Findings from the Experimental Housing Allowance Program, where payments were made directly to households, do not indicate that direct-payment recipients fail in large numbers to meet their obligations as tenants. On the other hand, there is some evidence that the poorest households in tight markets can benefit from assistance in arranging for needed repairs or in locating suitable housing elsewhere.[7] Thus, if aid is provided directly to tenants, administering agencies might still be encouraged to provide supportive services for households seeking either to relocate or to arrange for repairs to their present units.

Budget Treatment

A final set of voucher issues concerns how to fund such a program. Specific questions include how long the assistance commitments should run and what funds should be used to finance them.

Duration of Commitments. Housing vouchers could be financed through much shorter subsidy contracts than govern current housing assistance programs because there would be no need to assure property owners long-term rental income streams in order to induce them to undertake costly construction or rehabilitation. Although promises of aid for only one year might be insufficient to cause households to relocate or to press their landlords to correct housing deficiencies, three- to five-year commitments would probably provide enough time for those households who chose to do so to adjust their housing consumption.[8] Assistance commitments

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7. Findings from the housing allowance experiments show that in four areas with 4 to 6 percent vacancy rates in low-income rental submarkets, black-headed households seeking to qualify for payments in their pre-enrollment dwellings and both black- and white-headed households planning to move were substantially more likely to qualify eventually for payments when the local administering agencies provided high levels of supportive services. W.L. Hamilton and others, Administrative Procedures in a Housing Allowance Program: The Administrative Agency Experiment (Abt Associates, Inc., March 28, 1977), pp. 13-15.

8. One study of mobility among the poor found that, depending on the region of the country in which they lived, between 62 percent and 81 percent of all low-income renters moved in the (Continued)

that ran for shorter terms than the present 15- to 40-year subsidy contracts would reduce initial funding requirements, because less spending authority would have to be set aside to cover eventual subsidy costs. Shorter commitments would also increase the government's control over near-term outlays, because a greater number of assistance agreements would come up for renewal--and, thus, be subject to cancellation--each year.

Source of Funds. A housing voucher program could be financed through new appropriations or through the transfer of funds already appropriated to support new-construction subsidy commitments. If the latter approach was adopted, funds appropriated but not yet committed to other programs could be shifted to vouchers. Taken one step further, already-executed new construction commitments could be cancelled--by mutual agreement between project owners and the government--and unspent funds could be reobligated for vouchers.[9]

Because vouchers would be much less costly than current new construction programs, shifting funds from the latter to the former would mean that more households could be assisted at no net additional federal expense, that overall federal spending could be reduced, or both. If all of the 1982 new-construction/substantial rehabilitation funds were reprogrammed for vouchers with five-year assistance terms, approximately 90,000 more households could be aided in that year at about the same annual expense and at a potential reduction of $8 billion in long-term federal obligations. If already executed new-construction subsidy agreements were also cancelled and the funds shifted to vouchers, still more households could be aided at no increase in near-term outlays. However, because any such shift would reduce the average duration

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8. (Continued)
five-year period from 1968 to 1973. Experience in two of the largest EHAP cities indicates that between 37 percent and 59 percent of all renters receiving assistance moved within two years of joining the program. HUD, Experimental Housing Allowance Program: Conclusions, The 1980 Report, pp. 33-34.

9. Under such an agreement, project owners might be allowed to retain the benefits of any secondary financing subsidies associated with their projects. Section 8 households living in the buildings at the time of the cancellation could be guaranteed assistance for the duration of their tenancies and could be provided with vouchers after they moved out.

of outstanding subsidy commitments, reprogramming funds in this manner would also make it easier for the government eventually to withdraw aid from current recipients.

BLOCK GRANT ISSUES AND OPTIONS

Issues likely to arise in designing a housing block grant--either as the sole federal housing asssistance device or in conjunction with other new programs--include:

- How recipient governments should be permitted to use funds;
- What jurisdictions should receive aid;
- What factors should be considered in allocating funds among jurisdictions; and
- How the program should be financed.

