

105TH CONGRESS
1ST SESSION

H. R. 1508

To reform the multifamily rental assisted housing programs of the Federal Government and maintain the affordability and availability of low-income housing, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MAY 1, 1997

Ms. PRYCE of Ohio (for herself and Mr. MORAN of Virginia) introduced the following bill; which was referred to the Committee on Banking and Financial Services, and in addition to the Committee on Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To reform the multifamily rental assisted housing programs of the Federal Government and maintain the affordability and availability of low-income housing, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE AND TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Multifamily Housing Restructuring and Affordability Act
6 of 1997”.

1 (b) TABLE OF CONTENTS.—The table of contents for
 2 this Act is as follows:

- Sec. 1. Short title and table of contents.
- Sec. 2. Findings and purposes.
- Sec. 3. Definitions.
- Sec. 4. Authority of participating administrative entities.
- Sec. 5. Mortgage restructuring and rental assistance sufficiency plans.
- Sec. 6. Exemptions from restructuring.
- Sec. 7. Section 8 renewals and long-term affordability commitment by owner of project.
- Sec. 8. Prohibition on restructuring.
- Sec. 9. Restructuring tools.
- Sec. 10. Deferral of inclusion in income on debt restructuring or forgiveness.
- Sec. 11. Management standards.
- Sec. 12. Monitoring of compliance.
- Sec. 13. Review.
- Sec. 14. GAO audit and review.
- Sec. 15. Regulations.
- Sec. 16. Technical and conforming amendments.
- Sec. 17. Treatment of FHA multifamily housing restructuring demonstration.
- Sec. 18. Termination of authority.

3 **SEC. 2. FINDINGS AND PURPOSES.**

4 (a) FINDINGS.—The Congress finds that—

5 (1) there exists throughout the Nation a need
 6 for decent, safe, and affordable housing;

7 (2) it is currently estimated that—

8 (A) the insured multifamily housing port-
 9 folio of the Federal Housing Administration
 10 consists of 14,000 rental properties, having an
 11 aggregate unpaid principal mortgage balance of
 12 \$38,000,000,000; and

13 (B) approximately 10,000 of these prop-
 14 erties contain housing units that are assisted
 15 with project-based rental assistance under sec-

1 tion 8 of the United States Housing Act of
2 1937;

3 (3) FHA-insured multifamily rental properties
4 are a major Federal investment, providing affordable
5 rental housing to an estimated 2,000,000 low- and
6 very low-income families;

7 (4) approximately 1,600,000 of these families
8 live in dwelling units that are assisted with project-
9 based rental assistance under section 8 of the Unit-
10 ed States Housing Act of 1937;

11 (5) a substantial number of housing units re-
12 ceiving project-based rental assistance have rents
13 that are higher than the rents of comparable, unas-
14 sisted rental units in the same housing rental mar-
15 ket;

16 (6) many of the contracts for project-based as-
17 sistance will expire during the next several years;

18 (7) it is estimated that—

19 (A) if no changes in the terms and condi-
20 tions of the contracts for project-based rental
21 assistance are made before fiscal year 2000, the
22 cost of renewing all expiring rental assistance
23 contracts under section 8 of the United States
24 Housing Act of 1937 (including both project-
25 based and tenant-based rental assistance) will

1 increase from approximately \$4,000,000,000 in
2 fiscal year 1997 to more than \$17,000,000,000
3 by fiscal year 2000 and approximately
4 \$23,000,000,000 by fiscal year 2006;

5 (B) such renewal amounts include an in-
6 crease in the cost of renewing project-based as-
7 sistance from \$1,200,000,000 in fiscal year
8 1997 to almost \$8,000,000,000 by fiscal year
9 2006; and

10 (C) without changes in the manner in
11 which project-based rental assistance is pro-
12 vided, renewals of expiring contracts for
13 project-based rental assistance will require an
14 increasingly larger portion of the discretionary
15 budget authority of the Department of Housing
16 and Urban Development in each subsequent fis-
17 cal year for the foreseeable future;

18 (8) absent new budget authority for the renewal
19 of expiring contracts for project-based rental assist-
20 ance, many of the FHA-insured multifamily housing
21 projects that are assisted with project-based assist-
22 ance will likely default on their FHA-insured mort-
23 gage payments, resulting in substantial claims to the
24 FHA General Insurance Fund and Special Risk In-
25 surance Fund;

1 (9) more than 15 percent of federally assisted
2 multifamily housing projects are physically or finan-
3 cially distressed, including a number which suffer
4 from mismanagement;

5 (10) due to Federal budget constraints, the
6 downsizing of the Department of Housing and
7 Urban Development, and diminished administrative
8 capacity, the Department lacks the ability to ensure
9 the continued economic and physical well-being of
10 the stock of federally insured and assisted multifam-
11 ily housing projects; and

12 (11) the economic, physical, and management
13 problems facing the stock of federally insured and
14 assisted multifamily housing projects will be best
15 served by reforms that—

16 (A) reduce the cost of Federal rental as-
17 sistance, including project-based assistance, to
18 these projects while reducing the debt service
19 and operating costs of these projects and re-
20 taining the low-income affordability and avail-
21 ability of the projects;

22 (B) address physical and economic distress
23 of the projects and the failure of some project
24 managers and owners to comply with manage-

1 ment and ownership regulations and require-
2 ments; and

3 (C) transfer and share many of the loan
4 and contract administration functions and re-
5 sponsibilities of the Secretary with capable
6 State, local, and other entities.

7 (b) PURPOSES.—The purposes of this Act are—

8 (1) to preserve low-income rental housing af-
9 fordability and availability while reducing the long-
10 term costs of project-based rental assistance;

11 (2) to reform the design and operation of Fed-
12 eral rental housing assistance programs adminis-
13 tered by the Secretary to promote greater multifam-
14 ily housing project operating and cost efficiencies;

15 (3) to encourage owners of eligible multifamily
16 housing projects to restructure their FHA-insured
17 mortgages and project-based rental assistance con-
18 tracts in a manner which is consistent with this Act
19 before the year in which the contract expires;

20 (4) to streamline and improve federally insured
21 and assisted multifamily housing project oversight
22 and administration;

23 (5) to resolve the problems affecting financially
24 and physically troubled federally insured and as-
25 sisted multifamily housing projects through coopera-

1 tion with residents, owners, State and local govern-
2 ments, and other interested entities and individuals;
3 and

4 (6) to provide additional enforcement tools for
5 use against those who violate agreements and pro-
6 gram requirements, to ensure that the public inter-
7 est is safeguarded and that Federal multifamily
8 housing programs serve their intended purposes.

9 **SEC. 3. DEFINITIONS.**

10 For purposes of this Act, the following definitions
11 shall apply:

12 (1) **COMPARABLE PROPERTIES.**—The term
13 “comparable properties” means, with respect to an
14 eligible multifamily housing project, properties that
15 are—

16 (A) similar to the eligible multifamily
17 housing project in neighborhood (including risk
18 of crime), location, access, street appeal, age,
19 property size, apartment mix, physical configu-
20 ration, property amenities, in-apartment rental
21 amenities, and utilities;

22 (B) unregulated by contractual encum-
23 brances or local rent control laws; and

1 (C) occupied predominantly by renters who
2 receive no rent supplements or rental assist-
3 ance.

