly highways, underway during the summer construction season the Commission is working with the States on a strategy for

regional development and is continuing to recommend projects which fit objectives of the act.

4. *Level of operations.* (See tables 1 and 2.)

Program: Appalachian Regional Development.

Department or agency, and office or bureau: Appalachian Regional Commission.

TABLE 1.—*Level of operations or performance, fiscal year 1965-67*

	Fiscal year 1965	Fiscal year 1966	Fiscal year 1967
(a) Magnitude of program: Approved projects.....			
(b) Applicants or participants: States.....	11	12	12
(c) Federal finances:			
Appalachian Regional Commission, salaries and expenses finances:			
Unobligated appropriations available.....	¹ \$1,290,000		\$1,110,000
Obligations incurred.....	\$162,000	\$1,128,000	\$1,110,000
Appropriations to Federal Departments for Appalachian regional development:			
Unobligated appropriations available ²	¹ \$306,550,000		\$200,101,000
Obligations incurred.....	\$7,881,000	\$265,202,000	\$233,407,000
(d) Non-Federal funds: States, local communities, etc. (computed as 25 percent of \$353,603,000 for fiscal year 1966 and \$311,209,000 for fiscal year 1967 total Federal-State-local).....		\$88,401,000	\$77,802,000
(e) Federal Government employees: Federal Cochairman, alternate, and staff (man-years).....	1.3	10	10
(f) Non-Federal personnel employed in program: Commission staff (number of employees).....	18	60	60

¹ This is for fiscal 1965 and 1966.

² Funds appropriated for Appalachian regional development to Federal departments and agencies by the 2d Supplemental Appropriation Act of 1965 (Public Law 89-16) to be spent on recommendation of the Appalachian Regional Commission. These programs are also included in the Department programs.

TABLE 2.—*Distribution of funds by department and program*

(Dollar amounts in thousands)

Appalachian Regional Development Act section	Program	Fiscal year 1965-66 NOA ap- propriated funds	Fiscal year 1967 NOA requested	Federal department or agency
201	Appalachian development highway system.....	\$200,000	\$130,000	Commerce.
202	Demonstration health facilities.....	21,000	2,500	Health, Education, and Welfare.
203	Land stabilization, conservation and erosion control.....	7,000	4,375	Agriculture.
204	Timber development organization.....	1,000	500	Do.
205	Mining area restoration:			
	Land reclamation.....	16,000	10,556	Interior:
	Fish and wildlife restoration.....	1,350	1,350	Do.
206	Water resource study.....	1,500	1,800	Army (Corps of Engineers).
211	Vocational education facilities.....	8,000	8,000	Health, Education and Welfare.
212	Sewage treatment works.....	3,000	3,000	Do.
214	Supplements to Federal grants-in-aid.....	45,000	35,000	Commerce:
302	Grant for local development district and research.....	2,500	3,000	Do:

NOA: New obligational authority.

5. *Estimated magnitude of program in 1970*

Approximately the same as the level estimated for fiscal year 1966.

6. *Prospective changes in program orientation*

(a) *Pending legislative proposals.*—None.

(b) *Proposed administrative and organizational changes.*—None.

(c) *Probable changes in conditions under which the program will function in 1970.*—The Appalachian economy will have benefited

from the improvements in the region's economic base made through the Appalachian and other development programs.

7. Coordination and cooperation

(a) *Within this office.*—The size of the staff (60) makes coordination relatively simple and the staff organization (see fig. 1) provides for effective administration.

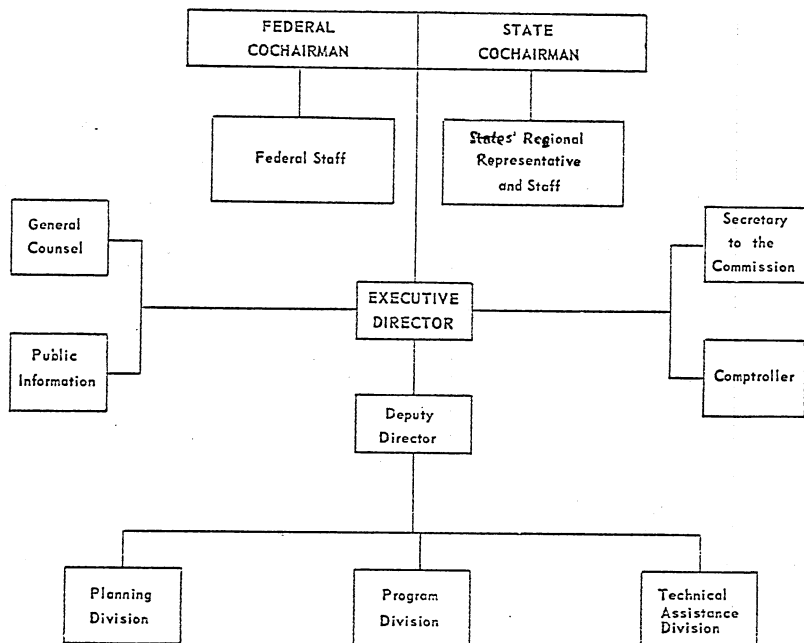


FIGURE 1.—Appalachian Regional Commission.

(b) *With other units of this agency.*—There are no other units.

