

Fiscal Year 2014 General Provisions

Sec. 201. *Fifty percent of the amounts of budget authority, or in lieu thereof 50 percent of the cash amounts associated with such budget authority, that are recaptured from projects described in section 1012(a) of the Stewart B. McKinney Homeless Assistance Amendments Act of 1988 (42 U.S.C. 1437 note) shall be cancelled or in the case of cash, shall be remitted to the Treasury, and such amounts of budget authority or cash recaptured and not cancelled or remitted to the Treasury shall be used by State housing finance agencies or local governments or local housing agencies with projects approved by the Secretary of Housing and Urban Development for which settlement occurred after January 1, 1992, in accordance with such section. Notwithstanding the previous sentence, the Secretary may award up to 15 percent of the budget authority or cash recaptured and not cancelled or remitted to the Treasury to provide project owners with incentives to refinance their project at a lower interest rate.*

Explanation of this Section: This section governs the sharing of savings that result from refunding the existing bonds for certain Section 8 contracts. Section 1012 of the McKinney Act requires HUD to split the savings evenly between Treasury and State Housing Finance Agencies. These savings typically takes the form of a cash rebate from the bond trustee to the U.S. Treasury. Trustee sweeps continue for the term of the contract. HAP contracts were originally for 30 years with some 40-year contracts set to expire in 2024. The savings provided to State Housing Finance Agencies can be used for social services, fees for professional services essential to carry out McKinney-funded activities, project facilities or mechanical systems, and office systems.

Proposed Action: The President's Budget proposes retaining this section.

Sec. 202. *None of the amounts made available under this Act may be used during fiscal year 2014 to investigate or prosecute under the Fair Housing Act any otherwise lawful activity engaged in by one or more persons, including the filing or maintaining of a nonfrivolous legal action, that is engaged in solely for the purpose of achieving or preventing action by a Government official or entity, or a court of competent jurisdiction.*

Explanation of this Section: This section makes clear that the Department will not use its authority under the Fair Housing Act to investigate or prosecute legal activity.

Proposed Action: The President's Budget proposes retaining this section.

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Sec. 203. *Sections 203 and 209 of division C of Public Law 112-55 (125 Stat. 693-694) shall apply during fiscal year 2014 as if such sections were included in this title, except that during such fiscal year such sections shall be applied by substituting fiscal year 2014 for fiscal year 2011 and fiscal year 2012, each place such terms appear.*

Explanation of this Section: This provision consolidates and extends Sections 203 and 209 of the FY 2012 Appropriations Act, which are longstanding provisions for the Housing Opportunities for Persons with AIDS (HOPWA) program. The provision continues to give HUD the authority to honor agreements between cities and their states to manage HOPWA grants, allow former grantees in New Jersey to continue to receive direct allocations, and allow the program to use AIDS incidence data collected over a three year period instead of one year. The provision also continues to allow Salem County, New Jersey to transfer their allocation to the state, Wake County to continue to administer grants on behalf of Raleigh-Cary Metropolitan Statistical Area (MSA), and for states to continue to receive HOPWA funds in certain cases where an MSA subsequently qualifies for direct funding.

Proposed Action: The Department proposes new Section 203 language which extends the terms and conditions of Sections 203 and 209 of the FY 2012 Appropriations Act.

Sec. 204. *Except as explicitly provided in law, any grant, cooperative agreement or other assistance made pursuant to title II of this Act shall be made on a competitive basis and in accordance with section 102 of the Department of Housing and Urban Development Reform Act of 1989 (42 U.S.C. 3545).*

Explanation of this Section: This provision requires that HUD funds be subject to competition unless specified otherwise in statute.

Proposed Action: The Department proposes retaining this provision.

Sec. 205. *Funds of the Department of Housing and Urban Development subject to the Government Corporation Control Act or section 402 of the Housing Act of 1950 shall be available, without regard to the limitations on administrative expenses, for legal services on a contract or fee basis, and for utilizing and making payment for services and facilities of the Federal National Mortgage Association, Government National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Financing Bank, Federal Reserve banks or any member thereof, Federal Home Loan banks, and any insured bank within the meaning of the Federal Deposit Insurance Corporation Act, as amended (12 U.S.C. 1811-1).*

Explanation of this Section: This provision makes limitations on administrative expenses inapplicable to certain expenditures of Ginnie Mae, including legal services contracts and the expenses of carrying out its programmatic duties. This provision ensures that

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administrative expenses provided in annual appropriations bills does not preclude Ginnie Mae's reliance upon its permanent, indefinite appropriation, in Section 1 of the National Housing Act, for essential operating funds.

Proposed Action: The Department proposes retaining this provision.

Sec. 206. *Corporations and agencies of the Department of Housing and Urban Development which are subject to the Government Corporation Control Act are hereby authorized to make such expenditures, within the limits of funds and borrowing authority available to each such corporation or agency and in accordance with law, and to make such contracts and commitments without regard to fiscal year limitations as provided by section 104 of such Act as may be necessary in carrying out the programs set forth in the budget for 2014 for such corporation or agency except as hereinafter provided: Provided, That collections of these corporations and agencies may be used for new loan or mortgage purchase commitments only to the extent expressly provided for in this Act (unless such loans are in support of other forms of assistance provided for in this or prior appropriations Acts), except that this proviso shall not apply to the mortgage insurance or guaranty operations of these corporations, or where loans or mortgage purchases are necessary to protect the financial interest of the United States Government.*

Explanation of this Section: This section is an authorization by which Congress implements its responsibilities under section 104 of the Government Corporation Control Act (31 U.S.C. 9104). After consideration of Ginnie Mae's budget program (i.e. Congressional Justification), as submitted by the President, Congress, through this section, ratifies such budget program and authorizes expenditures of funds, both provided in the appropriations act (for salaries and expenses) and by the permanent indefinite appropriation in Section 1 of the National Housing Act, necessary to carry out the programs set forth in Ginnie Mae's budget program for the coming year.

Proposed Action: The Department proposes retaining this provision.

Sec. 207. *The Secretary of Housing and Urban Development shall provide quarterly reports to the House and Senate Committees on Appropriations regarding all uncommitted, unobligated, recaptured and excess funds in each program and activity within the jurisdiction of the Department.*

Explanation of this Section: This provision requires HUD to submit quarterly reports on the status of funds.

Proposed Action: The Department proposes retaining this provision.

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Sec. 208. *A public housing agency or such other entity that administers Federal housing assistance for the Housing Authority of the county of Los Angeles, California, the States of Alaska, Iowa, and Mississippi shall not be required to include a resident of public housing or a recipient of assistance provided under section 8 of the United States Housing Act of 1937 on the board of directors or a similar governing board of such agency or entity as required under section (2)(b) of such Act. Each public housing agency or other entity that administers Federal housing assistance under section 8 for the Housing Authority of the county of Los Angeles, California and the States of Alaska, Iowa and Mississippi that chooses not to include a resident of public housing or a recipient of section 8 assistance on the board of directors or a similar governing board shall establish an advisory board of not less than six residents of public housing or recipients of section 8 assistance to provide advice and comment to the public housing agency or other administering entity on issues related to public housing and section 8. Such advisory board shall meet not less than quarterly.*

Explanation of this Section: This provision allows PHA Boards in Alaska, Iowa, and Mississippi and the County of Los Angeles to establish resident advisory boards in lieu of the public housing resident representation requirement.