How these issues are resolved would likely depend in large part on whether block grants were expected to provide all housing aid or were intended to supplement a federally administered voucher program and, perhaps, a separate production subsidy.

Use of Funds

Whether and how to restrict the use of block grant funds presents a basic policy dilemma. On the one hand, largely unrestricted aid would provide less assurance that federal policy objectives would be achieved. On the other hand, limiting the use of funds would undermine local discretion--one of the principal benefits claimed for block grants. If the Congress chose, it could limit the use of block grant funds according to the incomes of the households aided, the types of dwelling units to which funds could be applied, or the linkage of block grant funds to other housing assistance programs.

Household Income Restrictions. Block grants in areas other than housing often require that funds principally or exclusively benefit some class of persons or households, frequently defined by their income. The use of housing block grants could be similarly restricted by requiring that all aid benefit families with incomes no greater than some specified percentage of the area median. If block grants were adopted as a substitute for all federally administered housing assistance, then it might be necessary to restrict aid to households with incomes no greater than 50 percent of the area median in order to avoid appreciably redirecting assistance to better-off persons. If, on the other hand, block grants supplemented a lower-income voucher program, income-targeting might be of somewhat less concern.

Dwelling-Unit Restrictions. The use of block grant funds could also be restricted by the types of dwelling units involved. If block grants replaced all federally administered housing programs, the Congress might wish to require that a substantial portion of the block grant funds be used to aid renters, who are generally less well housed than homeowners. If, instead, block grants supplemented a federally administered voucher program, a larger share of the block grant assistance might be used to aid homeowners. In either case, the Congress might also choose to establish preferences or funding set-asides for locally designed efforts serving households with special housing needs, such as the elderly, handicapped persons, or large families.

Program-Linkage Restrictions. A final targeting consideration concerns whether to require that states and localities link the use of their block grant funds to any federally administered housing aid. If block grants supplemented a voucher program, for example, the Congress might want to consider requiring that states and localities use some share of their block grant funds to finance repairs to dwellings occupied by voucher recipients. Such a restriction would limit local discretion but would assure that the block grant funds benefited lower-income persons and would fill a potentially significant gap in that vouchers alone do not appear to induce the rehabilitation of seriously deficient dwellings.

Eligible Jurisdictions

A second general block grant issue concerns what jurisdictions should be eligible to receive funds. Housing block grant proposals typically call for large cities and urban counties to receive allocations directly. Funds for smaller cities and for nonurban areas could be allocated directly to those jurisdictions or could be provided to states for subsequent distribution among the smaller units of government.[10]

As with other issues, the decision regarding what jurisdictions should be eligible to receive funds directly would likely depend on the eventual uses to which the block grants were expected to be put. If block grants were expected to subsidize the construction of new multifamily rental projects, some minimum size for direct-recipient jurisdictions might be necessary to assure that each area's allocation would be large enough to support a viable newly built housing project. Limited-use block grants emphasizing housing rehabilitation might, on the other hand, be allocated directly to appreciably smaller jurisdictions.

The Allocation of Funds

The factors used to allocate grants among participating jurisdictions might also depend on the expected use of funds. If block grants provided all lower-income housing assistance, the allocation formula might emphasize measures of housing need among low-income persons, such as the incidence of substandard housing, overcrowding, or excessive housing costs among the poor.[11] By contrast, a block grant that was less narrowly targeted on lower-income households might be distributed through a formula emphasizing the condition of the housing stock as a whole. In either case, the Congress might also wish to include factors measuring the capacity and willingness of local governments to finance aid on their own--granting larger allotments to jurisdictions with

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10. In 1981, the Congress amended the CDBG program to incorporate such a two-tiered allocation scheme, permitting state governments to distribute the small cities' grants within their boundaries.