(c) *With Federal Government agencies.*—One of the duties of the Commission as directed by Congress is to coordinate with the Federal Government on Appalachian development. To further this purpose the Federal Cochairman of the Commission is Chairman of a Federal Development Committee for Appalachia composed of representatives of pertinent Federal agencies. The Committee meets periodically to coordinate programs and discuss policy. In addition, the Federal Cochairman and his staff are in frequent touch with Federal agencies concerning projects, programs and policies affecting the Appalachian development program.

(d) *With State governments.*—The Governors of the 12 Appalachian States belong to the Commission, and they or their representatives attend the meetings and recommend projects and programs. The States have appointed a State's regional representative, who is the functional equivalent of the Federal Cochairman and whose office is at Commission headquarters. Members of the Commission staff are in frequent contact with State representatives on technical matters concerning projects and programs.

(e) *With local governments or communities.*—All such contacts are made either by the State representatives or by Commission staff with the permission of the States. The staff will be giving an increasing amount of technical assistance to local development districts created by the States.

(f) *With foreign governments or international organizations.*—There have been some informal discussions with representatives of foreign development programs for informational purposes.

(g) *With nonprofit organizations or institutions.*—Universities and nonprofit organizations are often the sources of information, research and technical assistance, and the Commission is in frequent touch with them both through the membership and the staff.

(h) *With business enterprises.*—The Commission draws on consultants for some of its studies. It is also in contact with businesses interested in the economic development program for their advice and cooperation.

8. *Laws and regulations*

Public Law 89-4, Appalachian Regional Development Act of 1965, March 9, 1965.

Appropriations authorizations: Public Law 88-635, October 7, 1964, and Public Law 89-16, April 30, 1965.

Executive Order No. 11209, March 25, 1965.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects*

The Appalachian Regional Commission began operations in April 1965. Although public facility investments have been recommended by the Commission no project has yet been completed. Therefore, it is not yet possible to describe economic effects in any of the aspects requested.

10. *Economic classification of program expenditures.* (See table 3.)

Program: Appalachian Regional Development.

Department or agency, and office or bureau: Appalachian Regional Commission.¹

TABLE 3.—*Economic classification of program expenditures for fiscal year 1965*

[In thousands of dollars]

Federal Government:

Purchases of goods and services:

Wages and salaries.....	16
Other.....	25

Total Federal expenditures.....	41
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¹ This covers the expenditures of the Commission. Expenditures made by the other Departments are included in their programs.

ATOMIC ENERGY COMMISSION

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INTRODUCTION

The entire atomic energy program, as with any program whose main thrust is the development of technology through research and development, has an impact on human resource development in a wide variety of ways. However, the Joint Economic Committee's purpose in conducting the Human Resources study is best served by a description of the comprehensive education program administered by the Division of Nuclear Education and Training. This is a clearly identifiable program of strengthening the Nation's educational system, primarily colleges and universities, in those specialized scientific and engineering areas of Commission responsibility. Funds for this educational program are subject to annual authorization and appropriation actions of Congress, based upon detailed submissions within the President's budget request. Descriptive matter concerning this organized education activity is provided by the answers to your specific questions as well as in the appendices.

In addition to the formal nuclear education and training program, your committee's knowledge of the Commission's total involvement in manpower activities would not be complete without a realization that the participation of college and university faculty and students is an integral part of all the AEC research and development activities. This participation has the major purpose of accomplishing the Commission's research mission; it is not an educational activity which lends itself directly to your inquiry or to appraisal by the specific questions you have asked. However, since it does contribute to the Nation's output of scientists and engineers, your attention is called to a report, "Statement of the USAEC on the Impact on Scientific and Technical Manpower of Federal Research and Development Policies," which we recently provided to the Subcommittee on Employment and Manpower of the Senate Labor and Public Welfare Committee. An idea of the scope of this involvement of faculty and students throughout the AEC establishment is provided by the following summary.

1. During fiscal year 1965, the AEC administered more than 1,000 separate contracts with 174 educational institutions in 48 States at an approximate cost of \$67 million. Nearly 3,900 graduate students helped provide the manpower to accomplish

the purposes of these contracts, thus benefiting education though research was the major mission.

2. Similarly, the AEC in fiscal year 1965 had 13 on-campus Federal contract research centers which gave partial employment to approximately 1,100 graduate students.

3. All AEC facilities are encouraged to augment their permanent staffs with temporary staff drawn from the universities to the extent that is appropriate to their research, development, and production missions. Several thousand faculty and students per year are benefited in this way.

4. Finally, as in any industry dependent upon technological advances, AEC contractors conduct programs for upgrading the educational and technical backgrounds of their employees in areas which contribute to the accomplishment of their AEC mission.

NUCLEAR EDUCATION AND TRAINING

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

The major purpose of the AEC's nuclear education and training program is to help the Nation's education system, primarily colleges and universities, develop and maintain strong curriculums in the nuclear aspects of the life, engineering, and physical sciences so that the atomic energy program has adequate technical manpower. The continued graduation of well-qualified scientists and engineers well-versed in nuclear technology is of the utmost importance to the continued advancement of the United States in national security as well as the maximum peaceful utilization of atomic energy for power production, propulsion, desalination, agricultural, medical and industrial use of radioisotopes, and a wide variety of other uses which are being developed in the total AEC program.