4 (2) ELIGIBLE MULTIFAMILY HOUSING
5 PROJECT.—The term “eligible multifamily housing
6 project” means a property consisting of more than
7 4 dwelling units, which—

8 (A) has rents that, on an average per unit
9 or per room basis, exceed the fair market rent
10 (as such term is defined in this section);

11 (B) is covered in whole or in part by a con-
12 tract for project-based assistance under—

13 (i) the new construction and substan-
14 tial rehabilitation program under section
15 8(b)(2) of the United States Housing Act
16 of 1937 (as in effect before October 1,
17 1983);

18 (ii) the property disposition program
19 under section 8(b) of the United States
20 Housing Act of 1937;

21 (iii) the moderate rehabilitation pro-
22 gram under section 8(e)(2) of the United
23 States Housing Act of 1937 (as in effect
24 before October 1, 1991);

1 (iv) the project-based certificate pro-
2 gram under section 8 of the United States
3 Housing Act of 1937;

4 (v) section 23 of the United States
5 Housing Act of 1937 (as in effect before
6 January 1, 1975);

7 (vi) the rent supplement program
8 under section 101 of the Housing and
9 Urban Development Act of 1965; or

10 (vii) the loan management set-aside
11 program under section 8 of the United
12 States Housing Act of 1937, including con-
13 version from assistance under section 101
14 of the Housing and Urban Development
15 Act of 1965 and under section 236(f)(2) of
16 the National Housing Act; and

17 (C) is subject to a mortgage insured under
18 the National Housing Act.

19 (3) EXPIRING CONTRACT.—The term “expiring
20 contract” means a contract for project-based assist-
21 ance that is attached to a multifamily housing
22 project and that, under the terms of the contract,
23 will terminate.

1 (4) EXPIRATION DATE.—The term “expiration
2 date” means the date on which an expiring contract
3 will terminate.

4 (5) FAIR MARKET RENT.—The term “fair mar-
5 ket rent” means the applicable fair market rental es-
6 tablished under section 8(c) of the United States
7 Housing Act of 1937. For eligible multifamily hous-
8 ing projects located in nonmetropolitan areas, the
9 fair market rent shall be the higher of the fair mar-
10 ket rent for (A) the county in which the project is
11 located, or (B) the nearest metropolitan area.

12 (6) KNOWING OR KNOWINGLY.—The term
13 “knowing” or “knowingly” means having actual
14 knowledge of or acting with deliberate ignorance or
15 reckless disregard to.

16 (7) LOCAL GOVERNMENT.—The term “local
17 government” has the meaning given the term “unit
18 of general local government” in section 104 of the
19 Cranston-Gonzalez National Affordable Housing
20 Act.

21 (8) LOW-INCOME FAMILIES.—The term “low-in-
22 come families” has the meaning given the term in
23 section 3(b)(2) of the United States Housing Act of
24 1937.

1 (9) MULTIFAMILY HOUSING MANAGEMENT
2 AGREEMENT.—The term “multifamily housing man-
3 agement agreement” means an agreement entered
4 by between the Secretary and a participating admin-
5 istrative entity pursuant to section 4.

6 (10) PARTICIPATING ADMINISTRATIVE EN-
7 TITY.—The term “participating administrative en-
8 tity” means a public agency, including a State hous-
9 ing finance agency or local housing agency, which
10 meets the requirements under section 4(b).

11 (11) PROJECT-BASED ASSISTANCE.—The term
12 “project-based assistance” means rental assistance
13 under section 8 (excluding assistance under section
14 8(f)) of the United States Housing Act of 1937 that
15 is attached to a multifamily housing project.

16 (12) RENEWAL.—The term “renewal” means
17 the replacement of an expiring contract with a new
18 contract for rental assistance under section 8 of the
19 United States Housing Act of 1937, consistent with
20 the requirements of this Act.

21 (13) SECRETARY.—The term “Secretary”
22 means the Secretary of Housing and Urban Develop-
23 ment.

1 (14) STATE.—The term “State” has the mean-
2 ing given the term in section 104 of the Cranston-
3 Gonzalez National Affordable Housing Act.

4 (15) TENANT-BASED ASSISTANCE.—The term
5 “tenant-based assistance” has the meaning given the
6 term in section 8(f) of the United States Housing
7 Act of 1937.

8 (16) VERY LOW-INCOME FAMILY.—The term
9 “very low-income family” has the meaning given the
10 term in section 3(b) of the United States Housing
11 Act of 1937.

12 **SEC. 4. AUTHORITY OF PARTICIPATING ADMINISTRATIVE**
13 **ENTITIES.**

14 (a) PARTICIPATING ADMINISTRATIVE ENTITIES.—

15 (1) IN GENERAL.—The Secretary shall enter
16 into multifamily housing management agreements
17 with participating administrative entities for the im-
18 plementation of mortgage restructuring and rental
19 assistance sufficiency plans to restructure FHA-in-
20 sured multifamily housing mortgages, to—

21 (A) reduce the costs of current and expir-
22 ing contracts for assistance under section 8 of
23 the United States Housing Act of 1937;

24 (B) address financially and physically trou-
25 bled projects; and

1 (C) correct management and ownership de-
2 ficiencies.

3 (2) MULTIFAMILY HOUSING MANAGEMENT
4 AGREEMENT.—Each multifamily housing manage-
5 ment agreement entered into under this subsection
6 shall—

7 (A) be a cooperative agreement to establish
8 the obligations and requirements between the
9 Secretary and the participating administrative
10 entity;

11 (B) identify the eligible multifamily hous-
12 ing projects or groups of such projects for
13 which the participating administrative entity is
14 responsible for assisting in developing and im-
15 plementing approved mortgage restructuring
16 and rental assistance sufficiency plans under
17 section 5;

18 (C) require the participating administrative
19 entity to review and certify whether the com-
20 prehensive needs assessment submitted by the
21 owner of an eligible multifamily housing project,
22 in accordance with the requirements of section
23 403 of the Housing and Community Develop-
24 ment Act of 1992, and includes such other
25 data, information, and requirements as the Sec-

1 retary may require to be included as part of the
2 comprehensive needs assessment;

3 (D) identify the responsibilities of the par-
4 ticipating administrative entity and the Sec-
5 retary in implementing a mortgage restructur-
6 ing and rental assistance sufficiency plan, in-
7 cluding any actions proposed to be taken under
8 section 5 or 7;

9 (E) require each mortgage restructuring
10 and rental assistance sufficiency plan overseen
11 and approved by the participating administra-
12 tive entity to be prepared in accordance with
13 the requirements of section 5 for each eligible
14 multifamily housing project;

15 (F) indemnify the participating adminis-
16 trative entity against lawsuits and penalties for
17 actions taken pursuant to the agreement, in-
18 cluding actions involving gross negligence or
19 willful misconduct; and

20 (G) include compensation for all reasonable
21 expenses incurred by the participating adminis-
22 trative entity necessary to perform its duties
23 under this Act.