11. Currently, HUD's rental assistance funds are allocated through a formula taking into account each jurisdiction's total population, low-income population, housing quality, overcrowding, and housing vacancy rate, as well as the number of rental households experiencing high housing-cost burdens, housing inadequacy, or overcrowding. For an analysis of the current allocation scheme, see John L. Goodman, Jr., Regional Housing Assistance Allocations and Regional Housing Needs (The Urban Institute, September 1979).

more limited revenue sources and to those that already tax themselves more heavily.[12]

Budget Treatment

A final block grant issue concerns how such a program might be funded. Here too, the choice may depend on the expected scope of the program.

A comprehensive block grant that was expected to fund long-term subsidy agreements for lower-income persons living in newly built housing would likely have to be funded through multiyear spending authority, as are present federally administered lower-income new construction programs. If such multiyear funding was provided, the Congress might choose to limit the rate at which the spending authority could be drawn upon, in order to control the pace of outlays. Even so, there would probably be a good deal of uncertainty regarding the timing of expenditures, particularly in the years immediately following implementation.

A limited-use block grant that was not expected to fund long-term assistance agreements could more easily be financed through annual appropriations, with no limitations on the rate of outlays. Expenditures under such a program would probably follow more closely upon federal obligations, making outlays both more predictable and more easily controllable than they would be under a less restricted block grant.

PRODUCTION SUBSIDY ISSUES AND OPTIONS

If the Congress replaces current lower-income housing assistance programs with either vouchers or block grants, it is also likely to consider separate proposals for subsidizing the production of rental housing projects that would be available primarily to better-off households as a less costly substitute for the abandoned lower-income construction aid. Issues likely to arise in designing a supplementary rental housing production subsidy include:

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12. Fiscal capacity measures are currently used to allocate funds under the General Revenue Sharing (GRS) and Medicaid programs. The GRS formula also employs a measure of fiscal effort.

- How to target aid;
- When to provide assistance;
- What subsidy device to employ;
- How large a subsidy to provide; and
- Whether the subsidy should be subject to recapture.

Targeting Assistance

A new rental housing production subsidy could be left unrestricted or could be targeted by tenant income, by the type of dwelling units involved, or by the location of the buildings. Unrestricted subsidies would minimize federal intervention in private market decisions but would probably more often help finance construction that would have occurred in any event.

Tenant Income Restrictions. Any new less costly rental housing production subsidy designed to supplement a low-income housing voucher program would necessarily serve primarily better-off persons than would benefit from the voucher aid. The Congress could, nonetheless, target the production subsidy somewhat by tenant income in either or both of two ways. First, assisted projects could be made available only to tenants with incomes below some threshold level set above the eligibility limit for the voucher program but low enough to exclude the highest-income persons who could readily afford unsubsidized rents. Alternatively, some share of the units in assisted projects could be set aside for low-income tenants, perhaps with some additional subsidy provided for those families.

Unrestricted aid would less directly target immediate program benefits but could free up other housing units in local markets, allowing a chain of households to improve their living conditions through a filtering process. By contrast, targeting assistance by income in either of the ways described above would assure that the units were immediately available to less-well-off persons but would probably increase program costs by requiring larger subsidies.

Dwelling-Unit Restrictions. New-construction subsidies could also be limited to structures serving persons with special housing needs. Some have argued, for example, that the aging of the population in the years ahead will create a particular need for smaller, easy-access dwellings designed for the elderly. It is also often argued that if a greater number of readily affordable smaller rental units were available to older persons, more of them would move out of larger homes, making those dwellings available to larger households. Additional housing especially designed for the elderly could also provide settings for offering noninstitutional long-term care. Similar arguments have been made regarding the need for additional units suited to the special needs of the physically handicapped. Targeting aid in any such manner, however, presupposes that the government could correctly identify housing submarkets in which persistent imbalances between demand and supply are likely to occur.