Proposed Action: The Department proposes retaining this provision.

Sec. 209.

(a) Notwithstanding any other provision of law, subject to the conditions listed in subsections (c) and (e), for fiscal years 2014 and 2015, the Secretary of Housing and Urban Development may authorize the transfer of some or all project-based assistance, debt held or insured by the Secretary, and statutorily required low-income and very low-income use restrictions if any, associated with one or more multifamily housing project to another multifamily housing project or projects.

*(b) **Phased Transfers.**—Transfers of project-based assistance under this section may be done in phases to accommodate the financing and other requirements related to rehabilitating or constructing the project or projects to which the assistance is transferred, to ensure that such project or projects meet the standards under section (c).*

(c) The transfer authorized in subsection (a) is subject to the following conditions:

*(1) **Number and bedroom size of units.**—*

(A) For occupied units in the transferring project: the number of low-income and very low-income units and the configuration (i.e. bedroom size) provided by the transferring project shall be no less than when transferred to the receiving project or projects and the net dollar amount of Federal assistance provided to the transferring project shall remain the same in the receiving project or projects.

(B) For unoccupied units in the transferring project: the Secretary may authorize a reduction in the number of dwelling units in the receiving project or projects to allow for a reconfiguration of bedroom sizes to meet current market demands, as determined by the Secretary and provided there is no increase in the project-based assistance budget authority.

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(2) The transferring project shall, as determined by the Secretary, be either physically obsolete or economically nonviable.

(3) The receiving project or projects shall meet or exceed applicable physical standards established by the Secretary.

(4) The owner or mortgagor of the transferring project shall notify and consult with the tenants residing in the transferring project and provide a certification of approval by all appropriate local governmental officials.

(5) The tenants of the transferring project who remain eligible for assistance to be provided by the receiving project or projects shall not be required to vacate their units in the transferring project or projects until new units in the receiving project are available for occupancy.

(6) The Secretary determines that this transfer is in the best interest of the tenants.

(7) If either the transferring project or the receiving project or projects meets the condition specified in subsection (d)(2)(A), any lien on the receiving project resulting from additional financing obtained by the owner shall be subordinate to any FHA-insured mortgage lien transferred to, or placed on, such project by the Secretary, except that the Secretary may waive this requirement upon determination that such a waiver is necessary to facilitate the financing of acquisition, construction, and/or rehabilitation of the receiving project or projects.

(8) If the transferring project meets the requirements of subsection (d)(2)(F), the owner or mortgagor of the receiving project or projects shall execute and record either a continuation of the existing use agreement or a new use agreement for the project where, in either case, any use restrictions in such agreement are of no lesser duration than the existing use restrictions.

(9) The transfer does not increase the cost (as defined in section 502 of the Congressional Budget Act of 1974, as amended) of any FHA-insured mortgage, except to the extent that appropriations are provided in advance for the amount of any such increased cost.

(d) For purposes of this section—

(1) the terms "low-income" and "very low-income" shall have the meanings provided by the statute and/or regulations governing the program under which the project is insured or assisted;

(2) the term "multifamily housing project" means housing that meets one of the following conditions—

(A) housing that is subject to a mortgage insured under the National Housing Act;

(B) housing that has project-based assistance attached to the structure including projects undergoing market debt restructuring under the Multifamily Assisted Housing Reform and Affordability Housing Act;

(C) housing that is assisted under section 202 of the Housing Act of 1959 as amended by section 801 of the Cranston-Gonzales National Affordable Housing Act;

(D) housing that is assisted under section 202 of the Housing Act of 1959, as such section existed before the enactment of the Cranston-Gonzales National Affordable Housing Act;

(E) housing that is assisted under section 811 of the Cranston-Gonzales National Affordable Housing Act; or

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(F) housing or vacant land that is subject to a use agreement.

(3) the term "project-based assistance" means—

(A) assistance provided under section 8(b) of the United States Housing Act of 1937;

(B) assistance for housing constructed or substantially rehabilitated pursuant to assistance provided under section 8(b)(2) of such Act (as such section existed immediately before October 1, 1983);

(C) rent supplement payments under section 101 of the Housing and Urban Development Act of 1965;

(D) interest reduction payments under section 236 and/or additional assistance payments under section 236(f)(2) of the National Housing Act;

(E) assistance payments made under section 202(c)(2) of the Housing Act of 1959; and

(F) assistance payments made under section 811(d)(2) of the Cranston-Gonzales National Affordable Housing Act;

(4) the term "receiving project or projects" means the multifamily housing project or projects to which some or all of the project-based assistance, debt, and statutorily required low-income and very low-income use restrictions are to be transferred;

(5) the term "transferring project" means the multifamily housing project which is transferring some or all of the project-based assistance, debt and the statutorily required low-income and very low-income use restrictions to the receiving project or projects; and

(6) the term "Secretary" means the Secretary of Housing and Urban Development.

(e) Public Notice and Research Report.—

(1) The Secretary shall publish by notice in the Federal Register the terms and conditions, including criteria for HUD approval, of transfers pursuant to this section no later than 30 days before the effective date of such notice.

(2) The Secretary shall conduct an evaluation of the transfer authority under this section, including the effect of such transfers on the operational efficiency, contract rents, physical and financial conditions, and long-term preservation of the affected properties.

Explanation of this Section: This provision allows the transfer of subsidy, debt and use restrictions from an obsolete multifamily project to a viable multifamily project under a variety of specified conditions.

Proposed Action: The Department proposes to retain this provision, as revised to add an evaluation component, effective for fiscal years 2014 and 2015.

Sec. 210. *Section 255(g) of the National Housing Act (12 U.S.C. 1715z-20(g)) is amended by striking the sentence beginning "The aggregate number of mortgages".*

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Explanation of this Section: This provision removes the aggregate mortgage cap in Section 255(g) of the National Housing Act (Act), which limits the total number of Home Equity Conversion Mortgages (HECM) loans that can be insured by the FHA.

Proposed Action: The Department proposes to repeal the first sentence in the Act to remove the cap permanently.

Sec. 211. *During fiscal year 2014, in the provision of rental assistance under section 8(o) of the United States Housing Act of 1937 (42 U.S.C. 1437f(o)) in connection with a program to demonstrate the economy and effectiveness of providing such assistance for use in assisted living facilities that is carried out in the counties of the State of Michigan notwithstanding paragraphs (3) and (18)(B)(iii) of such section 8(o), a family residing in an assisted living facility in any such county, on behalf of which a public housing agency provides assistance pursuant to section 8(o)(18) of such Act, may be required, at the time the family initially receives such assistance, to pay rent in an amount exceeding 40 percent of the monthly adjusted income of the family by such a percentage or amount as the Secretary of Housing and Urban Development determines to be appropriate.*

Explanation of this Section: This provision authorizes the Secretary to waive certain requirements on adjusted income for certain assisted living projects for counties in Michigan.