24 (b) SELECTION OF PARTICIPATING ADMINISTRATIVE
25 ENTITY.—

1 (1) SELECTION CRITERIA.—The Secretary shall
2 select participating administrative entities based on
3 the following criteria:

4 (A) Location in the State or local jurisdic-
5 tion in which an eligible multifamily housing
6 project or projects are located.

7 (B) Demonstrated expertise in the develop-
8 ment and management of low-income affordable
9 rental housing.

10 (C) A history of stable, financially sound,
11 and responsible administrative performance.

12 (D) Demonstrated financial strength in
13 terms of asset quality, capital adequacy, and li-
14 quidity.

15 (E) Determination by the Secretary that
16 the entity is otherwise qualified to carry out the
17 requirements of this Act.

18 (2) SELECTION OF MORTGAGE RISK SHARING
19 ENTITIES.—Any State housing finance agency or
20 local housing agency which is designated as a quali-
21 fied participating entity under section 542 of the
22 Housing and Community Development Act of 1992
23 shall be considered to qualify as a participating ad-
24 ministrative entity under this section.

1 (3) ALTERNATIVE ADMINISTRATORS.—With re-
2 spect to any eligible multifamily housing project that
3 is located in a State or local jurisdiction in which the
4 Secretary determines that a participating adminis-
5 trative entity is not located, is unavailable, or does
6 not qualify, the Secretary shall carry out the re-
7 quirements of this Act relating to a participating ad-
8 ministrative entity with respect to such project.

9 (4) PREFERENCE FOR STATE HOUSING FI-
10 NANCE AGENCIES AS PARTICIPATING ADMINISTRA-
11 TIVE ENTITIES.—For each State in which eligible
12 multifamily housing projects are located, the Sec-
13 retary shall give preference to the housing finance
14 agency of that State or, if a State housing finance
15 agency is unqualified or has declined to participate,
16 a local housing agency, to act as the participating
17 administrative entity for that State or for the juris-
18 diction in which the agency is located.

19 (5) STATE PORTFOLIO REQUIREMENTS.—

20 (A) IN GENERAL.—If the housing finance
21 agency of a State is selected as the participat-
22 ing administrative entity, that agency shall act
23 as such entity for all eligible multifamily hous-
24 ing projects in that State, except that a local
25 housing agency selected as a participating ad-

1 administrative agency shall act as such entity for
2 all eligible multifamily housing projects in the
3 jurisdiction of the agency.

4 (B) DELEGATION.—A participating admin-
5 istrative entity may delegate or transfer respon-
6 sibilities and functions under this Act to one or
7 more interested and qualified public entities.

8 (C) WAIVER.—A State housing finance
9 agency or local housing agency may request a
10 waiver from the Secretary from the require-
11 ments of this paragraph for good cause.

12 **SEC. 5. MORTGAGE RESTRUCTURING AND RENTAL ASSIST-**
13 **ANCE SUFFICIENCY PLANS.**

14 (a) IN GENERAL.—

15 (1) DEVELOPMENT OF PROCEDURES AND RE-
16 QUIREMENTS.—The Secretary shall develop proce-
17 dures and requirements for the submission to a par-
18 ticipating administrative entity of a mortgage re-
19 structuring and rental assistance sufficiency plan for
20 each eligible multifamily housing project with an ex-
21 piring contract and for approval of such plans by
22 participating administrative entities.

23 (2) TERMS AND CONDITIONS.—Each mortgage
24 restructuring and rental assistance sufficiency plan
25 submitted under this subsection shall be developed

1 at the initiative of an owner of an eligible multifam-
2 ily housing project, in conjunction with the FHA-ap-
3 proved mortgagee currently servicing the loan (pro-
4 vided such mortgagee is willing), with oversight and
5 approval of such proposed mortgage restructuring
6 and rental assistance sufficiency plan to be made by
7 a participating administrative entity, under such
8 terms and conditions as the Secretary shall require.

9 (3) CONSOLIDATION.—Mortgage restructuring
10 and rental assistance sufficiency plans submitted
11 under this subsection may be consolidated as part of
12 an overall strategy for more than one property.

13 (b) NOTICE REQUIREMENT.—

14 (1) ESTABLISHMENT.—The Secretary shall es-
15 tablish notice procedures and hearing requirements
16 for tenants and owners concerning the expiration
17 dates for the expiring contracts for any eligible mul-
18 tifamily housing project.

19 (2) 12-MONTH NOTICE.—Under the hearing re-
20 quirements established under paragraph (1), the
21 participating administrative entity or owner for an
22 eligible multifamily housing project shall, not later
23 than 12 months before such expiration date, provide
24 notice in writing of the expiration date of the initial
25 expiring contract to tenants of the project.

1 (3) EXTENSION OF CONTRACT TERM.—Subject
2 to agreement by a project owner and the availability
3 of amounts provided in advance in appropriation
4 Acts, the Secretary shall extend the term of any ex-
5 piring contract under the current contract terms or
6 provide a section 8 contract with rent levels estab-
7 lished in accordance with subsection (f)(2), for a pe-
8 riod sufficient to facilitate the implementation of a
9 mortgage restructuring and rental assistance suffi-
10 ciency plan as determined by the Secretary.

11 (c) TENANT RENT PROTECTION.—If the owner of an
12 eligible multifamily housing project with an expiring con-
13 tract does not agree to extend the contract, the Secretary
14 shall make tenant-based assistance available to tenants re-
15 siding in units assisted under the expiring contract on the
16 expiration date. Any tenants receiving tenant-based assist-
17 ance under subsection may elect—

18 (1) to remain in the unit in the project and, if
19 at any time during their tenancy, if the rent exceeds
20 the fair market rent or payment standard, as appli-
21 cable, the rent shall be deemed to be the applicable
22 standard, but only if the agency administering the
23 tenant-based assistance finds that the rent is reason-
24 able in comparison with rents charged for com-
25 parable unassisted housing units in the market; or

1 (2) to move from the project and the rent of
2 their new dwelling unit shall be subject to the fair
3 market rent or the payment standard, as applicable,
4 under existing program rules and procedures.