Location Restrictions. A third means of targeting any new rental housing production subsidy would be to limit aid to only certain types of housing markets or to designated locations within markets. Options include limiting subsidies to markets with acute and persistent housing shortages; making aid available only to physically and economically distressed communities; and targeting assistance to pockets of distress within jurisdictions.[13] Any such restriction would, however, present potential problems in designating target areas. The difficulty would probably be especially great in identifying "tight" housing markets, for which data are scarce and definitions not readily agreed to. More experience exists in targeting assistance on distressed areas.

The Timing of Aid

A second production subsidy issue is whether to provide assistance each year as a matter of course or to limit aid to periods of slack construction activity. If the Congress viewed the production of rental housing to be insufficient even during periods of peak construction, then it might consider providing aid as a matter of course. If, instead, production was considered to

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13. Geographic restrictions currently apply in the Government National Mortgage Association (GNMA) "targeted tandem" mortgage assistance program, which subsidizes moderate-income rental projects located in areas qualifying for UDAG assistance. Under current law, rental projects located in distressed areas are also granted a slight preference in qualifying for tax-exempt mortgage bond financing.

be adequate during construction peaks, financing subsidies might be limited to slack periods. Experience under previous countercyclical housing assistance programs, however, suggests the difficulty of timing the stimulus to occur during the housing production trough rather than after the recovery has already begun. Appropriating funds in advance to be released automatically when certain conditions occur would be one way of addressing that problem, but such an approach would require that the Congress agree on what the trigger conditions should be.

Subsidy Devices

Rental housing production subsidies could be provided through any one, or some combination, of several different devices, most of which would involve reducing the effective interest rate on project mortgages. Specific options--summarized in Table 9--include: the purchase and resale of privately written reduced-interest mortgages; one-time mortgage assistance or capital grants; annual mortgage-interest-reduction payments; direct reduced-interest loans; and reduced-interest mortgages financed through tax-exempt bonds. Each of these approaches either is incorporated in some current housing program or has been proposed legislatively in recent years.

One option for subsidizing new rental housing would be to use the so-called "tandem" mortgage assistance device, through which the government contracts with private lenders to purchase specially written reduced-interest loans at face value and resells them as market-yield instruments, absorbing the price difference as a financing subsidy. Such a mechanism--already employed by the Government National Mortgage Association (GNMA) to provide financing subsidies for Section 8 projects and for moderate-income rental housing located in distressed areas--would offer developers known financing charges and would limit government involvement to a short period of time. Such a device would also be highly efficient, with nearly all of the federal expense passed along to the project owner as a subsidy. On the other hand, the cost of such aid to the government would be difficult to forecast because of uncertainty regarding what market interest rates might be when the loans are eventually resold. Such a program would involve substantial near-term outlays when the mortgages were purchased; partially offsetting receipts would occur when the loans were resold, with the timing of sales dependent on interest rate fluctuations.

TABLE 9. ALTERNATIVE RENTAL HOUSING FINANCE SUBSIDY DEVICES

Subsidy Device	Efficiency (Proportion of Federal Expenditure Benefiting Project Owner)	Certainty Regarding Size of Federal Expenditure	Timing of Expenditures	Duration of Federal Administrative Involvement
Tandem Mortgage Assistance	High	Uncertain	Large outlays when mortgages are purchased. Partially offsetting receipts when loans are resold; timing of sales uncertain.	Short-term
Mortgage-Assistance or Capital Grant	High	Certain	Full, net, constant-dollar value of subsidy expended when construction is complete.	Short-term
Annual Interest-Reduction Payments	High	Certain	Spread out over life of the loans.	Extended
Direct Loans	High	Certain[a]	Large outlays when loans are made. Offsetting receipts spread over life of the loans.	Extended
Tax-Exempt Financing	Low	Uncertain	Tax revenue losses spread over the life of the bonds.	Short-term

a. While the size of the interest subsidy under a direct loan would be known at the outset, there might be less certainty regarding the eventual total federal expenditure because of the risk borne in the case of defaults.

