

106TH CONGRESS  
2D SESSION

# H. R. 5079

To amend section 502 of the Housing Act of 1949 to provide for the prepayment of loans for rural multifamily housing and for the preservation of such housing as affordable for low-income families, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

JULY 27, 2000

Mr. RAMSTAD introduced the following bill; which was referred to the  
Committee on Banking and Financial Services

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## A BILL

To amend section 502 of the Housing Act of 1949 to provide for the prepayment of loans for rural multifamily housing and for the preservation of such housing as affordable for low-income families, 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.**

4 This Act may be cited as the “Rural Housing Act  
5 of 2000”.

1 **SEC. 2. PREPAYMENT OF RURAL MULTIFAMILY HOUSING**  
2 **LOANS.**

3 Subsection (c) of section 502 of the Housing Act of  
4 1949 (42 U.S.C. 1472(c)) is amended to read as follows:

5 “(c) PREPAYMENT OF LOANS AND PRESERVATION  
6 OF AFFORDABLE HOUSING.—

7 “(1) LOANS MADE OR INSURED BEFORE DE-  
8 CEMBER 22, 1979.—A loan made or insured under  
9 section 514 or 515 of this title pursuant to a con-  
10 tract entered into before December 22, 1979, may  
11 be prepaid at any time without restriction.

12 “(2) LOANS MADE OR INSURED AFTER DECEM-  
13 BER 21, 1979.—A loan made or insured under section  
14 514 or 515 of this title pursuant to a contract en-  
15 tered into after December 21, 1979, but before De-  
16 cember 15, 1989, may be prepaid without restriction  
17 only if—

18 “(A) 15 years have elapsed from the date  
19 on which the loan was made or insured, if the  
20 housing and related facilities have not received  
21 assistance under paragraph (1)(B), (2), or (5)  
22 of section 521(a) of this title or section 8 of the  
23 United States Housing Act of 1937;

24 “(B) 20 years have elapsed from the date  
25 on which the loan was made or insured, in the  
26 case of any other such loan;

1           “(C) the Secretary determines, before the  
2           end of the period described in subparagraph (A)  
3           or (B), that there is no longer a need for such  
4           housing and related facilities or that Federal or  
5           other financial assistance being provided to the  
6           residents of such housing will no longer be pro-  
7           vided; or

8           “(D) before the end of the period described  
9           in subparagraph (A) or (B), the owner agrees  
10          to extend the low income use restrictions for the  
11          remainder of such period.

12          “(3) LOANS MADE OR INSURED AFTER DECEM-  
13          BER 14, 1989.—A loan made or insured under section  
14          514 or 515 of this title pursuant to a contract en-  
15          tered into after December 14, 1989, may not be pre-  
16          paid.

17          “(4) ALTERNATIVES TO PREPAYMENT.—A bor-  
18          rower who is authorized to prepay a loan pursuant  
19          to paragraph (1) or (2) may, in the sole discretion  
20          of the borrower, request that—

21                 “(A) the Secretary offer incentives pursu-  
22                 ant to paragraph (5); or

23                 “(B) the housing and related facilities that  
24                 are subject to the loan be sold pursuant to

1 paragraph (6) to a nonprofit organization or  
2 public agency.

3 “(5) INCENTIVES.—

4 “(A) IN GENERAL.—If a borrower who is  
5 authorized to prepay a loan pursuant to para-  
6 graph (1) or (2) agrees to extend the low in-  
7 come use of the assisted housing and related fa-  
8 cilities involved for not less than the 20-year pe-  
9 riod beginning on the date on which the agree-  
10 ment is executed, the Secretary shall, subject to  
11 the availability of amounts for such assistance  
12 provided in advance in appropriation Acts, pro-  
13 vide one or more of the following forms of as-  
14 sistance:

15 “(i) INCREASED RETURN ON INVEST-  
16 MENT.—An increase in the rate of return  
17 on investment.

18 “(ii) REDUCED INTEREST RATE.—A  
19 reduction of the interest rate on the loan  
20 through the provision of interest credits  
21 under section 521(a)(1)(B).

22 “(iii) ADDITIONAL RENTAL ASSIST-  
23 ANCE.—Additional rental assistance, or an  
24 increase in assistance provided under exist-  
25 ing contracts, under section 521(a)(2) or

1 under section 8 of the United States Hous-  
2 ing Act of 1937.

3 “(iv) EQUITY LOAN.—An equity loan  
4 to the borrower under paragraphs (1) and  
5 (2) of section 515(c) or under section  
6 515(t).

7 “(v) INCREMENTAL RENTAL ASSIST-  
8 ANCE.—Incremental rental assistance in  
9 connection with loans pursuant to clauses  
10 (ii) and (iv) of this subparagraph to the  
11 extent necessary to avoid increases in the  
12 rental payments of current tenants not re-  
13 ceiving rental assistance under section  
14 521(a)(2) or under section 8 of the United  
15 States Housing Act of 1937.

16 “(vi) EXCESS RENT.—In the case of a  
17 project that has received rental assistance  
18 under section 8 of the United States Hous-  
19 ing Act of 1937, authority for the owner to  
20 receive rent in excess of the amount deter-  
21 mined necessary by the Secretary to defray  
22 the cost of long-term repair or mainte-  
23 nance of such a project.