Proposed Action: The Department proposes retaining this provision.

Sec. 212. *The commitment authority funded by fees as provided under the subheading "Program Account" under the heading "Community Development Loan Guarantees" may be used to guarantee, or make commitments to guarantee, notes, or other obligations issued by any State on behalf of non-entitlement communities in the State in accordance with the requirements of section 108 of the Housing and Community Development Act of 1974: Provided, That any State receiving such a guarantee or commitment shall distribute all funds subject to such guarantee to the units of general local government in non-entitlement areas that received the commitment.*

Explanation of this Section: This provision allows non-entitlement areas to qualify for Section 108 loans under their State CDBG program and for the program to be funded by fees.

Proposed Action: The Department proposes retaining the authority in this provision that allows non-entitlement areas to qualify for Section 108 loans. The Department proposed the addition of language allowing the program to be funded by fees in fiscal year 2013 and proposes the language again for fiscal year 2014.

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Sec. 213. *No official or employee of the Department of Housing and Urban Development shall be designated as an allotment holder unless the Office of the Chief Financial Officer has determined that such allotment holder has implemented an adequate system of funds control and has received training in funds control procedures and directives. The Chief Financial Officer shall ensure that there is a trained allotment holder for each HUD office under the accounts "Executive Offices" and "Administrative Support Offices," as well as each account receiving appropriations for "Program Office Salaries and Expenses" within the Department of Housing and Urban Development.*

Explanation of this Section: This provision requires the OCFO to make sure that an adequate funds control system is in place and training on funds control procedures and directives has occurred for an official or employee before such official or employee is designated an allotment holder. It also requires the CFO to ensure that each office in the S&E accounts has a trained allotment holder.

Proposed Action: The Department proposes retaining this provision.

Sec. 214. *The Secretary of the Department of Housing and Urban Development shall for fiscal year 2014 and subsequent fiscal years, notify the public through the Federal Register and other means, as determined appropriate, of the issuance of a notice of the availability of assistance or notice of funding availability (NOFA) for any program or discretionary fund administered by the Secretary that is to be competitively awarded. Notwithstanding any other provision of law, for fiscal year 2014 and subsequent fiscal years, the Secretary may make the NOFA available only on the Internet at the appropriate Government Web site or through other electronic media, as determined by the Secretary.*

Explanation of this Section: This provision requires the Department to publish notices of availability of assistance or funding availability for any program that is competitively awarded. The notices may be published on the Internet.

Proposed Action: The Department proposes retaining this provision.

Sec. 215. *The Secretary of the Department of Housing and Urban Development is authorized to transfer up to 5 percent or \$10,000,000, whichever is less, of the funds appropriated under any account under the headings "Management and Administration", "Program Office Salaries and Expenses", and "Government National Mortgage Association" to any other account funded under such headings: Provided, That no appropriation for any account funded under such headings shall be increased or decreased by more than 5 percent or \$10,000,000, whichever is less, without prior written notification to the House and Senate Committees on Appropriations.*

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Explanation of this Section: This provision gives the Secretary the authority to transfer a limited amount of funds, as needed, between accounts that provide for personnel and non-personnel expenses.

Proposed Action: The Department proposes retaining this provision.

Sec. 216. *The Disaster Housing Assistance Programs, administered by the Department of Housing and Urban Development, shall be considered a "program of the Department of Housing and Urban Development" under section 904 of the McKinney Act for the purpose of income verifications and matching.*

Explanation of this Section: This provision ensures that all recipients of HUD Disaster Assistance funds meet the criteria set forth in the McKinney Act for income verification and matching.

Proposed Action: The Department proposes retaining this provision.

Sec. 217. *Of the amounts made available for salaries and expenses under all accounts under this title (except for the Office of Inspector General account), a total of up to \$10,000,000 may be transferred to and merged with amounts made available in the "Information Technology Portfolio" account under this title.*

Explanation of this Section: This provision allows HUD to transfer up to \$10 million from salaries and expenses to fund technology priorities throughout the Department.

Proposed Action: The Department proposes retaining this provision as revised to reflect the new account heading.

Sec. 218. *Title II of Division K of Public Law 110-161 is amended by striking the item related to "Flexible Subsidy Fund".*

Explanation of this Section: This provision eliminates the mandatory transfer of excess resources from the Rental Housing Assistance Fund to the Flexible Subsidy Fund. Section 235 of the fiscal year 2012 Appropriations Act amended the fiscal year 2005 and 2006 Appropriations Acts to eliminate the Flexible Subsidy transfer requirement. This proposed provision amends the fiscal year 2008 Appropriations Act to eliminate the same transfer requirement.

Proposed Action: The Department proposes the addition of this provision in fiscal year 2014.

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Sec. 219. *Paragraph (1) of section 242(i) of the National Housing Act (12 U.S.C. 1715z-7(i)(1)) is amended by striking "July 31, 2011" and inserting "July 31, 2016".*

Explanation of this Section: This section allows critical access hospitals to continue to be insured under section 242 of the National Housing Act.

Proposed Action: The Department proposes the addition of this provision in 2014. The Department proposes to extend the termination date of the exemption for critical access hospitals from July 31, 2011 to July 31, 2016.

Sec. 220. *Subparagraph (A) of Section 3(b)(6) of the U.S. Housing Act of 1937 (42 U.S.C. 1437a(b)(6)(A)) is amended by inserting before the period at the end the following: ", or a consortium of such entities or bodies as approved by the Secretary".*

Explanation of this Section: This provision adds a consortium of PHAs to the definition of a PHA that operates public housing.

Proposed Action: The Department proposed the addition of this provision in fiscal year 2013 and proposes it again for fiscal year 2014. This proposal will increase operational efficiencies and reduce the administrative burden on HUD and PHAs.

Sec. 221. *FLAT RENTS.–*

(a) Section 3(a) of the United States Housing Act of 1937 (42 U.S.C. 1437a(a)) is amended –

(1) in paragraph (2)(B)(i) –

(A) in the matter preceding subclause (I) –

(i) by striking "Except as otherwise provided under this clause, each" and inserting "Each";

(ii) by inserting after "which shall" the following: "not be lower than 80 percent of the applicable fair market rental established under section 8(c) of this Act and which shall";

(B) by striking the undesignated matter following subclause (II) and inserting the following: "Public housing agencies must comply by June 1, 2014, with the requirement of this clause, except that if a new flat rental amount for a dwelling unit will increase a family's existing rental payment by more than 35 percent, the new flat rental amount shall be phased in as necessary to ensure that the family's existing rental payment does not increase by more than 35 percent annually. The preceding sentence shall not be construed to require establishment of rental amounts equal to 80 percent of the fair market rental in years when the fair market rental falls from the prior year."

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Explanation of this Section: This provision requires PHAs to set flat rents at levels no lower than 80 percent of the fair market rent, except that PHAs will have to phase-in flat rent increases as necessary to ensure that a family's existing rental payment does not increase by more than 35 percent annually.