5 (d) CONTENTS OF PLAN.—Each mortgage restruc-
6 turing and rental assistance sufficiency plan shall—

7 (1) except as otherwise provided, restructure
8 the project-based assistance rents for the eligible
9 multifamily housing property in a manner consistent
10 with subsection (f);

11 (2) require the owner or purchaser of an eligible
12 multifamily housing project with an expiring con-
13 tract to submit to the participating administrative
14 entity a comprehensive housing needs assessment, in
15 accordance with the information and data require-
16 ments of section 403 of the Housing and Commu-
17 nity Development Act of 1992, except that—

18 (A) any such needs assessment prepared
19 within the last 5 years shall satisfy the require-
20 ment under this paragraph; and

21 (B) no such needs assessment shall be re-
22 quired where the restructuring plan would, in
23 the judgment of the participating administra-
24 tive entity, make minimal changes to the FHA-
25 insured mortgage;

1 (3) require the owner or purchaser of the
2 project to provide, or contract for, competent man-
3 agement of the project;

4 (4) require the owner or purchaser of the
5 project to take such actions as may be necessary to
6 rehabilitate the project, maintain adequate reserves
7 for the project, and maintain the project in decent
8 and safe condition, based on housing quality stand-
9 ards established by the Secretary;

10 (5) require the owner or purchaser of the
11 project to maintain affordability and use restrictions
12 in accordance with section 7(d), which restrictions
13 shall be consistent with the long-term physical and
14 financial viability and character of the project as af-
15 fordable housing; and

16 (6) provide for any restructuring actions au-
17 thorized under section 9 that are proposed to be
18 taken with respect to the project.

19 (e) TENANT AND COMMUNITY PARTICIPATION AND
20 CAPACITY BUILDING.—

21 (1) PROCEDURES.—The Secretary shall estab-
22 lish procedures to provide an opportunity for tenants
23 of the eligible multifamily housing project and other
24 affected parties, including the local government, to

1 participate effectively in the restructuring process
2 for the project carried out under this Act.

3 (2) CONTENT.—Such procedures shall in-
4 clude—

5 (A) the rights to timely and adequate writ-
6 ten notice of the proposed decisions of the
7 owner or the Secretary or participating admin-
8 istrative entity;

9 (B) timely access to all relevant informa-
10 tion (except for information determined to be
11 proprietary under standards established by the
12 Secretary);

13 (C) an adequate period to analyze this in-
14 formation and provide comments to the Sec-
15 retary or participating administrative entity
16 (which comments shall be taken into consider-
17 ation by the participating administrative en-
18 tity); and

19 (D) if requested, a meeting with a rep-
20 resentative of the participating administrative
21 entity.

22 (3) EFFECTIVE PARTICIPATION.—The proce-
23 dures established under this subsection shall permit
24 tenant, local government, and community participa-
25 tion in physical inspections, comprehensive needs as-

1 assessments, management reviews, and other matters,
2 as deemed necessary by the participating adminis-
3 trative entity, in connection with restructuring plans
4 submitted by owners and lenders and decisions made
5 by the Secretary and participating administrative
6 entities pursuant to this Act.

7 (4) FUNDING.—

8 (A) IN GENERAL.—From any amounts
9 made available under appropriation Acts to
10 carry out this Act, the Secretary may provide
11 not more than \$10,000,000 in each fiscal year
12 to tenant groups, nonprofit and for-profit orga-
13 nizations, and public entities for building the
14 capacity of tenant organizations, technical as-
15 sistance in furthering any of the purposes of
16 this Act (including transfer of projects to new
17 owners), and tenant services.

18 (B) ALLOCATION.—The Secretary may al-
19 locate any funds made available under subpara-
20 graph (A) through existing technical assistance
21 programs and procedures developed pursuant to
22 any other Federal law, including the Low-In-
23 come Housing Preservation and Resident
24 Homeownership Act of 1990 and the Multifam-

1 ily Housing Property Disposition Reform Act of
2 1994.

3 (C) PROHIBITION.—None of the funds
4 made available under subparagraph (A) may be
5 used directly or indirectly to pay for any per-
6 sonal service, advertisement, telegram, tele-
7 phone, printed or written letter, or other device,
8 intended or designed to influence in any man-
9 ner a Member of Congress, to favor or oppose,
10 by vote or otherwise, any legislation or appro-
11 priation by the Congress, whether before or
12 after the introduction of any bill or resolution
13 proposing such legislation or appropriation.

14 (f) RENT LEVELS.—

15 (1) IN GENERAL.—Except as provided in para-
16 graph (2), each mortgage restructuring and rental
17 assistance sufficiency plan, pursuant to the terms,
18 conditions, and requirements of this Act shall estab-
19 lish, for units assisted with project-based assistance
20 in eligible multifamily housing projects, adjusted
21 rent levels that—

22 (A) are equivalent to rents derived from
23 comparable properties, if—

24 (i) the participating administrative en-
25 tity makes the rent determination not later

1 than 60 days after the owner submits a
2 mortgage restructuring and rental assist-
3 ance sufficiency plan; and

4 (ii) the market rent determination is
5 based on not less than 2 comparable prop-
6 erties or, if not based on 2 or more com-
7 parable properties, is acceptable to the
8 owner; or

9 (B) if the rents referred to in subpara-
10 graph (A) cannot be determined or have not
11 been determined by the participating adminis-
12 trative entity within the applicable timeframe,
13 are equal to 90 percent of the fair market rent
14 or are less than 90 percent of the fair market
15 rent, assuming that the owner, lender, and par-
16 ticipating administrative entity agree that the
17 mortgage restructuring and rental assistance
18 sufficiency plan is feasible with rents set below
19 90 percent of the fair market rent.

20 (2) EXCEPTION PROJECTS.—A contract under
21 this section may include rent levels that exceed the
22 applicable rent level determined under paragraph (1)
23 if the participating administrative entity—

24 (A) determines that the housing needs of
25 the tenants and the community cannot be ade-

1 quately addressed through implementation of
2 the rent limitation required to be established
3 through a mortgage restructuring and rental
4 assistance sufficiency plan under paragraph (1);
5 and

6 (B) follows the procedures under para-
7 graph (3).

8 (3) RENT LEVEL FOR EXCEPTION PROJECT.—

9 The rent levels for a project eligible under para-
10 graph (2) for an exception rent shall be calculated,
11 for purposes of this subsection, on the actual and
12 projected costs of operating the project, at a level
13 that provides income sufficient to support a budget-
14 based rent that consists of—

15 (A) the debt service of the project following
16 restructuring;

17 (B) the operating expenses of the project,
18 based on historical data and reasonable projec-
19 tions of the owner, including—

20 (i) contributions to adequate reserves
21 consistent with the comprehensive housing
22 needs assessment completed pursuant to
23 subsection (d)(2);

24 (ii) the costs of maintenance and nec-
25 essary rehabilitation; and

1 (iii) other eligible costs permitted
2 under section 8 of the United States Hous-
3 ing Act of 1937;

4 (C) an allowance for potential operating
5 losses due to vacancies and failure to collect
6 rents, equal to 7 percent of gross potential
7 rents or, for high vacancy areas, an adequate
8 allowance as determined by the participating
9 administrative entity;

10 (D) an allowance for a rate of return to
11 the owner or purchaser of the project in an
12 amount equal to 8 percent of 100 percent of the
13 fair market rent, to be adjusted annually, based
14 on adjustments to the fair market rent; and

15 (E) other expenses determined by the par-
16 ticipating administrative entity to be necessary
17 for the operation of the project.