24 “(B) FAILURE TO AGREE ON INCEN-  
25 TIVES.—If the borrower does not agree to ex-

1           tend the low income use of the assisted housing  
2           and related facilities involved as provided under  
3           subparagraph (A), the borrower may prepay the  
4           loan pursuant to paragraph (1) or (2).

5           “(6) SALE TO NONPROFIT ORGANIZATIONS AND  
6           PUBLIC AGENCIES.—If a borrower who is authorized  
7           to prepay a loan pursuant to paragraph (1) or (2)  
8           agrees to sell the assisted housing and related facili-  
9           ties involved to a nonprofit organization or public  
10          agency at fair market value, the Secretary, in order  
11          to facilitate the sale, may take one or more of the  
12          following actions:

13                 “(A) ADVANCE FOR CERTAIN COSTS RE-  
14                 LATING TO ACQUISITION.—To the extent  
15                 amounts for advances under this clause are  
16                 made available in advance in appropriation  
17                 Acts, make an advance to the nonprofit organi-  
18                 zation or public agency whose offer to purchase  
19                 is accepted under this paragraph to cover any  
20                 direct costs (other than the purchase price) in-  
21                 curred by the organization or agency in pur-  
22                 chasing and assuming responsibility for the  
23                 housing and related facilities.

24                 “(B) ASSUMPTION OF LOAN.—Approve the  
25                 assumption, by the nonprofit organization or

1 public agency involved, of the loan made or in-  
2 sured under section 514 or 515.

3 “(C) TRANSFER OF ASSISTANCE.—To the  
4 extent provided in appropriation Acts, transfer  
5 any rental assistance payments that are re-  
6 ceived under section 521(a)(2)(A) or under sec-  
7 tion 8 of the United States Housing Act of  
8 1937, with respect to the housing and related  
9 facilities, to the nonprofit organization or public  
10 agency involved.

11 “(D) PURCHASE LOAN.—To the extent  
12 budget authority for such loans is provided in  
13 advance in appropriation Acts, provide a loan  
14 under section 515(c)(3) to the nonprofit organi-  
15 zation or public agency whose offer to purchase  
16 is accepted under this paragraph to enable the  
17 organization or agency to purchase the housing  
18 and related facilities involved.

19 “(E) RENTAL ASSISTANCE.—To the extent  
20 amounts for assistance under this clause are  
21 provided in advance in appropriation Acts, pro-  
22 vide to the nonprofit organization or public  
23 agency purchasing the housing and related fa-  
24 cilities financial assistance (in the form of  
25 monthly payments or forgiveness of debt) in an

1 amount necessary to ensure that the monthly  
2 rent payment made by each low income family  
3 or person residing in the housing does not ex-  
4 ceed the maximum rent permitted under section  
5 521(a)(2)(A).

6 “(7) FUNDING.—In addition to any other  
7 amounts made available for providing incentives  
8 under paragraph (5), any amounts resulting from  
9 the prepayment of loans made or insured under sec-  
10 tion 514 or 515 of this title shall be available, to the  
11 extent provided in appropriation Acts, for providing  
12 incentives under paragraph (5) and for costs of ac-  
13 tions under paragraph (6) in connection with sale of  
14 projects to nonprofit organizations and public agen-  
15 cies. Such amounts shall be available first for the  
16 uses described in the preceding sentence and if not  
17 so used, then for other uses in accordance with other  
18 provisions of law authorizing such use.

19 “(8) TENANT PROTECTION.—If a loan is pre-  
20 paid pursuant to paragraph (1) or (2), the Secretary  
21 shall offer tenant-based assistance under section 8 of  
22 the United States Housing Act of 1937 to each low  
23 income tenant residing in the housing involved at  
24 the time of such prepayment, subject to the avail-  
25 ability of appropriated amounts for such assistance.

1 If after prepayment the rent for a dwelling unit in  
2 such housing exceeds the applicable payment stand-  
3 ard established pursuant to section 8(o) of such Act,  
4 the assistance offered under this paragraph shall be  
5 in the form of enhanced vouchers under section 8(t)  
6 of such Act, subject to the availability of appro-  
7 priated amounts for such assistance.”.

8 **SEC. 3. ENHANCED VOUCHER ELIGIBILITY.**

9 Section 8(t)(2) of the United States Housing Act of  
10 1937 (42 U.S.C. 1437f(t)(2)) is amended—

11 (1) by inserting “or loan” after “of the mort-  
12 gage”; and

13 (2) by inserting “section 502(c)(8) of the Hous-  
14 ing Act of 1959 (42 U.S.C. 1472(c)(8)),” after “(12  
15 U.S.C. 413(f)),”.

16 **SEC. 4. RURAL RENTAL HOUSING LOAN TERM.**

17 In the case of a loan made or insured under section  
18 515 of the Housing Act of 1949 pursuant to a contract  
19 entered into before the date of the enactment of this Act,  
20 if the Secretary of Agriculture and the borrower under the  
21 loan agree to such applicability, the amendments made by  
22 section 735(b)(3) of the Agriculture, Rural Development,  
23 Food and Drug Administration, and Related Agencies Ap-  
24 propriations Act, 1998 (Public Law 105–86; 111 Stat.  
25 2110) shall apply to such loan. In no case shall the bor-

1   rower be obligated to accept a new loan pursuant to sec-  
2   tion 515(b)(7) of the Housing Act of 1949 for financing  
3   the final payment of the original loan.

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