Proposed Action: The Department proposed the addition of this provision in fiscal year 2013 and is proposing similar language again for fiscal year 2014. The Department is not proposing a minimum rent increase for fiscal year 2014.

Sec. 222. *Notwithstanding any provision of the United States Housing Act of 1937 concerning the determination of tenant rent obligations, and of section 23 of such Act (42 U.S.C. 1437u) concerning deposits to escrow accounts, the Secretary may, during the 5-year period beginning on the date of enactment of this Act, allow the use of funds made available by the Secretary to public housing agencies to carry out rent policy demonstrations involving a limited number of families assisted under the 1937 Act, for the purpose of determining the effectiveness of different rent policies in encouraging families to obtain employment, increase their incomes, and achieve economic self-sufficiency, while reducing administrative burdens and maintaining housing stability. Such demonstrations shall include public housing agencies of various sizes, and may include providing income disregards, family self-sufficiency accounts, and policies under which families pay rent in amounts different from 30 percent of their adjusted income. The Secretary shall publish a report regarding the results and effectiveness of any demonstrations conducted under the authority of this section.*

Explanation of this Section: This provision authorizes the Department to conduct rent policy demonstrations. These demonstrations will help the Department determine the effectiveness of rental policy initiatives on residents' employment opportunities, incomes, and achievement of economic self-sufficiency, while maintaining housing stability and reducing administrative burdens.

Proposed Action: The Department proposed the addition of this provision in fiscal year 2013 and proposes it again for fiscal year 2014. This provision will assist the Department in developing effective policies to encourage employment and increase the earned income of assisted families.

Sec. 223. *INSPECTIONS.* –

(a) Section 8(o)(8) of the United States Housing Act of 1937 (42 U.S.C. 1437f(o)(8)) is amended –

(1) by redesignating subparagraph (E) as subparagraph (G); and

(2) by striking subparagraph (D) and inserting the following new subparagraphs:

"(D) BIENNIAL INSPECTIONS.

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"(i) REQUIREMENT. –Each public housing agency providing assistance under this subsection (or other entity, as provided in paragraph (11)) shall, for each assisted dwelling unit, make inspections not less often than biennially during the term of the housing assistance payments contract for the unit to determine whether the unit is maintained in accordance with the requirements under subparagraph (A).

"(ii) USE OF ALTERNATIVE INSPECTION METHOD. –The requirements under clause (i) may be complied with by use of inspections that qualify as an alternative inspection method pursuant to subparagraph (E).

"(iii) RECORDS. –The public housing agency (or other entity) shall retain the records of the inspection for a reasonable time, as determined by the Secretary, and shall make the records available upon request to the Secretary, the Inspector General for the Department of Housing and Urban Development, and any auditor conducting an audit under section 5(h).

"(iv) MIXED-FINANCE PROPERTIES. –The Secretary shall have the authority to adjust the frequency of inspections for mixed-finance properties assisted with vouchers under paragraph (13) to facilitate the use of the alternative inspections in subparagraph (E).

"(E) ALTERNATIVE INSPECTION METHOD. –An inspection of a property shall qualify as an alternative inspection method for purposes of this subparagraph if –

"(i) the inspection was conducted pursuant to requirements under a Federal, State, or local housing program (including the Home investment partnership program under title II of the Cranston-Gonzalez National Affordable Housing Act and the low-income housing tax credit program under section 42 of the Internal Revenue Code of 1986); and

"(ii) pursuant to such inspection, the property was determined to meet the standards or requirements regarding housing quality or safety applicable to properties assisted under such program, and, if a non-Federal standard or requirement was used, the public housing agency has certified to the Secretary that such standard or requirement provides the same (or greater) protection to occupants of dwelling units meeting such standard or requirement as would the housing quality standards under subparagraph (B).

"(F) INTERIM INSPECTIONS. –Upon notification to the public housing agency, by a family (on whose behalf tenant-based rental assistance is provided under this subsection) or by a government official, that the dwelling unit for which such assistance is provided does not comply with the housing quality standards under subparagraph (B), the public housing agency shall inspect the dwelling unit –

"(i) in the case of any condition that is life-threatening, within 24 hours after the agency's receipt of such notification, unless waived by the Secretary in extraordinary circumstances; and

"(ii) in the case of any condition that is not life-threatening, within a reasonable time frame as determined by the Secretary."

(b) EFFECTIVE DATE. –The amendments in subsection (a) shall take effect upon such date as the Secretary determines, in the Secretary's sole discretion, through the Secretary's publication of such date in the Federal Register, as part of regulations promulgated, or a notice issued, by the Secretary to implement such amendments.

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Explanation of this Section: This provision changes the requirement for mandatory inspection of units from one to two years at a minimum. The provision continues tenant rights to request inspections during the interim period. In addition, PHAs will be able to satisfy inspections requirements through alternative standards, as long as they are established by other Federal housing programs.

Proposed Action: The Department proposed the addition of this provision in fiscal year 2013 and proposes it again for fiscal year 2014. This provision will reduce administrative burdens for PHAs and allows PHAs to focus limited resources for inspections on higher-risk units.

Sec. 224. *Notwithstanding any other provision of the United States Housing Act of 1937 (42 U.S.C. 1437f et seq.) and any provision in this Act under the headings "Public Housing Operating Fund", "Public Housing Capital Fund", "Tenant-Based Rental Assistance", and "General Provisions, Department of Housing and Urban Development" (except for provisions establishing the amount of funding made available), of the funds provided by this Act under the headings "Public Housing Operating Fund" and "Public Housing Capital Fund", and of the administrative fees in this Act under the heading "Tenant-Based Rental Assistance", a percentage of such funds and fees (which percentage the Secretary shall establish by notice published in the Federal Register) may be set aside and used by a public housing agency for the Consolidated Opportunities for Resident Enrichment (CORE) Flexibility program: Provided, That a public housing agency shall use such set-aside funds and fees to provide flexibility for supportive services activities for families that receive assistance under either section 8(o) or 9 of the United States Housing Act of 1937 (42 U.S.C. 1437f(o) or 42 U.S.C. 1437g), including activities such as service coordination, case management, direct services, services to keep the elderly or persons with disabilities successfully housed, and other activities that promote positive resident outcomes related to education, health, safety, economic security and self-sufficiency, and quality of life: Provided further, That funds and fees may be set aside pursuant to this section for a period of up to two years, after which any unexpended funds shall be used only for the original purposes for which such funds and fees were made available: Provided further, That the Secretary shall develop and publish, in the Federal Register, a notice regarding the use of such set-aside funds and fees, in which the Secretary shall provide program guidelines that include (but are not limited to) eligibility threshold, eligible activities, reporting and accountability, and other matters as determined by the Secretary.*

Explanation of this Section: This provision allows PHAs to set aside a portion, to be determined by the Secretary, of their Public Housing and Tenant-Based Rental Assistance resources for purposes established by the CORE flexibility program, including service coordination, case management, and some direct services to assist residents achieve greater self-sufficiency.