The program has two major facets:

1. On-campus activities including equipment and nuclear material loans for specialized laboratory courses; nuclear fuel cycle grants and loans for university reactors; fellowships and traineeships for support of graduate students in nuclear science and engineering; faculty institutes and conferences for high school, college and university faculty in subjects relating to nuclear technology.

2. University-AEC laboratory cooperative activities through which faculty and students from colleges and universities can utilize AEC-owned facilities at national and other laboratories. This portion of the overall education program includes activities such as short courses in radioisotope utilization, summer engineering practice schools, visiting lecture programs, summer trainee assignments, use of AEC facilities to perform experiments as part of regularly scheduled college and university courses.

Descriptive material on these activities may be found in "Program Statistics,"¹ and "Guide to Nuclear Education Activities."¹ "Educational Programs and Facilities in Nuclear Science and Engineering"¹ provides descriptions of nuclear science and engineering curriculums in U.S. institutions of higher education, the current status of which reflects the accumulated effect of AEC educational assistance activities since the initiation of the program.

¹ Published by AEC, Division of Nuclear Education and Training.

2. Operation

The program is administered within AEC Headquarters by the Division of Nuclear Education and Training, which is responsible for the development of program and policies and for preparation of the annual budget request. Individual portions of the program are either directly administered in headquarters or through AEC field offices, under headquarters' guidance. Use of AEC facilities by colleges and universities is administered through the contractors which operate these facilities. Examples of the more significant administrative arrangements are:

(a) Nuclear equipment grants and loans of nuclear materials for use in college and university curriculums are administered in headquarters. Institutions submit unsolicited proposals which are evaluated on a competitive basis. The grant mechanism is used for equipment and for fabrication of materials, while loan agreements are used for nuclear materials provided from Commission stocks.

(b) Predoctoral fellowships are administered through field office contracts with associations of educational institutions, with the Oak Ridge Associated Universities, Inc., administering the major number of fellowships. Awards are made to applicants as a result of national competition. The administering agency makes stipend and dependency payments to the fellows and payments in lieu of tuition and fees to the universities in which the fellows are enrolled.

(c) Traineeships, currently provided for graduate study in nuclear engineering, are awarded to individual institutions after headquarters evaluation of proposals submitted on a competitive basis. These awards are then implemented by field office administered contracts with the individual universities, covering payments to students and institution alike. The university makes its own selection of participating students within the funding levels and criteria provided by the contract.

(d) College and university hosts for faculty institutes are selected as a result of joint evaluation of competitive proposals by the National Science Foundation and by the AEC Headquarters staff. Awards are then implemented by AEC field office contracts for operating expenses of the institutes while the NSF simultaneously makes grants to the host institution to cover stipends and dependency allowances for the faculty who attend.

(e) Faculty conferences are handled on an individual basis through contracts with educational associations or individual institutions.

(f) Most short, specialized courses supported by the program are presented by the Oak Ridge Associated Universities under their AEC contract administered by the AEC's Oak Ridge operations office.

(g) A wide variety of cooperative university-AEC laboratory activities for the utilization of AEC facilities are administered by AEC field offices, under general headquarters guidance. In some cases this is done by contracts between these AEC offices and associations of educational institutions such as the Oak Ridge Associated Universities, the Associated Midwest Universities, and the Associated Rocky Mountain Universities. More frequently this portion of the overall education program is accomplished within the overall field-administered contract for the operation of the specific site.

3. History

The history of the atomic energy activities of the United States is the story of the successful welding of education and research activities to produce an entirely new technology and a new industry. The complete story of the role of education in the total AEC activity is presented in the book "Education and the Atom," by Dr. Glenn T. Seaborg and Daniel M. Wilkes. The material presented below is restricted to the history of the organized effort of the AEC to aid college and university nuclear education programs.

The Manhattan Engineer District of the U.S. Army Corps of Engineers was established to undertake a massive production and research effort with a single military goal. An entire cadre of scientists and engineers, trained through the normal chain of academic enrollment followed by employment experience, had to be recruited by contractors working for the Manhattan District and then trained anew for their assignments in an entirely new field of nuclear technology. This was an effort conducted by many contractors outside the normal educational process of higher education. It was accomplished under stringent security measures, so that neither the technical manpower nor the developing technology could be made available to educational institutions.

The Atomic Energy Commission was established by the Atomic Energy Act of 1946, but military uses of atomic energy still predominated. Universities were encouraged to participate in Commission activities, mainly through the national laboratories initiated by the Manhattan Engineer District and a few other university centers. Courses on college campuses with any meaningful incorporation of the developing technology were few and far between. One of the main sources of formal course work was the AEC-supported, classified, Oak Ridge School of Reactor Technology (ORSORT) which provided training for AEC and contractor personnel and an occasional university faculty member.

In 1948, the AEC started a predoctoral and postdoctoral fellowship program in the life and physical sciences upon the recommendation of the National Academy of Sciences. This first large-scale Federal fellowship effort provided fellowships to 962 young scientists and physicians before it was terminated in 1952 with the establishment of a more comprehensive fellowship program by the National Science Foundation. Special fellowships in industrial medicine, health physics and industrial hygiene were initiated in 1950, 1951, and 1952 respectively.