Providing financing assistance through outright grants to private mortgage lenders--allowing them to write loans at reduced interest rates while realizing market rates of return--would control government expenditures by shifting the risk regarding future interest rates from the government to potential developers. Rather than guaranteeing a fixed interest rate to the developer, a front-end mortgage grant would promise to reduce the rate by a fixed number of percentage points below whatever the prevailing market rate proves to be when the loan is written.[14] Such a mechanism would be as efficient as the tandem plan in terms of the share of the federal expenditure passed on to project owners and would entail an even shorter federal involvement. On the other hand, the absence of any guarantee regarding eventual financing charges might make developers less eager to participate. A different form of this option would be to provide capital grants directly to project developers, reducing the portion of total development costs that they would be required to finance.

A third financing subsidy option would be to provide annual interest-reduction payments to a mortgage lender on behalf of the borrower/developer. This mechanism--used under the now-inactive Section 236 rental assistance program--would provide an assured interest rate to the borrower as well as an assured cost to the government. Outlays under such a program would be spread over many years, substantially extending the period of federal involvement.[15] That, in turn, would likely raise federal administrative costs but could also enhance the government's ability to control rents in assisted projects.[16]

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14. In 1980 and again in 1981, the Carter Administration proposed that such a mechanism be used to provide financing subsidies for Section 8 new construction projects, but the proposals were not acted on by the Congress.

15. Proposals to provide rental housing financing subsidies through such a device were reported out of both the House and Senate Banking Committees in 1980. The House proposal passed that chamber but was dropped in conference with the Senate.

16. Total outlays, in nominal dollars, under an interest-reduction payments program would exceed expenditures under either a tandem assistance program or a mortgage grant. In constant-dollar terms, however, federal costs would be rougly equal.

A fourth alternative would be to provide developers with direct loans at reduced interest rates, as is now done under FmHA's Section 515 rental housing loan program. Such an approach would offer an assured interest rate to the borrower and a known cost to the government.[17] On the other hand, direct loans would entail substantial early expenditures and an extended federal administrative involvement. Providing direct loans for this purpose would also increase total federal credit activity--a matter of growing concern--and would place the government in direct competition with private lenders. Such an approach could also involve substantial risks to the government in the case of default.

Finally, subsidies could be provided by allowing developers to finance projects with proceeds from state or local bonds on which the interest would be exempt from federal taxation. The cost to the government of such a subsidy would be in the form of forgone tax revenues rather than direct expenditures--a relatively inefficient subsidy device because a large share of the revenue loss would benefit the purchasers of the bonds rather than the project owners. The Mortgage Subsidy Bond Tax Act of 1980 permits such financing for rental housing projects in which 20 percent of the tenants (15 percent in targeted areas) have incomes below 80 percent of the area median.[18] Extending this authority to other types of rental housing would increase the total volume of tax-exempt bonds, thereby exerting upward pressure on all tax-exempt interest rates.

The Size of the Subsidy

Another important issue is how large a subsidy to provide--a choice that would affect project owners' debt-service expenses, the income group that could readily afford to rent the assisted

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17. Under a direct loan program, some of the subsidy is provided merely by passing along the benefits of the government's lower borrowing costs. Any interest rate reduction below the federal cost of funds would result in a net interest expense to the government.

18. For a description of experience to date under this act, see Congressional Budget Office, The Mortgage Subsidy Bond Tax Act of 1980: Experience Under The Permanent Rules (March 1982).

units, and the cost of the program to the government. The value of any subsidy, of whatever size, would be realized through some combination of (a) the construction of housing projects that would not otherwise have been profitable--and, therefore, would not otherwise have been built--and (b) reduced rents in projects that would have been built in any event. To the extent that subsidies merely increase the net return on investment for projects that would have been built in any event, with no associated reduction in tenant rents, the federal expenditure would result only in windfall gains to the property owners. The choice regarding the size of the subsidy thus involves a tradeoff between promoting additional construction and providing housing for less-well-off households, on the one hand, and controlling federal expenditures and avoiding windfall profits, on the other.