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Proposed Action: The Department proposed the addition of this provision in fiscal year 2013 and proposes it again for fiscal year 2014. This provision will allow PHAs limited flexibility to use housing as a platform for promoting self-sufficiency and improving the quality of life of Public Housing and Section 8 Housing Choice Voucher families.

Sec. 225. *Subsection (d) of section 184 of the Housing and Community Development Act of 1992 (12 U.S.C. 1715z-13a) is amended to read as follows:*

"(d) Guarantee fee. The Secretary shall establish and collect, at the time of issuance of the guarantee, a fee for the guarantee of loans under this section, in an amount not exceeding 3 percent of the principal obligation of the loan. The Secretary may also establish and collect annual premium payments in an amount not exceeding 1 percent of the remaining guaranteed balance (excluding the portion of the remaining balance attributable to the fee collected at the time of issuance of the guarantee). The Secretary shall establish the amount of the fees and premiums by publishing a notice in the Federal Register. The Secretary shall deposit any fees and premiums collected under this subsection in the Indian Housing Loan Guarantee Fund established under subsection (i)."

Explanation of this Section: This provision allows the Department to change the fee structure for Native American borrowers under the Indian Housing Loan Guarantee Program to collect fees up to three percent upfront and one percent annually. This increase in fees will allow for an increase in loan volume and fund the cost of loan subsidies.

Proposed Action: The Department proposed the addition of this provision in fiscal year 2013 and proposes it again for fiscal year 2014. This new fee structure will allow the Department to generate the additional subsidy necessary to guarantee additional loans and meet the large increase in demand for this program.

Sec. 226. *Subsection (g) of section 9 of the United States Housing Act of 1937 (42 U.S.C. 1437g(g)) is amended by striking paragraphs (1) and (2) and inserting the following new paragraph:*

"(1) FULL FLEXIBILITY OF CAPITAL AND OPERATING FUND AMOUNTS.--The Secretary shall provide, by notice published in the Federal Register, that of any amounts allocated for any fiscal year from the funds under subsections (d) and (e) for any public housing agency that is not designated pursuant to section 6(j)(2) as a troubled public housing agency and that, in the determination of the Secretary is operating and maintaining its public housing in a safe, clean, and healthy condition, the agency may use any such amounts for any eligible activities under subsections (d)(1) and (e)(1), regardless of the fund from which the amounts were allocated and provided."; and

(2) by redesignating paragraph (3) as paragraph (2).

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Explanation of this Section: This provision provides fungibility of PHA operating and capital funds. Currently, only small PHAs have the ability to use their public housing Operating and Capital funds interchangeably. This proposal will allow PHAs to more efficiently and effectively respond to the operating and capital needs of the public housing stock.

Proposed Action: The Department proposed the addition of this provision in fiscal year 2013 and proposes it again for fiscal year 2014.

Sec. 227. GINNIE MAE SECURITIZATION.–

(a) Paragraph (8) of section 542(b) of the Housing and Community Development Act of 1992 (12 U.S.C. 1715z-22(b)) is amended in its title by deleting "Prohibition on" and by revising the text of paragraph (8) to read as follows:

"The Government National Mortgage Association shall not securitize any multifamily loans insured or reinsured under this subsection, except as provided herein. The Government National Mortgage Association may, at the discretion of the Secretary, securitize any multifamily loan, provided that –

"(A) the Federal Housing Administration provides mortgage insurance based on the unpaid principal balance of the loan, as shall be described in the Risk Share Agreement

"(B) the Federal Housing Administration shall not require an assignment fee for mortgage insurance claims related to the securitized mortgages, and

"(C) any successors and assigns of the risk share partner (including the holders of credit instruments issued under a trust mortgage or deed of trust pursuant to which such holders act by and through a trustee therein named) shall not assume any obligation under the risk-sharing agreement and may assign any defaulted loan to the Federal Housing Administration in exchange for payment of the mortgage insurance claim.

"The risk-sharing agreement must provide for reimbursement to the Secretary by the risk share partner(s) for either all or a portion of the losses incurred on the loans insured."

(b) Paragraph (6) of section 542(c) of the Housing and Community Development Act of 1992 (12 U.S.C. 1715z-22(c)) is amended in its title by deleting "Prohibition on" and by revising the text of paragraph (6) to read as follows:

"The Government National Mortgage Association may, at the discretion of the Secretary, securitize any multifamily loan insured under this subsection, provided that –

"(A) the Federal Housing Administration provides mortgage insurance based on the unpaid principal balance of the loan, as shall be described by regulation,

"(B) the Federal Housing Administration shall not require an assignment fee for mortgage insurance claims related to the securitized mortgages, and

"(C) any successors and assigns of the risk share partner (including the holders of credit instruments issued under a trust mortgage or deed of trust pursuant to which such holders act by and through a trustee therein named) shall not

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assume any obligation under the risk-sharing agreement and may assign any defaulted loan to the Federal Housing Administration in exchange for payment of the mortgage insurance claim.

"The risk-sharing agreement must provide for reimbursement to the Secretary by the risk share partner(s) for either all or a portion of the losses incurred on the loans insured."

(c) Clause (ii) of the first sentence of section 306(g)(1) of the National Housing Act (12 U.S.C. 1721(g)(1)) is amended by striking the semi-colon and inserting a comma, and by inserting before the period at the end the following: ", or which are insured under subsection (b) or (c) of section 542 of the Housing and Community Development Act of 1992 (12 U.S.C.1715z-22), subject to the terms of paragraph (8) and (6), respectively, of such subsection".

Explanation of this Section: Sections 542(b)(8) and (c)(6) as enacted (12 U.S.C.1715z –22(b)(8) and (c)(6)) prevent securitization of risk-sharing loans through Ginnie Mae-guaranteed securities. This is because, if a risk-sharing loan is securitized and the issuer defaults, Ginnie Mae, as assignee of the loan, would become liable for the risk-sharing obligations of the issuer, as would any other issuer to which Ginnie Mae might attempt to transfer the loan.

This proposal amends Sections 542(b) and (c) to remove the prohibition against securitization of these loans through Ginnie Mae, so long as the scope of insurance on the loans falls within the parameters of amended Section 542(b) and (c). Specifically, while the loans may be the subject of a risk sharing agreement between the originating mortgagee and FHA, successors and assignees of the originating mortgagee shall not be liable for the obligations under the risk sharing agreement. Upon assignment of a loan to FHA by an assignee/successor, FHA shall pay an insurance claim based on the unpaid principal balance. In addition, FHA shall not require an assignment fee for any loan insured under these subsections if the loan is securitized through Ginnie Mae.

The related conforming amendment includes language in Ginnie Mae's Charter Act to authorize securitization of loans insured under Subsections 542(b) and (c) as amended.

These amendments will allow Ginnie Mae to provide secondary market liquidity to support a broader range of housing financed through FHA risk-sharing programs, including small (5-49 units) affordable multifamily developments, and improve existing financing options.

Proposed Action: The Department proposed the addition of this provision in fiscal year 2013 and proposes it again for fiscal year 2014. The proposed amendments will increase access to multifamily development financing by allowing Ginnie Mae to securitize risk-sharing loans.