The growing realization of the importance of peaceful uses of atomic energy led to the Atomic Energy Act of 1954, and subsequent amendments. It was immediately apparent that the growth of a private nuclear industry would be dependent upon the extent to which the Nation's colleges and universities could assume an active role in research participation and in the graduation of engineers and scientists well prepared for a variety of roles in nuclear research and development. To accomplish this task, faculty had to be developed, campus facilities established, graduate students supported, and a wide variety of mechanisms devised to make certain that the educational community kept abreast of nuclear technology developments.

Therefore the concept of a university-based nuclear education and training program of the AEC gained impetus.

In 1955 the International School of Nuclear Science and Engineering was established on an unclassified basis to provide educational opportunities primarily for individuals of other nations; American enrollments were maintained at approximately 15 percent of the total. The classified ORSORT program at Oak Ridge was continued. The two programs gradually expanded to include university participation in the presentation of preparatory work leading to more specialized courses at these two AEC schools.

In the summer of 1956, the AEC initiated the first of a series of faculty institutes, starting with an engineering technology program at the Argonne and Brookhaven National Laboratories, designed to acquaint engineering school staff with the need for incorporating nuclear technology in curriculum offerings. From engineering the program broadened to include radiation biology for both high school and college faculty, then broadened still further to include the physical sciences and isotope technology, with the National Science Foundation cooperating to provide faculty stipends while the AEC supported operating costs. Initially the institute program, especially in engineering, was held at AEC sites. Today, as a result of the growing university capability developed through AEC educational support programs, colleges and universities present thirty-odd institutes, with AEC facilities operating in a few special areas.

In the fall of 1956, following congressional approval of education and training as an AEC responsibility needed to implement its research mission, the AEC announced the formation of a broad program of support for nuclear education at colleges and universities. At first this program emphasized the reactor and nuclear engineering curriculums of the AEC-supported schools at Argonne and Oak Ridge. Mechanisms to help develop such courses were established, such as grants for specialized nuclear equipment including very low-powered reactors for teaching purposes; loans of nuclear materials required for such facilities; summer institutes mentioned above; specialized fellowships including new predoctoral fellowships in nuclear science and engineering; and a small program for faculty research participation for training purposes.

These initial engineering-oriented activities were conducted within the Division of Reactor Development. Within a few years these activities were expended to include the life and physical sciences, and to provide support for both undergraduate and graduate curriculums in contrast to the earlier concentration on graduate level courses. The Divisions of Biology and Medicine, Isotopes Development, and International Affairs each administered programs in their specialized areas. Segments of the overall education program were constantly modified to reflect changes in the AEC's research and development activities as well as growing capabilities of the educational community resulting from the AEC support. For example, the ORSORT course for reactor engineers was succeeded by more specialized courses in Reactor Operations Supervision and Reactor Hazards Evaluation.

As of the past year, the ORSORT activity has terminated and the Argonne Institute (which replaced the earlier school) has ceased giving organized courses. This action was taken because increases in nuclear educational capabilities of the American and foreign universities have made special AEC operated schools no longer necessary. The American educational capability is a direct result of the effective education mission of the AEC.

In 1962, the AEC established the Division of Nuclear Education and Training to provide for more centralized administration of the various individual educational assistance programs that had developed as described above. A significant change in program direction has involved increased emphasis upon the contribution AEC facilities can make to education through a variety of university-cooperative educationally oriented activities. The number of graduate students provided support for conducting thesis research in AEC laboratory facilities not available on their own campus has increased, as well as the number of individual sites participating. Another cooperative activity involves students in regularly scheduled campus courses going to AEC laboratories for 1 to 5 days to perform nuclear experiments on laboratory equipment which financial considerations have prevented their own institutions from obtaining. An engineering practice school which provides problem-solving opportunities for graduate students has been established at the Argonne National Laboratory, and a similar school is being reactivated at Oak Ridge.

As part of the national effort to aid the development of an increased number of centers of educational excellence, the AEC initiated a traineeship program in fiscal year 1965. The program emphasizes nuclear engineering, and complements the Special Fellowship in Nuclear Science and Engineering established in 1957. Since the participating universities are free to select their own trainees, as contrasted to national fellowships where individuals receive the awards and select universities to attend, the annually negotiated contracts under this program provide a good basis for universities to develop new or expanding curricula.

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

Program: Nuclear Education and Training.

Department or agency, and office or bureau: U.S. Atomic Energy Commission;
Division of Nuclear Education and Training.

TABLE 1.—*Level of operations or performance, fiscal years 1964-67*

Measure	Unit	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 esti- mates	Fiscal year 1967 esti- mates
(a) Total enrollments ¹ -----	Enrollments--	3, 138	4, 944	6, 085	6, 925
(b) Individuals participating: ²					
(1) Graduate fellows and trainees-----	Individuals--	308	397	508	571
(2) Other college and university students-----	Enrollments--	890	2, 386	3, 145	3, 784
(3) High school faculty-----	Individuals--	610	605	607	615
(4) College and university faculty-----	Enrollments--	950	1, 222	1, 450	1, 580
(5) Others-----	do-----	380	334	375	375
(c) Total number of institutions partici- pating: ³					
(1) Receiving equipment grants-----	Institutions--	140	109	70	40
(2) Receiving loans of nuclear ma- terials-----	do-----	70	150	50	40
(3) Participating in 1 or more activities-----	do-----	550	720	800	850
(d) AEC manpower ⁴ -----	Man-years--	25	25	29	29
(e) AEC contractor site employment ⁵ -----	do-----	180	200	215	240
(f) Total AEC nuclear education cost-----	Thousands--	\$8, 668	\$9, 009	\$9, 617	\$9, 975

¹ Total enrollments summarized from all segments of the program. Actual number of separate individuals may be 10 percent less than enrollment due to individuals enrolling in more than 1 short-term program in the course of a year.