The larger the subsidy--whatever share was passed along to tenants--the greater would be the reduction in project owners' debt-service expenses and, therefore, the greater the potential production stimulus. Every one-percentage-point reduction in the effective interest rate on a level-payment 40-year mortgage from a prevailing market rate of, say, 15 percent, for example, would reduce debt-service costs by about $500 per year on a unit with a $50,000 mortgage. A three-percentage-point interest subsidy--to an effective rate of 12 percent--would reduce yearly expenses by about $1,500 per unit; a seven-percentage-point subsidy would lower debt-service costs by approximately $3,400 per unit (see Table 10).

To the extent that subsidies were passed along to tenants, larger subsidies would make aided projects more readily affordable for less-well-off tenants. Assuming annual operating expenses and utility costs of $2,500 per unit and a pre-tax return to project owners of 6 percent on their initial investments, a three-percentage-point interest subsidy--if fully passed along to the tenants--could reduce yearly gross rents from $10,400 to $8,900 per unit. At the lower rent, families with annual incomes up to $30,000 could afford the dwellings while paying no more than 30 percent of their incomes toward shelter. That income level would correspond to about 97 percent of the projected median family income in 1985--the year in which projects aided in 1983 would become occupied. A seven-percentage-point interest subsidy would enable a family with an income equal to 76 percent of median to afford the unit while paying 30 percent of its income for housing.

While larger subsidies might provide a greater construction stimulus and could benefit lower-income persons, they would also

TABLE 10. COSTS AND EFFECTS OF ALTERNATIVE RENTAL HOUSING MORTGAGE-INTEREST SUBSIDIES (In dollars)

	Project Financed With 15 Percent Interest Mortgage	Effective Interest Rates on Reduced-Interest Mortgages		
		12 Percent	10 Percent	8 Percent
Reduction in Annual Debt-Service Costs per Unit	---	1,470	2,420	3,350
Household Income Needed to Afford Unit at Gross Rent Equal to 30 Percent of Income	34,500	29,600	26,400	23,300
Household Income as Percent of Projected Median Family Income[a]	(113)	(97)	(86)	(76)
Average Federal Expenditure per Unit (in 1983 dollars)[b]	---	9,400	15,500	21,500

SOURCE: CBO estimates.

NOTE: All figures are for a housing unit with a 40-year $50,000 mortgage that is assumed to be prepaid in 20 years. Non-debt-service housing costs are assumed to average $2,500 annually per unit. The pre-tax return to the project owner on his initial investment is assumed to be 6 percent.

a. Household income expressed as a percent of the projected median family income for fiscal year 1985--the year in which projects assisted in 1983 are assumed to be occupied.

b. Figures represent total federal expenditures required through mortgage grants or tandem mortgage assistance to provide the financing subsidies shown. The constant-dollar costs of providing similar subsidies through other direct expenditure devices would be roughly equivalent.

require larger federal expenditures. The estimated cost in 1983 dollars of a subsidy sufficient to reduce the effective mortgage interest rate from 15 to 12 percent, for example, would be about $9,400 per unit, assuming an average mortgage of $50,000 and an average effective mortgage life of 20 years. A seven-percentage-point subsidy would cost $21,500 in 1983 dollars.[20]

Recapture Provisions

A final issue is whether or not to require project owners to repay any part of the subsidy out of capital gains realized upon the sale of their projects. Recapture requirements would reduce federal costs but could also make potential developers less willing to participate and less concerned about maintaining their properties.

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20. Although the constant-dollar value of the federal payments would be roughly the same under all direct-expenditure subsidy devices for the same sized interest-rate reduction, the size and timing of outlays would depend as well on the subsidy mechanism used. Under front-end subsidy devices--tandem mortgage assistance or a mortgage assistance grant--the full present-dollar value of the subsidy would appear as a net federal outlay shortly after the mortgage was written. If the subsidy was provided instead through annual interest-reduction payments, outlays would be spread out over the effective life of the mortgage. Under a direct loan program, a substantial initial disbursement would be followed by a long period of repayments; the eventual cost to the government would be equal to the difference between the interest collected on the loan and the government's borrowing costs.