18 **SEC. 6. EXEMPTIONS FROM RESTRUCTURING.**

19 Subject to section 7 and the availability of amounts
20 provided in advance in appropriation Acts, the Secretary
21 shall renew an expiring contract for a multifamily housing
22 project at existing rents (as adjusted pursuant to section
23 8(c)(2) of such Act) and without restructuring the mort-
24 gage, if—

1 (1) the project is an eligible multifamily hous-
2 ing project and the owner agrees to accept a renewal
3 of the expiring contract at rent levels that are equal
4 to those under the expiring contract on the date of
5 contract expiration, provided that such rent levels do
6 not exceed 120 percent of the fair market rent or,
7 where rent levels under the expiring contract exceed
8 120 percent of the fair market rent, the owner
9 agrees to renew the expiring contract equal to 120
10 percent of the fair market rent; except that if any
11 owner does not agree to accept a renewal at the rent
12 levels provided for in this paragraph, the owner may
13 submit a mortgage restructuring and rental assist-
14 ance sufficiency plan under section 5;

15 (2) the primary financing or mortgage insur-
16 ance for the project was provided by a public agency;

17 (3) the project was financed through obligations
18 such that the implementation of a mortgage restruc-
19 turing and rental assistance plan under this section
20 is inconsistent with applicable law or agreements
21 governing such financing;

22 (4) in the determination of the Secretary or the
23 participating administrative entity, the refinancing
24 would not result in significant savings to the Sec-
25 retary; or

1 (5) the project is subject to an expiring contract
2 but is not an eligible multifamily project for pur-
3 poses of this Act.

4 **SEC. 7. SECTION 8 CONTRACT RENEWALS AND LONG-TERM**
5 **AFFORDABILITY COMMITMENT BY OWNER OF**
6 **PROJECT.**

7 (a) SECTION 8 RENEWAL OF RESTRUCTURED
8 PROJECTS.—Subject to the availability of amounts pro-
9 vided in advance in appropriation Acts, the Secretary shall
10 enter into contracts with participating administrative enti-
11 ties pursuant to which—

12 (1) such entities shall offer to renew or extend
13 expiring section 8 contracts on eligible multifamily
14 housing projects; and

15 (2) the owner of the project shall accept the
16 offer, provided the initial renewal is in accordance
17 with the terms and conditions specified in the mort-
18 gage restructuring and rental sufficiency plan, ex-
19 cept for renewals pursuant to section 6.

20 (b) RENTS FOR SUBSEQUENT RENEWALS.—With re-
21 spect to any subsequent renewal of a section 8 contract
22 after the initial renewal pursuant to this Act, the rents
23 under each renewal contract shall be the same as those
24 determined pursuant to section 5(f), adjusted on an an-
25 nual basis to reflect, at the owner’s option—

1 (1) adjustments to the Consumer Price Index
2 prepared by the Bureau of Labor Statistics of the
3 Department of Labor; or

4 (2) reasonable and necessary expenses of the
5 project pursuant to the requirements of section
6 5(f)(2)(B).

7 (c) REQUIRED COMMITMENT.—After the initial re-
8 newal of a section 8 contract pursuant to this section, the
9 owner shall accept each offer made pursuant to subsection
10 (a) to renew the contract, for a period of 20 years from
11 the date of the initial renewal, if the offer to renew is on
12 terms and conditions specified in the mortgage restructur-
13 ing and rental assistance sufficiency plan.

14 (d) RENT AND USE RESTRICTIONS.—If an offer to
15 renew the contract is not made or is rejected by the owner
16 because it is not on terms and conditions specified in the
17 mortgage restructuring and rental assistance sufficiency
18 plan, the owner shall, for the remaining portion of the 20-
19 year period referred to in subsection (c), be required to
20 comply with the following rent and use restrictions:

21 (1) Such restrictions shall be consistent with
22 the long-term financial and physical viability of the
23 project and shall be consistent with the maximum
24 rent restriction in paragraph (2) and the tenant ad-
25 mission preference in paragraph (3).

1 (2) The maximum rent on such units shall be
2 limited, provided that such maximum rents shall ex-
3 ceed the restructured rents by at least 10 percent
4 (as adjusted annually), as determined by the partici-
5 pating administrative entity.

6 (3) To the extent practicable, the owner shall
7 rent—

8 (A) 40 percent of the units to residents
9 with incomes at or below 60 percent of median
10 income, as determined by the Secretary, with
11 adjustments for larger or smaller families; or

12 (B) 20 percent of the units to residents
13 with incomes at or below 50 percent of median
14 income, as determined by the Secretary, with
15 adjustments for larger or smaller families.

16 (e) EXCEPTION.—If an owner of a project subject to
17 rent and use restrictions demonstrates to the satisfaction
18 of the participating administrative entity that the project
19 cannot be adequately operated in compliance with the rent
20 and use restrictions under subsection (d), the participating
21 administrative entity shall modify those requirements to
22 the extent necessary to assure the long-term financial and
23 physical viability of the project.

1 **SEC. 8. PROHIBITION ON RESTRUCTURING.**

2 (a) IN GENERAL.—The Secretary shall not consider
3 any mortgage restructuring and rental assistance suffi-
4 ciency plan or request for contract renewal if the partici-
5 pating administrative entity determines that—

6 (1) the owner or purchaser of the project has
7 engaged in material adverse financial or managerial
8 actions or omissions with regard to this project, in-
9 cluding—

10 (A) knowingly and materially violating any
11 Federal, State, or local law or regulation with
12 regard to the project;

13 (B) knowingly and materially breaching a
14 contract for assistance under section 8 of the
15 United States Housing Act of 1937;

16 (C) knowingly and materially violating any
17 applicable regulatory or other agreement with
18 the Secretary or a participating administrative
19 entity;

20 (D) repeatedly failing to make mortgage
21 payments at times when project income was
22 sufficient to maintain and operate the property;

23 (E) materially failing to maintain the prop-
24 erty according to housing quality standards at
25 times when project income was sufficient to
26 maintain and operate the property and after re-

1 receipt of notice and a reasonable opportunity to
2 cure; or

3 (F) committing any action or omission re-
4 sulting in suspension or debarment by the Sec-
5 retary at the time of submission or implementa-
6 tion of a mortgage restructuring and rental as-
7 sistance sufficiency plan;

8 (2) the owner or purchaser of the property ma-
9 terially failed to follow the procedures and require-
10 ments of this Act, after receipt of notice and an op-
11 portunity to cure; or

12 (3) the poor condition of the project cannot be
13 remedied in a cost effective manner, as determined
14 by the participating administrative entity.

15 (b) OPPORTUNITY TO DISPUTE FINDINGS.—

16 (1) IN GENERAL.—During the 30-day period
17 beginning on the date on which the owner or pur-
18 chaser of an eligible multifamily housing project re-
19 ceives notice of a rejection under subsection (a) or
20 of a mortgage restructuring and rental assistance
21 sufficiency plan under section 5, the Secretary or
22 participating administrative entity shall provide the
23 owner or purchaser with an opportunity to dispute
24 the basis for the rejection and an opportunity to

1 cure. Any such notice of rejection shall identify the
2 reasons for rejection.