² Enrollments of individual faculty, college, and university students, and others in various programs. Items (1), (3), and (5) are different individuals enrolled within these specific categories. Items (2) and (4) may include individuals with multiple enrollments. It should be noted that faculty participation generates multiple secondary effects as the faculty teach many students throughout their careers. We have no quantitative data to illustrate this, but typical student-faculty ratios are 25 to 1 in secondary school and undergraduate college classes while graduate level classes may be an 8-to-1 ratio.

³ (1) and (2) represent the actual number of individual colleges and universities receiving equipment grants and material loans. For fiscal year 1965, (3) represents the number of individual institutions which participated in 1 or more AEC education programs, including (1) and (2). The number of institutions participating in fiscal year 1964 is an estimate.

⁴ AEC personnel directly involved in administering the nuclear education program.

⁵ Employees of AEC contract sites directly involved in the nuclear education program.

5. *Estimated magnitude of program in 1970*

Operating levels of the nuclear education and training program are subject to the annual budgetary process in close coordination with the entire AEC research, development, and production program. In addition, as mentioned under question 7, the educational staff maintains close liaison with their counterparts at other agencies so as to assure that the AEC educational activity is a coordinate part of the entire Federal involvement in support of education, research, and development. The rapid increase in Federal support of education approved by the 1st session of the 89th Congress, together with the many reviews of Federal research and development activities and their impact on manpower and training, has greatly complicated the task of program projection into the 1970's.

Within these limitations, the overall level of the AEC nuclear education and training program as measured by student and faculty participation is projected as increasing by 30 to 35 percent in the period fiscal year 1967 through fiscal year 1970. The bulk of this increase will occur in the cooperative educational utilization of AEC facilities by colleges and universities for educationally oriented purposes. The numbers of institutions participating in these cooperative activities may increase by about 25 percent.

The AEC educational assistance programs which are conducted primarily on college and university campuses—predoctoral fellowships, equipment grants and faculty institutes—may show a smaller increase in number of participants, perhaps about 10 percent higher than in fiscal year 1966. This different rate of growth between the major

facets of the program relates to the fact that the laboratory facilities utilized in the cooperative programs are relatively unique to the AEC and should play an increasing role in the total Federal involvement in education. On the other hand, alternative methods of financial support may become increasingly available for broad campus-oriented support programs, though the specialized nature of the atomic energy program is such that the AEC must continue to have a significant role.

6. Prospective changes in program orientation

(a) *Pending legislative proposals.*—At present the AEC does not have nor does it contemplate any legislative proposals that would significantly affect its educational activities.

(b) *Proposed administrative and organizational changes.*—The AEC is developing an ADP system for more extensive information retrieval regarding faculty, student, and institutional participation in its education and research activities. This will provide factual information for assessment of program impact and development of future programs.

(c) *Probable changes in the conditions under which the program will function in 1970, for example, technological, economic, social.*—AEC technological developments in power reactors, peaceful nuclear explosives, use of nuclear reactors in conjunction with desalination projects, radiation sterilization of foods, and the many uses of radioisotopes will all continue to develop widespread use of nuclear energy in most facets of American life. The educational activities of the Commission will have to continually provide a mechanism for incorporation of these developments into the curricula of colleges and universities, as well as to help insure that sufficient manpower is available to take advantage of these technological changes. This will mean adjusting individual programs to incorporate these changes, primarily in faculty institutes and special conference activities. Cooperative activities at AEC sites and at AEC research centers on university campuses are expected to expand in magnitude.

The rising Federal interest in helping more educational institutions develop capabilities as "centers of educational excellence" undoubtedly will include AEC activities in its specialized areas. We are examining the possibility of converting some of our fellowship activities to traineeship programs in order to be more effective in the impact on "rising institutions."

We anticipate the Federal Government will continue to increase its role in general support of education through the National Science Foundation and U.S. Office of Education. This means that the various AEC specialized education efforts will be reviewed continually to adjust for this growing support of the educational community. It is possible that eventually direct AEC support of on-campus activities, such as fellowships, faculty institutes and equipment grants, may be reduced if expanded activities of other agencies provide reasonable alternative methods of support. However, through fiscal year 1970 we do not currently anticipate significant changes in operating level of our on-campus activities. Conversely, we expect to strengthen our cooperative programs between colleges and universities and AEC facilities, and believe that the total Federal coordinated educational activities will add impetus to this expansion. Additional cooperative programs with NSF and perhaps other agencies may result.

Due to our specialized activities in nuclear education, as contrasted to broad educational activities, we do not conceive of any significant impact of social changes upon the AEC educational programs. The national educational effort will of course be affected by the rising aspirations of individuals for educational and economic betterment, and by the drive for equal opportunity by all segments of society. The AEC educational program will contribute to these efforts, but the scope and content will not significantly change.