    Under tax-exempt bonds, the size of the subsidy would depend on the spread between prevailing tax-exempt interest rates and private mortgage rates. The federal expenditure would occur as a stream of forgone tax revenues, with the size of the revenue loss dependent on the effective interest rates on competing taxable investments and on the marginal tax brackets of the bond buyers.

Any recapture provision would likely require that owners apply some share--say, 50 percent--of any capital gain to repaying the government, with the total repayment limited to the constant-dollar value of the subsidy. The amount of subsidy recaptured might also be made to vary with project characteristics--by, for example, imposing less stringent recapture provisions on projects serving less-well-off persons or those located in distressed areas.

APPENDIX. COMPARISON OF 1982 HOUSING AND COMMUNITY DEVELOPMENT ACTS REPORTED OUT OF SENATE AND HOUSE BANKING COMMITTEES

In May 1982, bills that would significantly amend current housing and community development programs were ordered reported out of the Committee on Banking, Housing, and Urban Affairs of the U.S. Senate and the Committee on Banking, Finance and Urban Affairs of the U.S. House of Representatives. Each of these bills--the Housing and Community Development Amendments of 1982 and the Housing and Urban-Rural Recovery Act of 1982 (H.R. 6296), respectively--would incorporate some of the policy options discussed in this paper. This appendix compares key provisions of the two bills, with respect to lower-income rental assistance, rural housing assistance, and supplementary rental housing construction and rehabilitation aid.

APPENDIX TABLE 1. SELECTED PROVISIONS OF 1982 HOUSING AND COMMUNITY DEVELOPMENT ACTS REPORTED OUT OF SENATE AND HOUSE BANKING COMMITTEES

Senate Bill	House Bill (H.R. 6296)
Lower-Income Housing Assistance	
Repeals most authorities for making additional Section 8 and public housing new construction/substantial rehabilitation assistance commitments except in the case of certain projects set aside for elderly or handicapped persons.	Maintains present lower-income rental assistance authorities.
Authorizes new rental housing voucher program through modifications to Section 8 existing-housing program.	Amends eligibility and size of subsidy under present rental assistance programs.
	o Alters eligibility for Section 8 assistance to permit up to 70 percent of all households to have incomes greater than 50 percent of the area median. (Present law permits between 5 percent and 10 percent of all assisted tenants to have incomes greater than 50 percent of the area median.)
o Subsidy equal to difference between payment standard and 30 percent of adjusted income for most households. Assisted households may choose any physically adequate unit regardless of rent charged.	
o Does not specify initial level of payment standard; provides for two adjustments in the value of the subsidy within a five-year period.	o Lowers required tenant contribution for assisted housing from 30 percent of adjusted income permissible under current law to 25 percent of adjusted income.
o Subsidy to be paid to landlord on behalf of assisted household.	o Specifies that Section 8 existing-housing Fair Market Rents be set at levels equal to median rents of units occupied by recent movers. (Present law does not specify the level at which Fair Market Rents should be set.)

(Continued)

APPENDIX TABLE 1. (Continued)