3 (2) AFFIRMATION, MODIFICATION, OR REVER-
4 SAL.—

5 (A) IN GENERAL.—After providing an op-
6 portunity to dispute under paragraph (1), the
7 Secretary or the participating administrative
8 entity may affirm, modify, or reverse any rejec-
9 tion under subsection (a) or rejection of a mort-
10 gage restructuring and rental assistance suffi-
11 ciency plan under section 5. The appeal decision
12 shall be made by a knowledgeable and impartial
13 person who was not involved in the decision to
14 reject. The owner may be represented by coun-
15 sel, may subpoena witnesses, and may require
16 the production of documents relevant to the
17 reasons for rejection. The appeal decision shall
18 be solely based on the reasons identified in the
19 notice of rejection.

20 (B) REASON FOR DECISION.—The Sec-
21 retary or the participating administrative en-
22 tity, as applicable, shall identify the reasons for
23 any final decision under this paragraph.

24 (C) REVIEW PROCESS.—The Secretary
25 shall establish an administrative review process

1 to appeal any final decision under this para-
2 graph.

3 (c) FINAL DETERMINATION.—Any final determina-
4 tion under this section shall be subject to judicial review.

5 (d) DISPLACED TENANTS.—Subject to the availabil-
6 ity of amounts provided in advance in appropriation Acts,
7 for any low-income family that is a tenant in a project
8 or receiving assistance under section 8 of the United
9 States Housing Act of 1937 at the time of rejection under
10 this section, the Secretary shall provide that tenant with
11 tenant-based assistance and reasonable moving expenses,
12 as determined by the Secretary.

13 (e) TRANSFER OF PROPERTY.—For properties dis-
14 qualified from the consideration of a mortgage restructur-
15 ing and rental assistance sufficiency plan under this sec-
16 tion because of actions by an owner or purchaser described
17 in paragraph (1) or (2) of subsection (a), the Secretary
18 shall establish procedures to facilitate the voluntary sale
19 or transfer of property as part of a mortgage restructuring
20 and rental assistance sufficiency plan, with a preference
21 for sale or transfer to a tenant organization and tenant-
22 endorsed community-based nonprofit, for-profit, and pub-
23 lic agency purchaser meeting such reasonable qualifica-
24 tions as may be established by the Secretary.

1 **SEC. 9. RESTRUCTURING TOOLS.**

2 (a) IN GENERAL.—For purposes of this Act, an ap-
3 proved mortgage restructuring and rental assistance suffi-
4 ciency plan may include one or more of the following ac-
5 tions:

6 (1) FULL OR PARTIAL PAYMENT OF CLAIM.—
7 Making a full payment of claim or partial payment
8 of claim under section 541(b) of the National Hous-
9 ing Act; except that, at the request of the owner, the
10 Secretary shall use all or a portion of the funds that
11 would otherwise be used to make such full or partial
12 payment of claim as a debt service reserve, investing
13 same in debentures or other prudent investments
14 and using the principal and interest of said reserve
15 to pay a portion of the project's debt service.

16 (2) REFINANCING OF DEBT.—Refinancing of all
17 or part of the debt on a project, if the refinancing
18 would result in significant subsidy savings under
19 section 8 of the United States Housing Act of 1937,
20 including through the provision of a direct loan from
21 the Secretary financed by the General Insurance
22 Fund or Special Risk Insurance Fund.

23 (3) MORTGAGE INSURANCE.—Providing FHA
24 multifamily mortgage insurance, reinsurance, or
25 other credit enhancement alternatives, including
26 under the multifamily risk-sharing mortgage pro-

1 grams under section 542 of the Housing and Com-
2 munity Development Act of 1992. Any limitations on
3 the number of units available for mortgage insur-
4 ance under section 542 shall not apply to eligible
5 multifamily housing projects. Any credit subsidy
6 costs of providing mortgage insurance shall be paid
7 from the General Insurance Fund and the Special
8 Risk Insurance Fund.

9 (4) CREDIT ENHANCEMENT.—Establishing
10 State or local mortgage credit enhancements and
11 risk-sharing arrangements with State or local hous-
12 ing finance agencies, the Federal Housing Finance
13 Board, the Federal National Mortgage Association,
14 and the Federal Home Loan Mortgage Corporation.

15 (5) COMPENSATION OF THIRD PARTIES.—En-
16 tering into agreements, incurring costs, or making
17 payments, as may be reasonably necessary, to com-
18 pensate participating administrative entities and
19 other parties in undertaking actions authorized by
20 this Act. Upon request, participating administrative
21 entities shall be considered to be contract adminis-
22 trators under section 8 of the United States Hous-
23 ing Act of 1937 for purposes of any housing assist-
24 ance payments contracts entered into as part of an

1 approved mortgage restructuring and rental assist-
2 ance sufficiency plan.

3 (6) RESIDUAL RECEIPTS.—Applying any ac-
4 quired residual receipts to maintain the long-term
5 affordability and physical conditions of the property
6 or of other eligible multifamily housing. The partici-
7 pating administrative entity shall expedite the acqui-
8 sition of residual receipts by entering into agree-
9 ments with owners of housing covered by an expiring
10 contract to provide an owner with a share of the re-
11 ceipts, not to exceed 10 percent.

12 (7) REHABILITATION NEEDS.—Rehabilitating
13 the project using amounts from grants provided
14 from residual receipts and the General and Special
15 Needs Insurance Funds under the National Housing
16 Act, as approved by the Secretary; to the extent pro-
17 vided in appropriation Acts, using budget authority
18 provided for increases in the budget authority for as-
19 sistance contracts under section 8 of the United
20 States Housing Act of 1937; through interest reduc-
21 tion payments that are not longer needed to cover
22 restructured mortgages that are or were insured
23 under section 236 of the National Housing Act; or
24 through the debt restructuring transaction.

1 (8) MORTGAGE RESTRUCTURING.—Restructur-
2 ing mortgages to provide—

3 (A) a restructured first mortgage that is
4 fully amortizing within the remaining term of
5 the existing FHA-insured first mortgage and
6 that has a principal amount consistent with—

7 (i) rents at levels that are established
8 in section 5(f); and

9 (ii) reasonable costs of operation as
10 set forth in section 5(f)(3)(B) through
11 5(f)(3)(E); and

12 (B) to the extent that the debt is restruc-
13 tured through a partial payment of claim, a sec-
14 ond mortgage equal to the difference between
15 the restructured first mortgage and the mort-
16 gage balance of the eligible multifamily housing
17 project at the time of restructuring, subject to
18 the following requirements:

19 (i) the second mortgage shall bear in-
20 terest at a rate not to exceed the applicable
21 Federal rate for a term not to exceed 50
22 years;

23 (ii) during the period in which the
24 first mortgage remains outstanding, no

1 payments of interest or principal shall be
2 required or paid on the second mortgage;

3 (iii) 50 percent of the net distribut-
4 able proceeds of any sale or refinancing of
5 the project shall be payable, first toward
6 accrued interest, and, to the extent there
7 are any proceeds remaining, to principal
8 due under the second mortgage;