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Sec. 228. *EXCEPTION TO AFFORDABLE HOUSING QUALIFICATION FOR MULTIFAMILY HOUSING SECURING LOANS MADE BY CERTAIN ENTITIES.* –Section 542(b)(9) of the Housing and Community Development Act of 1992 (12 U.S.C. 1715z-22(b)(9)) is amended by inserting after the period at the end the following: "This requirement does not apply to housing securing loans made to increase the availability of capital to small multifamily rental properties by entities approved by the Secretary as having demonstrated experience in making loans for low and moderate income multifamily housing."

Explanation of this Section: This provision will expand on the Department's demonstration authority to make Section 542(b) Risk Share loans available to small multifamily properties (5 to 49 units). These small properties are underserved by the conventional market, and are traditionally underserved by FHA as well. The provision focuses on the particular needs of very small (20 units and under), unsubsidized properties. These small properties comprise a significant share of rental housing in certain urban areas. Small multifamily properties are an important means for the Department to meet its affordable housing and community development goals. These properties are more likely to be owned by small entities or individuals, tend to be concentrated in lower income neighborhoods, and often offer rents affordable to households below median income.

Explanation of this Section: The Department proposed the addition of this provision as part of Ginnie Mae risk-sharing provisions in fiscal year 2013. The Department proposes the addition of this as a stand-alone provision in fiscal year 2014.

Sec. 229. (a) *Subsection (b) of section 225 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12755) is amended by inserting at the end the following sentence: "Such 30 day waiting period is not required if the grounds for the termination or refusal to renew involve a direct threat to the safety of the tenants or employees of the housing, or an imminent and serious threat to the property (and the termination or refusal to renew is in accordance with the requirements of State or local law)."*

(b) *Section 231 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12771) is amended –*

(1) *in subsection (b) by striking "make such funds available by direct reallocation" and all that follows through "were recaptured" and inserting "reallocate the funds by formula in accordance with section 217(d) of this Act (42 U.S.C. 12747(d))"; and*
(2) *by striking subsection (c).*

(c) *Section 104(6) of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12704) is amended by inserting at the end of the undesignated matter after subparagraph (D) the following sentence: "In the case of an organization funded by the State under title II of this Act, the organization may serve all counties within the State."*

(d) *Section 216 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12746) is amended –*

- (1) *in paragraph (3) by striking "Except as provided in paragraph (10), a" and inserting "A";*
- (2) *in paragraph (8) by striking "subsequent" and inserting "five";*
- (3) *by amending paragraph (9) to read as follows:*

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"(9) REVOCATION. –

"(A) The Secretary may revoke a jurisdiction's designation as a participating jurisdiction if the Secretary finds, after reasonable notice and opportunity for hearing, that the jurisdiction is unwilling or unable to carry out the provisions of this title. Any remaining line of credit in the jurisdiction's HOME Investment Trust Fund established under section 218 shall be reallocated in accordance with paragraph (6) of this section.

*"(B) The Secretary shall revoke a jurisdiction's designation as a participating jurisdiction if the jurisdiction's allocation falls below \$500,000 for 3 years during the period in paragraph (8)."; and
(4) by striking paragraph (10).*

*(e) Section 217(b) of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12747(b)) is amended –
(1) in paragraph (3) by striking ", except as provided in paragraph (4)"; and
(2) by striking paragraph (4).*

Explanation of this Section: These provision makes four changes to the HOME Investment Partnership Program: (1) Facilitates eviction of HOME rental unit tenants who pose a direct threat to tenants or employees of the housing or are an imminent, serious threat to the property; (2) Allows recaptured Community Housing Development Organization (CHDO) funds to be reallocated by formula as regular HOME funds; (3) Allows nonprofit organizations that operate statewide to be designated as CHDOs by the State Participating Jurisdiction; (4) Revises provisions that establish when Participating Jurisdictions that fall below eligibility criteria could continue to receive HOME funding.

Proposed Action: The Department proposed the addition of the provisions on eviction and CHDO recaptures in fiscal year 2013 and proposes them again for fiscal year 2014. For fiscal year 2014, the Budget proposes additional HOME provisions to revise the grandfathering of participating jurisdictions and authorize nonprofit organizations that operate statewide.

Sec. 230.

*(a) Section 3(b) of the United States Housing Act of 1937 (42 U.S.C. 1437a) is amended –
(1) in paragraph (2)*

(A) by designating the first sentence as subparagraph (A), the second sentence as subparagraph (B), and the remaining sentences as subparagraph (D);

(B) by inserting after subparagraph (B) the following new subparagraph (C):

"(C) The term extremely low-income families means very low-income families whose incomes do not exceed the higher of –

"(i) the poverty guidelines updated periodically by the Department of Health and Human Services under the authority of section 673(2) of the Community Services Block Grant Act applicable to a family of the size involved (except that this

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clause shall not apply in the case of public housing agencies located in Puerto Rico or any other territory or possession of the United States); or

"(ii) 30 percent of the median family income for the area, as determined by the Secretary, with adjustments for smaller and larger families (except that the Secretary may establish income ceilings higher or lower than 30 percent of the median for the area on the basis of the Secretary's findings that such variations are necessary because of unusually high or low family incomes)."; and

(C) in subparagraph (D), as so designated by this subsection, by striking the second sentence and all that follows through the end of the subparagraph; and

(2) in paragraph 5(A), by revising subparagraph (ii) to read as follows:

"(ii) Health and medical expenses. The amount, if any, by which 10 percent of annual family income is exceeded by the sum of

"(I) in the case of any elderly or disabled family, any unreimbursed health and medical care expenses;
and

"(II) any unreimbursed reasonable attendant care and auxiliary apparatus expenses for each handicapped member of the family, to the extent necessary to enable any member of such family to be employed.".

(b) Section 16 of the United States Housing Act of 1937 (42 U.S.C. 1437n) is amended –

(1) in subsection (a)(2)(A),

(2) in subsection (b)(1), and

(3) in subsection (c)(3), by striking "families whose incomes" and all that follows through "low family incomes" and inserting "extremely low-income families".

Explanation of this Section: This provision makes two changes to rental assistance programs: (1) Broadening the definition of "extremely-low income" to apply to families with the higher of 30 percent of Area Median Income or Federal poverty level; (2) Increases the threshold for deducting unreimbursed medical expenses from 3 percent to 10 percent of family income.

Proposed Action: The Department proposed the addition of these provisions in fiscal year 2013 and proposes them again for fiscal year 2014 to better target rental assistance to the working poor, simplify administration of the medical expenses deduction, and reduce Federal costs.

Sec. 231. *Notwithstanding Section 24(o) of the United States Housing Act of 1937 (42 U.S.C. 1437v(o)), amounts made available in prior appropriations Acts under the heading "Revitalization of Severely Distressed Public Housing (HOPE VI)" or under the heading "Choice Neighborhoods Initiative" may continue to be provided as assistance pursuant to such Section 24.*

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Explanation of this Section: The provision allows HUD to continue to obligate and expend prior-year HOPE VI and Choice Neighborhood funds through September 30, 2014.