7. Coordination and cooperation

(i) Throughout the history of the Nation's atomic energy program, education and training have been conducted in close conjunction with research and development in order to implement the mission of exploiting the peaceful and military uses of atomic energy. Thus, coordination and cooperation with other program divisions of the AEC is virtually automatic; education in a sense is an integral part of all AEC activities. This is especially true in the activities of AEC sites where the educationally supported participants are witnessing research in action.

Within Government activities, most of the coordinating activities are maintained at the national level, including such efforts as: Commission participation in formal interagency committees which are aided by subcommittees composed of appropriate staff members; review of education and research publications of various agencies such as, the Department of Health, Education, and Welfare; Department of Defense; National Science Foundation; Department of Labor; and the National Aeronautics and Space Administration; informal meetings of personnel from many agencies with similar education programs for exchange of information and resolution of common problems; etc.

Relative to State and local governments and communities, the staff of the Division of Nuclear Education and Training have relatively few contacts; direct contact is mainly with individual educational institutions funded by State and local agencies. AEC field offices and contractors do maintain close ties with local governments and communities.

Considering the educational community as a whole, nuclear science and engineering education cannot operate as a separate, independent entity but rather concerns all scientific and engineering disciplines which contribute to AEC missions. Therefore, the AEC's educational staff have always maintained very close relations with individual colleges and universities as well as a wide variety of regional and national associations in which educational institutions hold membership. AEC staff have missed few opportunities to benefit from contacts with the Nation's educational establishment. Mechanisms utilized include maintaining a comprehensive library of educational source materials published by colleges, universities, and associations of educational institutions; staff attendance at national and regional meetings; professional society membership and participation of staff members; supply of informational materials and speakers by the AEC; use of professional societies as a source of educational advisers and consultants; contracts for administration of certain portions of the program.

Relative to the industrial segment of the atomic energy field, staff members have industrial contacts through the Atomic Industrial

Forum, and through the participation of industrial concerns and their personnel in various professional societies with which the staff maintains contact. Additionally, close liaison is maintained with the AEC's Division of Labor Relations which is responsible for contractor manpower policies.

(ii) We understand that the committee considers the coordinating efforts of various Federal agencies in conducting education and training programs to be one of the most important facets of their human resources inquiry. Therefore, without burdening you with all the many details of our coordinating activities, we have provided below a very comprehensive listing of various procedures which we feel have been most effective in accomplishing the purposes of the AEC educational mission.

(a) and (b) *Within the Atomic Energy Commission organization.*—The formal education and training program of the AEC is administered by the Division of Nuclear Education and Training (DNET), the Director of which reports to the Assistant General Manager for Research and Development (AGMRD). The AGMRD also supervises the Divisions of Biology and Medicine, Research, Isotopes Development, and Peaceful Nuclear Explosives. Thus, rather than education and training representing an independent activity, it is an integral part of an overall AEC development, research, education, and training program. Close liaison is maintained with other divisions of the AEC in order that education and training activities in the educational community can be kept abreast of technological developments throughout the AEC. As an example of coordinated activities, DNET has sponsored faculty participation in seminars on the peaceful use of atomic explosives and the educational implications of nuclear desalination activities.

(c) *With other Federal Government departments or agencies.*—A wide variety of formal and informal mechanisms are used to provide continued cooperation with education, training, and research activities throughout the Federal Establishment. Pertinent examples include:

(1) The AEC Chairman is a member of the Federal Council for Science and Technology. Appropriate AEC staff members are active on the working committees which prepare studies for review by the FCST.

(2) The news media recently reported that Francis Keppel, (then) Assistant Secretary (for Education) of the Department of Health, Education, and Welfare viewed the chairmanship of the Federal Interagency Committee on Education as one of his major functions. An AEC Commissioner is a member of this Committee. The Director, Division of Nuclear Education and Training, is an alternate member and active on the working level committee. A DNET staff member has been assigned to a subcommittee on higher education facilities.

(3) The AEC also participates in activities of the President's Committee for Manpower and the Federal interagency committee which advises the Commission on Technology, Automation, and Economic Progress.

(4) The AEC holds membership in the National Science Foundation's "Advisory Council for Manpower and Education Studies Programs." The staff provides information on AEC educational studies and obtains reports on manpower studies throughout the Federal establishment.

(5) An AEC research staff member sits on the Interagency Committee on Oceanography and the DNET staff of the AEC is represented on the ICO's Manpower and Training Panel.

(6) An interagency group to establish a coordinated effort in "water for peace" is just beginning, and a DNET staff member is assigned to an educational task force to identify and coordinate existing and proposed agency training functions related to water supply problems.

(7) Federal fellowship administrators from many agencies, including AEC, attend semiannual meetings, informally organized and chaired by NSF, to exchange information and discuss problems of mutual interest, thus promoting relatively uniform fellowship administration throughout similar programs.

(8) Most college and faculty institutes supported by AEC are administered through a joint program with NSF, in which proposals are reviewed in terms of the missions of each agency and awards are implemented by a combination of AEC-funded contracts and NSF grants for operating costs and faculty stipends, respectively.

(9) DNET staff at the operating level maintain frequent contacts with their counterparts in similar activities of other agencies administering fellowship, institute, equipment grant, and curriculums development programs.

(10) AEC staff have participated in many national and regional meetings designed to acquaint university personnel with the operating procedures of the various Federal agencies supporting educational activities.