Senate Bill	House Bill (H.R. 6296)
Authorizes $7.2 billion in additional assistance commitments or amendments to prior commitments; 1983 activity to be funded through the deobligation of outstanding commitments or, as needed, new appropriations. Expected to support: o 15,000 additional Section 8 new construction/substantial rehabilitation assistance commitments to be used in conjunction with reduced-interest Section 202 project loans to aid elderly and handicapped persons not previously assisted. o 60,400 vouchers to aid households not previously assisted. o 16,000 vouchers to aid households currently receiving more limited subsidies or whose present subsidies are expected to expire. o 60,615 vouchers and 5,000 Section 8 existing-housing assistance commitments to aid households already assisted under other programs. If fully funded through the deobligation of outstanding assistance commitments, would involve the reprogramming of funds that could have aided 40,000 households.	Authorizes $16 billion for additional assistance commitments or amendments to prior commitments; 1983 activity to be funded through new appropriations. Expected to support: o 20,500 additional Section 8 new construction/substantial rehabilitation assistance commitments to aid households not previously assisted--16,000 to be used in conjunction with reduced-interest Section 202 project loans to aid elderly and handicapped persons; 4,500 to be used for rehabilitation in targeted neighborhoods. o 19,000 additional public housing assistance commitments (including 4,000 for Indian housing) to aid households not previously assisted. o 25,000 Section 8 existing-housing/moderate rehabilitation assistance commitments to aid households not previously assisted. o 1,000 Section 8 existing-housing assistance commitments and 10,000 moderate rehabilitation assistance commitments to aid households currently receiving more limited subsidies or whose present subsidies are expected to expire. o 65,000 Section 8 existing-housing assistance commitments for households already assisted under other programs. Does not assume any net deobligation of outstanding assistance commitments.

(Continued)

APPENDIX TABLE 1. (Continued)

Senate Bill	House Bill (H.R. 6296)
Rural Housing Programs	
Eliminates interest subsidies for future FmHA rural housing loans. Permits FmHA to make $666 million in direct rural housing loans at market interest rates and to guarantee $229 million in privately written loans. Authorizes $850 million annually in fiscal years 1983-1985 to fund new rural housing block grant. o To be distributed on the basis of each state's rural population, rural population in poverty, and rural population living in substandard housing. o To be used to benefit families with incomes below 50 percent of the area median. Authorizes $37 million for several smaller rural housing grants and subsidized loans. Provides setaside of 10,000 vouchers for use in areas served by the FmHA (included in total number of vouchers shown above.)	Authorizes $3.7 billion in new reduced-interest homeownership and rental housing loans; $130 million in other loans and grants; $398 for new or extended rental assistance commitments; and $500 million in loan guarantees. Direct homeownership and rental housing loans and rental assistance funds expected to support: o Reduced-interest mortgages for 61,000 low- and moderate-income homebuyers.[a] o One-percent-interest rental housing loans covering 28,000 dwellings.[a] o New or extended rental assistance commitments for 42,000 households.[a]

a. Estimates provided by Committee staff.

APPENDIX TABLE 1. (Continued)

Senate Bill	House Bill (H.R. 6296)
Supplementary Rental Housing Construction/Rehabilitation Subsidies	
Authorizes new rental housing construction and rehabilitation grants to large cities and urban counties and to states on behalf of smaller jurisdictions.	Authorizes new rental housing construction and rehabilitation grants for states and localities.
o Funded through $300 million set-aside of funds authorized for the CDBG and UDAG programs.	o Funded through authorization of $1.3 billion in new funds.
o Distributed through formula taking into account such factors as each jurisdiction's low-income renter population, rental housing market conditions, and the condition and use of the rental housing stock.	o Awarded on a competitive basis for proposals submitted by jurisdictions that qualify as experiencing a severe shortage of decent, affordable rental housing on the basis of such factors as: the extent and change in the level of poverty; rental housing substandardness, overcrowding and vacancies; and rental housing production lags.
o At least 25 percent of the units in newly built projects must be available to lower-income households for at least 10 years.	o At least 20 percent of the units in assisted projects must be avaiable to lower-income households for at least 20 years.

NOTE: This table describes the Housing and Community Development Amendments of 1982 as ordered reported out of the Senate Banking, Housing, and Urban Affairs Committee on May 6, 1982, and the Housing and Urban-Rural Recovery Act of 1982 as ordered reported out of the House Banking, Finance and Urban Affairs Committee on May 11, 1982. In several instances, descriptions are based on interpretations provided by Committee staffs.