9 (iv) the second mortgage shall be as-
10 sumable by any subsequent purchaser of
11 any multifamily housing project, pursuant
12 to guidelines established by the Secretary;

13 (v) the principal and accrued interest
14 due under the second mortgage shall be
15 fully payable upon disposition of the prop-
16 erty, unless the mortgage is assumed
17 under the preceding sentence;

18 (vi) upon full payment of the first
19 mortgage, the owner shall begin repayment
20 of the second mortgage in monthly install-
21 ments equal to the monthly payments for-
22 merly made under the first mortgage;

23 (vii) the principal and interest of the
24 second mortgage shall be immediately due
25 and payable upon a finding by the Sec-

1 retary, subject to judicial review, that an
2 owner has failed to materially comply with
3 this Act or any requirements of the United
4 States Housing Act of 1937, as those re-
5 quirements apply to the applicable project,
6 after receipt of notice of such failure and
7 a reasonable opportunity to cure such fail-
8 ure and which failure is sufficiently serious
9 that the project is no longer suitable as af-
10 fordable housing; and

11 (viii) any credit subsidy costs of pro-
12 viding a second mortgage shall be paid
13 from the General Insurance Fund and the
14 Special Risk Insurance Fund;

15 (C) to the extent that the project cannot
16 support any debt service payments, a restruc-
17 tured first mortgage with terms and conditions
18 conforming to those set forth in subparagraph
19 (B), under which payments of principal or in-
20 terest shall not be required or made until such
21 time as the rental and use restrictions on the
22 property are terminated; and

23 (D) that any interest accruing on mort-
24 gages restructured pursuant to subparagraphs
25 (B) and (C) or any portion of the debt on the

1 project that exceeds the amount of the restruc-
2 tured first mortgage provided pursuant to sub-
3 paragraph (A) may be forgiven by the Secretary
4 or the designated administrative entity for good
5 cause and at the request of the owner.

6 (b) ROLE OF FNMA AND FHLMC.—Section 1335
7 of the Federal Housing Enterprises Financial Safety and
8 Soundness Act of 1992 (12 U.S.C. 4565) is amended—

9 (1) in paragraph (3), by striking “and” at the
10 end;

11 (2) in paragraph (4), by striking the period at
12 the end and inserting “; and”;

13 (3) in the matter preceding paragraph (1), by
14 striking “To” and inserting the following: “(a) IN
15 GENERAL.—To”; and

16 (4) by adding at the end of the following:

17 “(5) assist in maintaining the affordability of
18 assisted units in eligible multifamily housing projects
19 with expiring contracts, as defined under the Multi-
20 family Housing Restructuring and Affordability Act
21 of 1997.

22 “(b) AFFORDABLE HOUSING GOALS.—The Secretary
23 shall give credit, as determined by the Secretary, toward
24 achievement of the affordable housing goals under sections
25 1332, 1333, and 1334 (for purposes of section 1336) to

1 activities taken under subsection (a)(5) by each enter-
2 prise.”.

3 (c) PROHIBITION ON EQUITY SHARING BY THE SEC-
4 RETARY.—The Secretary may not participate in any eq-
5 uity agreement or profit sharing agreement in connection
6 with any eligible multifamily housing project.

7 **SEC. 10. DEFERRAL OF INCLUSION IN INCOME ON DEBT RE-**
8 **STRUCTURING OR FORGIVENESS.**

9 Subsection (e) of section 108 of the Internal Revenue
10 Code of 1986 (relating to income from discharge of indebt-
11 edness) is amended by adding at the end the following new
12 paragraph:

13 “(11) INCOME FROM DISCHARGES UNDER MUL-
14 TIFAMILY HOUSING RESTRUCTURING AND AFFORD-
15 ABILITY ACT OF 1997.—Any amount includible in
16 gross income by reason of any discharge of indebted-
17 ness under the Multifamily Housing Restructuring
18 and Affordability Act of 1997 shall be so includible
19 as if such discharge occurred immediately before the
20 earliest date the taxpayer disposes of any portion of
21 its interest in the property to which such indebted-
22 ness relates.”

23 **SEC. 11. MANAGEMENT STANDARDS.**

24 Pursuant to guidelines established by the Secretary,
25 each participating administrative entity shall implement

1 management standards applicable to eligible multifamily
2 housing projects subject to mortgage restructuring and
3 rental assistance sufficiency plans administered by such
4 entity, including requirements governing conflicts of inter-
5 est between owners, managers, and contractors with an
6 identity of interest, pursuant to guidelines established by
7 the Secretary and consistent with industry standards.

8 **SEC. 12. MONITORING OF COMPLIANCE.**

9 (a) COMPLIANCE AGREEMENTS.—Pursuant to regu-
10 lations issued by the Secretary after public notice and
11 comment, each participating administrative entity,
12 through binding contractual agreements with owners and
13 otherwise, shall ensure long-term compliance with the pro-
14 visions of this Act. Each agreement, shall, at a minimum,
15 provide for—

16 (1) enforcement of the provisions of this Act;

17 and

18 (2) remedies for the breach of such provisions.

19 (b) PERIODIC MONITORING.—

20 (1) IN GENERAL.—Unless otherwise inspected
21 or reviewed by the Secretary, State or local housing
22 agency, or an FHA-insured lender, on an annual
23 basis, each participating administrative entity shall
24 review the status of all multifamily housing projects

1 for which a mortgage restructuring and rental as-
2 sistance sufficiency plan has been implemented.

3 (2) INSPECTION.—Each review under this sub-
4 section shall include an annual on-site inspection of
5 a sample of units to determine compliance with
6 housing quality standards and other requirements as
7 provided in this Act and the multifamily housing
8 management agreements.

9 (c) AUDIT BY SECRETARY.—The Comptroller Gen-
10 eral of the United States, the Secretary, and the Inspector
11 General of the Department of Housing and Urban Devel-
12 opment may conduct an audit, not more frequently than
13 on an annual basis, of any multifamily housing project for
14 which a mortgage restructuring and rental assistance suf-
15 ficiency plan has been implemented.

16 **SEC. 13. REVIEW.**

17 To ensure compliance with this Act, the Secretary
18 shall conduct an annual review and report to the Congress
19 on actions taken under this Act and the status of eligible
20 multifamily housing projects.

21 **SEC. 14. GAO AUDIT AND REVIEW.**

22 (a) INITIAL AUDIT.—Not later than 18 months after
23 the effective date of interim or final regulations promul-
24 gated under this Act, the Comptroller General of the Unit-
25 ed States shall conduct an audit to evaluate a representa-

1 tive sample of eligible multifamily housing projects and the
2 implementation of all mortgage restructuring and rental
3 assistance sufficiency plans.

4 (b) REPORT.—

5 (1) IN GENERAL.—Not later than 18 months
6 after the audit conducted under subsection (a), the
7 Comptroller General of the United States shall sub-
8 mit to the Congress a report on the status of all eli-
9 gible multifamily housing projects and the imple-
10 mentation of all mortgage restructuring and rental
11 assistance sufficiency plans.