(d) *With State governments or their instrumentalities.*—From an educational viewpoint, the DNET staff's prime contact with the State governments is through participation of State science supervisors and consultants held by the U.S. Office of Education. Many of the institutions which receive AEC educational assistance are State supported. No formal arrangements are established which are unique to State governments or their instrumentalities.

A small program of training assistance to States and local governments in radiation control is administered by the regulatory staff of the Atomic Energy Commission. The AEC continues to transfer certain regulatory functions to the States under section 274 of the Atomic Energy Act of 1954, as amended. AEC staff works with State groups in developing appropriate training of individuals needed to implement State responsibilities. Courses are maintained at three universities and at the Oak Ridge Institute of Nuclear Studies (a major operating segment of Oak Ridge Associated Universities.)

On a regional basis, the Southern Interstate Nuclear Board is the executive agency of the southern interstate nuclear compact, approved by Congress on July 31, 1962, in Public Law 87-563. The President appoints a U.S. representative to this Board, who reports to the President through the Chairman of the Atomic Energy Commission. The AEC educational program maintains liaison with the U.S. representative relative to education and training needs associated with this regional effort.

The AEC exchanges information and sends representatives upon request to meetings of organizations such as the Western Interstate Committee on Higher Education and the Governor's Conference for the Rocky Mountain States. In some States the Governors appoint

AEC staff to advisory committees on higher education. For example, a DNET staff member is on the Maryland Science Resources Advisory Board.

In California, DNET is supporting a nuclear science curriculums study at the high school level with active participation by staff from the State board of education. Testing of the curriculums is accomplished by arrangements with local secondary schools.

(e) *With local governments or communities.*—The formal DNET activities include the following activities with local communities:

(1) The California curriculums development project mentioned above.

(2) A contract with the Chicago School Board for a curriculums development project conducted in a number of Chicago secondary schools as well as close liaison with courses supported by an equipment grant to the Illinois Teachers College-Chicago-North.

(3) Considerable activity is conducted with the Montgomery County Junior College, Maryland, primarily in radiation biology, including a curriculums development project through which course materials and bibliography are being developed for undergraduate nuclear science curriculums.

In a more general way, AEC and contractor staff are encouraged to participate in community activities, including lectures to high school and other groups. They also arrange for educational courses of various types to be given to their employees by local educational institutions.

(f) *With foreign governments or international organizations.*—The AEC's Division of International Affairs (DIA) is responsible for liaison with foreign governments and international organizations, functioning through appropriate offices in the Department of State as well as frequent direct contacts with foreign representatives. With respect to nuclear education and training, DIA receives requests from foreign governments, U.S. Government agencies, and international and regional organizations which sponsor foreign nationals for training under the USAEC's policy to provide training, including formal training programs, in its facilities to assist friendly nations in the development of their own atomic energy programs. Assignments are arranged by DIA.

DNET, because of its responsibilities for the AEC's domestic educational and training program, maintains liaison with DIA as such programs may be involved in the training of foreign nationals, and in providing informational materials describing AEC education programs to interested foreign governments. Meetings for this purpose were held during the past year with representatives of Japan, Australia, and Turkey. Staff members have also participated in the fellowship activities of the International Atomic Energy Agency and the North Atlantic Treaty Organization.

Relative to the United States deep interest in Latin America, DNET is responsible for the coordination of the programs and objectives of the Puerto Rico Nuclear Center. This center was established as part of the atoms-for-peace program with the objectives of providing education, research, and training programs in the peaceful uses of nuclear energy for Latin American nations as well as for aiding nuclear developments of Puerto Rico itself. Relative to this center, DNET maintains close liaison with DIA to help assist the

active nuclear education and research activities of Latin American countries. Liaison is also maintained with the Organization of American States.

(g) *With nonprofit organizations or institutions.*—Most of the activities of the DNET involve frequent contacts with individual institutions of higher education, primarily by mail but also as time and staff permit by direct visitation. Lists of institutions directly benefiting from AEC educational programs are presented in "Program Statistics."¹ Other coordinating activities include the following:

(1) Close liaison, including receipt of routine publications, exchange of information and participation at meetings, is maintained with education and scientific organizations such as the following:

American Society for Engineering Education (ASEE)

National Academy of Science-National Research Council (NAS-NRC)

American Physical Society

American Chemical Society (ACS)

Association of Higher Education (AHE)

American Council on Education (ACE)

American Institute of Biological Sciences (AIBS)

Council of Graduate Deans

National Association of State Universities and Land Grant Colleges

American Nuclear Society (ANS).

(2) Contracts for administration of subprograms are maintained with:

American Society for Engineering Education

American Institute of Biological Sciences

Oak Ridge Associated Universities (ORAU)

Associated Rocky Mountain Universities (ARMU)

Associated Midwest Universities (AMU).

(3) Although currently we have no formal contracts, cooperative activities are being sponsored in conjunction with member institutions of:

Associated Colleges of the Midwest (ACM)

Central State Universities, Inc. (CSUI)

Associated Colleges of the Chicago Area (ACCA).

The above contracts provide for a wide variety of consultation regarding the needs of colleges and universities, recommendations as to how AEC can help meet these needs, supply of consultants to AEC for specific purposes, provision of AEC information to the associations and their members, and actual operation of certain parts of the AEC programs.

(4) From an operational viewpoint:

The AIBS administers a program of visiting lecturers for high schools and colleges.