Proposed Action: The Department proposed the addition of this provision in fiscal year 2013 and proposes it again for fiscal year 2014.

Sec. 232. PROJECT RENTAL ASSISTANCE AUTHORITY. – Section 202(f)(2) of the Housing Act of 1959 (12 U.S.C. 1701q(f)(2)) is amended –

(a) in paragraph (A) –

(1) by striking the matter before clause (i) and inserting the following: "The Secretary shall establish procedures to delegate the award, review and processing of projects to a State or local housing agency that—"; and

(2) in clause (iii), by striking "capital advance" and inserting "funding", and by replacing the comma with a semi-colon;

(b) in subparagraph (B), by striking "capital advances" and inserting "funding under this section";

(c) in subparagraph (C), by striking the first sentence;

(d) by redesignating subparagraph (D) as subparagraph (E), and in the redesignated subparagraph (E) –

(1) by striking "a capital advance" and inserting "funding under this section"; and

(2) by striking "capital advance amounts or project rental assistance" and inserting "funding under this section"; and

(e) by inserting the following new subparagraph after subparagraph (C):

"(D) Assistance under subsection (c)(2) may be provided for projects for which the applicable State agency responsible for health and human services programs, and the applicable State agency designated to administer or supervise the administration of the State plan for medical assistance under title XIX of the Social Security Act, have entered into such agreements as the Secretary considers appropriate—

"(i) to identify the target populations to be served by the project;

"(ii) to set forth methods for outreach and referral; and

"(iii) to make available appropriate services for tenants of the project."

Explanation of this Section: This provision expands the existing Delegated Processing Agency authority to facilitate provision of Section 202 operating assistance-only contracts to fund supportive housing units aligned with State health care priorities. Funded projects must be fully leveraged with other capital resources and only require Section 202 funds for operating assistance. These requested changes will allow for improved coordination and more cost-effective administration of available HUD rental assistance funds with other State and Federal assistance. This proposed authority draws upon lessons learning from the Section 811 Project Rental Assistance demonstration authorized by the Frank Melville Supportive Housing Investment Act of 2010.

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Proposed Action: The Department proposed the addition of this provision in fiscal year 2013 and proposes it again for fiscal year 2014.

Sec. 233. *The proviso under the "Community Development Fund" heading in Public Laws 109-148, 109-234, 110-252, and 110-329 which requires the Secretary to establish procedures to prevent duplication of benefits and to report to the Committees on Appropriations on all steps to prevent fraud and abuse is amended by striking "quarterly" and inserting "annually".*

Explanation of this Section: This provision changes the requirement from quarterly to annually for the Department to report to the Committees on Appropriations on the establishment of procedures to prevent duplication of benefits under the Community Development Fund for specific disaster supplementals. Quarterly reports do not often show significant changes in progress and changes would also be reflected in an annual report. This provision only changes the frequency of the Department's reports to the Committees on Appropriations and does not change grantees reporting requirements to the Department.

Proposed Action: The Department proposed the addition of this provision in fiscal year 2013 and proposes it again for fiscal year 2014. Reporting on an annual basis would provide the Committees on Appropriations with the same information and reduce the administrative burden on the Department.

Sec. 234. *Section 11 of the Housing Opportunity Program Extension Act of 1996 (42 U.S.C. 12805 note) is amended—*

(1) in subsection (d)(2) by inserting at the end the following new subparagraph:

"(C) PLANNING, ADMINISTRATION, AND MANAGEMENT. Planning, administration, and management of grant programs and activities, provided that such expenses do not exceed 20 percent of any grant made under this section.";

(2) in subsection (i)(5) by—

(A) striking "24" and inserting "36"; and

(B) striking "except that" and all that follow through "such grant amounts";

(3) in subsection (j) by—

(A) inserting after the heading "(1) REDISTRIBUTION OF FUNDS.";

(B) striking "24" and inserting "36";

(C) striking "(or, in the case" and all that follows through "within 36 months)"; and

(D) inserting at the end the following new paragraph:

"(2) DEADLINE FOR COMPLETION AND CONVEYANCE. — The Secretary shall establish a deadline (which may be extended for good cause as determined by the Secretary) by which time all units that have been assisted with grant funds under this section must be completed and conveyed."; and

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(4) by striking subsection (q).

Explanation of this Section: This proposed provision makes four changes to the Self-Help and Homeownership Opportunity (SHOP) program:

(1) Adds an eligibility category under subsection (d)(2) to specifically allow up to twenty percent of each SHOP Grant to be used for eligible planning, administration and management costs provided such costs do not exceed 20 percent of the SHOP Grant: SHOP NOFAs have historically allowed the use of SHOP Grant funds for eligible planning, administration and management costs, provided such costs do not exceed 20 percent of the SHOP Grant. This authorization is well established in the SHOP program. Adding this Section to the SHOP statute codifies this authority in the statute, and clarifies that there are three categories of eligible costs that can be financed with SHOP Grant funds: land acquisition, infrastructure improvements; and planning, administration and management (provided such expenses do not exceed 20 percent of the grant).

(2) Amends subsections (i)(5) and (j) to eliminate the dual 24 month and 36 month Grant expenditure time frames (the Grant Term), and establish a single 36 month Grant Term for all participating organizations, consortia and affiliate organizations, after which the Secretary will recapture any "unused" SHOP Grant funds: Amending Sections (i)(5) and (j) "Grant Agreement" to establish a single 36 month SHOP Grant Term for all SHOP Grantees, Consortium members and affiliate organizations will facilitate program management and eliminate an unnecessary distinction between different categories of SHOP entities based on the number of SHOP units to be undertaken. This change will enable Grantees to more easily shift funds away from non-performing affiliates to performing affiliates, without being in danger of violating the 24 month Grant Term. It will also ease HUD and the Grantee's administrative burden of tracking multiple deadlines for each SHOP Grant.

(3) Adds to subsection (j) a provision that authorizes the Secretary to establish a deadline for the completion and conveyance of all SHOP units that have been assisted with SHOP Grant funds: Although the SHOP statute establishes a deadline for the use (expenditure) of all SHOP Grant funds, it does not establish a deadline for the completion and conveyance of all SHOP units that have been financed with these Grant funds. Final Grant Close Out does not occur until all SHOP Grant-assisted units have been completed and conveyed to eligible homebuyers. Providing HUD with the statutory authority to establish a deadline for the timely completion and conveyance of all SHOP Grant-assisted units will better enable HUD to facilitate program performance and enforce against instances of non-compliance. HUD could modify a deadline for good cause.

(4) Eliminates subsection (q) which prohibits the Secretary from issuing regulations that exceed, in length, five full pages in the Federal Register: The current SHOP statute subsection (q) limits HUD's issuance of necessary regulations to five pages, which is too limited to allow HUD to issue meaningful program rules. As a result, the annual SHOP Notice of Funding Availability (NOFA) and

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related Grant Agreement are overburdened with SHOP program and cross-cutting statutory requirements. Removing subsection (q) from the SHOP Statute will eliminate this unrealistic five page limitation on the issuance of SHOP regulations. This will enable HUD to engage in rulemaking that will allow an opportunity for public comment, unlike the NOFA process. The issuance of regulations will also provide more certainty and consistency in the SHOP program, establish clear guidance for program administration, and streamline the NOFA process.