12 (2) CONTENTS.—The report submitted under
13 paragraph (1) shall include—

14 (A) a description of the initial audit con-
15 ducted under subsection (a); and

16 (B) recommendations for any legislative
17 action to increase the financial savings to the
18 Federal Government of the restructuring of eli-
19 gible multifamily housing projects balanced with
20 the continued availability of the maximum num-
21 ber of affordable low-income housing units.

22 (c) COMPLIANCE STUDY.—Not later than 6 months
23 after the effective date of this Act, the GAO shall issue
24 a report addressing the effectiveness of the enforcement
25 mechanisms that are currently available to the Secretary

1 to ensure compliance with mortgage covenants, regulatory
2 agreements, section 8 housing assistance payments con-
3 tracts, and other agreements entered into between the
4 Secretary, the participating administrative entity, or an
5 FHA-approved lender, and owners or managers of eligible
6 multifamily housing. This report shall also evaluate the
7 Secretary's use of such enforcement mechanisms.

8 **SEC. 15. REGULATIONS.**

9 The Secretary shall issue interim regulations nec-
10 essary to implement this Act and the amendments made
11 by this Act not later than the expiration of the 6-month
12 period beginning on the date of enactment of this Act. Not
13 later than 1 year after the date of enactment of this Act,
14 in accordance with the negotiated rulemaking procedures
15 set forth in subchapter III of chapter 5 of title 5, United
16 States Code, the Secretary shall implement final regula-
17 tions implementing this Act. If the Secretary fails to issue
18 such final regulations within such period, the Secretary
19 shall renew expiring contracts for 1 year on current con-
20 tract terms.

21 **SEC. 16. TECHNICAL AND CONFORMING AMENDMENTS.**

22 (a) **CALCULATION OF LIMIT ON PROJECT-BASED AS-**
23 **SISTANCE.**—Section 8(d) of the United States Housing
24 Act of 1937 (42 U.S.C. 1437f(d)) is amended by adding
25 at the end of the following new paragraph:

1 “(5) Any contract entered into under section 6 of the
2 Multifamily Housing Restructuring and Affordability Act
3 of 1997 shall be included in computing the limit on
4 project-based assistance under this subsection.”.

5 (b) EXTENSION OF TEMPORARY PROVISIONS RELAT-
6 ING TO PUBLIC HOUSING AND SECTION 8 RENTAL AS-
7 SISTANCE.—

8 (1) MINIMUM RENTS.—Section 402(a) of the
9 Balanced Budget Downpayment Act, I (Public Law
10 104–99; 110 Stat. 40) is amended, in the matter
11 preceding paragraph (1)—

12 (A) by striking “ and subsection (f) of this
13 section,”; and

14 (B) by inserting “and fiscal years there-
15 after” after “1997”.

16 (2) GENERAL RULE FOR APPLICABILITY.—Sec-
17 tion 402(f) of the Balanced Budget Downpayment
18 Act, I (42 U.S.C. 1437aa note) is amended—

19 (1) by striking “This section” and inserting
20 “Subsections (b) and (c) of this section”; and

21 (2) by adding at the end the following new sen-
22 tence: “The provisions of and the amendments made
23 by subsections (a) and (d) of this section shall be ef-
24 fective upon the enactment of this Act and there-
25 after.”.

1 (c) PARTIAL PAYMENT OF CLAIMS ON MULTIFAMILY
2 HOUSING PROJECTS.—Section 541 of the National Hous-
3 ing Act (12 U.S.C. 1735f–19) is amended—

4 (1) in subsection (a), in the subsection heading
5 by striking “AUTHORITY” and inserting “DE-
6 FAULTED MORTGAGES”;

7 (2) by redesignating subsection (b) as sub-
8 section (c); and

9 (3) by inserting after subsection (a) the follow-
10 ing new subsection:

11 “(b) EXISTING MORTGAGE.—Notwithstanding any
12 other provision of law, the Secretary, in connection with
13 a mortgage restructuring pursuant to section 5 of the
14 Multifamily Housing Restructuring and Affordability Act
15 of 1997, may make a one time, nondefault partial payment
16 of the claim under the mortgage insurance contract, which
17 shall include a determination by the Secretary or the par-
18 ticipating administrative entity, in accordance with such
19 Act, of the market value of the project and a restructuring
20 of the mortgage, under such terms and conditions as the
21 Secretary may establish.”.

22 (d) PRESERVATION OF FHA INSURANCE FUND.—
23 Notwithstanding any other provision of or amendment
24 made by this Act, no mortgage restructuring carried out
25 pursuant to this Act shall impact the credit scoring of

1 loans insured by the Secretary for multifamily housing
2 that is not assisted under section 8 of the United States
3 Housing Act of 1937.

4 **SEC. 17. TREATMENT OF FHA MULTIFAMILY HOUSING RE-**
5 **STRUCTURING DEMONSTRATION.**

6 (a) TERMINATION.—Section 212 of the Departments
7 of Veterans Affairs and Housing and Urban Development,
8 and Independent Agencies Appropriations Act, 1997 (42
9 U.S.C. 1437f note) is amended by striking subsection (k)
10 and inserting the following new subsection:

11 “(k) TERMINATION.—The demonstration program
12 under this section shall terminate upon a determination
13 by the Secretary that the program under the Multifamily
14 Housing Restructuring and Affordability Act of 1997 has
15 been implemented.”.

16 (b) CONTINUATION OF FUNDING.—Section 212 of
17 the Departments of Veterans Affairs and Housing and
18 Urban Development, and Independent Agencies Approp-
19 riations Act, 1997 (42 U.S.C. 1437f note) is amended—

20 (1) in subsection (a)(1)(B), by striking
21 “through the end of fiscal year 1997” and inserting
22 “until the termination of the demonstration program
23 under this section pursuant to subsection (k)”; and
24 (2) in subsection (l)—

1 (A) by inserting “(1)” before
2 “\$10,000,000” and

3 (B) by striking “September 30, 1998.”
4 and inserting the following: “the termination of
5 the demonstration program pursuant to sub-
6 section (k); and (2) only to the extent that the
7 other amounts referred to in this subsection
8 have been used, amounts in the General Insur-
9 ance Fund (established under section 519 of
10 the National Housing Act) and the Special Risk
11 Insurance Fund (established under section
12 238(b) of such Act) shall be available, until the
13 termination of the demonstration program pur-
14 suant to subsection (k), to cover such costs with
15 respect to multifamily projects subject to mort-
16 gages that are obligations of such Funds.”.

17 **SEC. 18. TERMINATION OF AUTHORITY.**

18 (a) IN GENERAL.—This Act is repealed effective Oc-
19 tober 1, 2002.

20 (b) EXCEPTION.—Notwithstanding the repeal under
21 subsection (a), the provisions of this Act (as in effect im-
22 mediately before such repeal) shall apply with respect to
23 projects and programs for which binding commitments

1 have been entered into under this Act before October 1,
2 2002.

○