The ARMU and AMU administer AEC laboratory graduate fellowships at sites in their geographical proximity and a variety of university-AEC laboratory cooperative programs.

ORAU administers many AEC fellowship activities, some faculty institutes, radioisotope courses, information and exhibit programs, and a variety of university-laboratory cooperative programs.

¹ Published by AEC, Division of Nuclear Education and Training.

The ASEE has administered a sizable portion of the engineering faculty institutes, conducted a program of short topical conferences and advances in nuclear technology, produced studies on "Objective Criteria in Nuclear Engineering," and in general been a constant source of consultation regarding nuclear science and engineering curriculums.

(h) *With business enterprises.*—Close liaison is maintained with the Atomic Industrial Forum to acquaint it with AEC education and training activities and to follow the development of nuclear industry, especially manpower needs.

Through the AEC's Labor Relations Division, the DNET obtains reports regarding contractor recruitment needs, layoffs, and general information regarding their in-house support of further training for their own employees and data regarding their temporary hiring of faculty and students.

The contacts with the American Nuclear Society and American Society for Engineering Education mentioned under (g) above also provide considerable contact with industrial concerns through their participation in the activities of these professional societies.

Certain AEC facilities participating in the nuclear education and training program are operated by industrial concerns; examples are the Union Carbide Corp., operating the Oak Ridge National Laboratory, the Phillips Petroleum Co., operating the National Reactor Testing Station, and the E. I. du Pont de Nemours & Co., operating the Savannah River Laboratory.

[The material presented above covers the coordinating activities conducted within and for the nuclear education and training program of the AEC. Information on the coordinating activities conducted within the various research activities of the AEC is contained in the "Statement of the USAEC on the Impact on Scientific and Technical Manpower * * *", which was provided to the Subcommittee on Employment and Manpower of the Senate Labor and Public Welfare Committee.]

8. *Laws and regulations*

The basic authority for AEC activities is set forth by the Atomic Energy Act of 1954, as amended (42 U.S.C. sec. 2011, et seq.), first enacted as Public Law 83-703, approved August 30, 1954. The publication, "Atomic Energy Legislation Through 88th Congress, 2d session" printed for the Joint Committee on Atomic Energy, contains the 1954 act, as amended, as well as authorization and appropriation acts through fiscal year 1965. Legislation through the 89th Congress, 1st session, will be published in the near future.

The specific portion of the Atomic Energy Act of 1954 which sets forth the AEC education and training missions is found in chapter 4, subsection 31 a.¹ and b.¹ (42 U.S.C. sec. 2051), which state:

a. The Commission is directed to exercise its powers in such manner as to insure the continued conduct of research and development and training activities in the fields specified below, by private or public institutions or persons, and to assist in the acquisition of an ever-expanding fund of theoretical and practical knowledge in such fields * * *.

b. The Commission is further authorized to make grants and contributions to the cost of construction and operation of reactors and other facilities and other equipment to colleges, universities, hospitals, and eleemosynary or charitable

¹ Public Law 84-1006, approved Aug. 6, 1956, added the words "and training" to subsec. a. and the entire subsec. b., to the original act.

institutions for the conduct of educational and training activities relating to the fields of subsection a.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects.* (See tables 2 to 6.)

(a) *Effects on personal incomes of persons served.*—

(1) The graduate students provided support through fellowships and traineeships (nearly 400 in fiscal year 1965) receive an immediate financial benefit in terms of their economic ability to obtain advanced degrees. These degrees in turn significantly increase their lifetime earnings, for example, recent Ph. D.'s in nonsupervisory positions in research and development work received median salaries of \$11,800 compared to \$7,400 for recent B.S. recipients according to a recent NSF report.

(2) Similarly, on a larger scale but less susceptible of measurement, all faculty and students participating in AEC nuclear education and training activities have improved their technical backgrounds and thus their potential earning capacities.

(b) *Effects on the placement or productivity of workers, or both, and on their earnings.*—As mentioned earlier, the original cadre of scientific and technical personnel employed in the atomic energy program were largely trained through the in-house training activities of the Manhattan District and its contractors and through the 1946-56 education program of the AEC. All of these individuals had their technical productivity and therefore their potential earning powers increased by these efforts. Since 1956, educational institutions, largely through the encouragement and assistance of the AEC have developed increased capacity for training individuals preparing themselves to enter the nuclear field, as well as providing additional education for working individuals who wished to improve their technical capabilities.

Specific data on the effects of the educational component of the AEC program as sought by your question are lacking. However, the atomic energy field as a whole now employs approximately 186,000 individuals and accounts for the employment of perhaps another 110,000 individuals who provide standard goods and services to the atomic energy industry. We suggest that this total employment has largely resulted from the multiple effects of the AEC research, development, and educational activities over a 20-year period. We confidently anticipate that the atomic energy field and resultant employment will continue to grow. Similarly, through the impetus provided by the AEC educational program, colleges and universities will continue to develop and strengthen their nuclear science education capabilities contributing to the output of scientists and engineers well prepared to utilize existing technology in ever-broadening areas as well as develop new technology.

It should be noted that technical manpower is quite mobile. Individuals from AEC research and development activities as well as graduates from nuclear education curriculums also migrate to other fields, so that the ultimate economic benefit is far greater in scope than the confines of the atomic energy field itself.

(c) *Effects on business or industrial organization and management; the stimulation of new business enterprises or expansion of existing*