Proposed Action: The Department proposes the addition of this provision in fiscal year 2014.

Sec. 235. RENTAL ASSISTANCE DEMONSTRATION AMENDMENTS—

The language under the heading Rental Assistance Demonstration in the Department of Housing and Urban Development Appropriations Act, 2012 (Public Law 112-55) is amended—

(1) by striking "(except for funds allocated under such section for single room occupancy dwellings as authorized by title IV of the McKinney-Vento Homeless Assistance Act)" in both places such language appears;

(2) in the third proviso by inserting "in excess of amounts made available under this heading" after "associated with such conversion";

(3) in the fourth proviso—

(A) by striking "60,000" and inserting "150,000"; and

(B) by striking "or section 8(e)(2)"; and

(4) in the penultimate proviso by striking "and 2013," and inserting "through 2015".

Explanation of this Section: This provision will help facilitate the conversion and preservation of public and other HUD-assisted properties through the Rental Assistance Demonstration (RAD).

An increase in the 60,000 unit cap to 150,000 units, and the exclusion of Section 8 Moderate Rehabilitation properties from the cap will allow for a greater portion of both the public housing and Mod Rehab stocks to convert under RAD. Allowing McKinney Single Room Occupancy Section 8 Mod Rehab projects, which are ineligible for conversion under the existing RAD statute, to convert under RAD on the same "no cost" basis will give owners of these projects a new option for preservation, recapitalization, and repositioning consistent with other Mod Rehab developments.

The request to extend the sunset date on the conversion of Tenant Protection Vouchers (TPVs) to Project-Based Vouchers (PBVs) to September 30, 2015 allows the Department to continue working with private owners of projects whose contracts expire or terminate beyond September 30, 2013; it also allows the department to more effectively prioritize and more seamlessly execute the conversion

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of these projects in conjunction with other preservation-related transactions on these properties (such as prepayments and IRP decouplings); finally, it allows for a more consistent demonstration period between the first and second components of RAD.

Proposed Action: The Department proposes the addition of this provision in fiscal year 2014.

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Sec. 236. PHA COMPENSATION—

(a) Section 2(b) of the United States Housing Act of 1937 (42 U.S.C. 1437(b)) is amended by adding the following new paragraph at the end:

"(4) SALARY.—

"(A) GENERAL.--This paragraph establishes the maximum salary that a public housing agency may provide to its employees and the maximum annual contract amounts that may be paid to its contract personnel using funds provided under this Act. A public housing agency shall use the same salary structure as described in this paragraph and follow the requirements of uniform administrative rules for Federal grants and cooperative agreements and principles and standards for determining costs for Federal awards for all payments that it makes to its employees and for personnel hired as contractors when funds provided under this Act are used for such payments.

"(B) SALARY STRUCTURE.—

"(i) The base salary of public housing agency employees and the contract amount paid to contracted personnel from funds provided under this Act shall be based on the Federal General Schedule (GS) basic rate of pay, including locality adjustment, established under sections 5303 and 5304 of title 5, United States Code as follows:

"(I) For public housing agencies with less than 250 total units (public housing and section 8 housing vouchers), the base salary of a public housing agency employee or total annual payment to each contracted personnel shall not exceed the basic rate of pay, including a locality adjustment, for GS-11, step 10;

"(II) For public housing agencies with 250 to 1249 total units (public housing and section 8 housing vouchers), the base salary of a public housing employee or total annual payment to each contracted personnel shall not exceed the basic rate of pay, including locality adjustment, for GS-13, step 10;

"(III) For public housing agencies with 1250 or more total units (public housing and section 8 housing vouchers), the base salary of a public housing agency employee or total annual payment to each contracted personnel shall not exceed the basic rate of pay, including locality adjustment, for GS-15, step 10.

"(ii) Any amount of salary paid to an employee or of total annual payment to each contracted personnel that exceeds the amount provided under the structure of this paragraph must be from non-Federal non-Act sources.

"(iii) The salary structure provided in subparagraph (B)(i) shall be subject to any requirements that may be established for the General Schedule by an appropriations Act or by Presidential executive order for any Federal fiscal year.

"(iv) A public housing agency must certify that it has established detailed performance measures that describe how public housing agency employees or personnel hired as contractors may receive a salary or contract increase within the limits of subparagraph (B)(i). The certification shall be transmitted to the Secretary in a format as determined by the Secretary.

"(C) DEFINITIONS.--For purposes of this section—

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"(i) Employee includes any member of a public housing agency's organization whose salary is paid in whole or in part from funds provided under this Act, and regardless of whether such employee is full-time or part-time, temporary or permanent.

"(ii) Contracted personnel includes any member of a public housing agency's organization whose position is procured under uniform administrative rules for Federal grants and cooperative agreements and who is paid in whole or in part from funds provided under this Act, and regardless of whether such individual is full-time or part-time, hourly, temporary or permanent. No such position shall be for a period beyond 5 years without re-procurement.

"(iii) Salary includes the annual basic rate of pay, including a locality adjustment, as provided in subparagraph (B) and any additional adjustments, such as may be provided for overtime or shift differentials, bonuses, or contract payments including bonuses. Salary does not include fringe benefits as defined in principles and standards for determining costs for Federal awards.

"(D) DISCLOSURE OF RECORDS. — Each public housing agency shall make available to the Secretary, at the Secretary's request, such financial and other records as the Secretary deems necessary for purpose of review and monitoring compliance with this section."

(b) EFFECTIVE DATE. — The amendment made by subsection (a) shall take effect on January 1, 2014 except that for contract personnel the amendment should be effective upon the expiration of any contract in effect on the date of enactment of the amendment.

Explanation of this Section: This provision establishes permanent, tiered caps on PHA personnel compensation based on the number of housing voucher and public housing units PHAs manage and tied to the Federal General Schedule pay scale.. This provision also mandates full disclosure of personnel compensation data upon request by the Secretary of HUD.

Proposed Action: The Department proposes the addition of this provision in fiscal year 2014.

Sec. 237. UTILITY ALLOWANCE – *Section 8(o)(2) of the United States Housing Act of 1937 (42 U.S.C. 1437f(o)(2), is amended— by adding at the end the following new subparagraph:*

"(D) UTILITY ALLOWANCE.

"(1) GENERAL.— In determining the monthly assistance payment for a family under subparagraphs (A) and (B), the amount allowed for tenant-paid utilities shall not exceed the appropriate utility allowance for the family unit size as determined by the public housing agency regardless of the size of the dwelling unit leased by the family.

"(2) EXCEPTION FOR FAMILIES INCLUDING PERSONS WITH DISABILITIES. — Notwithstanding subparagraph (A), upon request by a family that includes a person with disabilities, the public housing agency shall approve a utility

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allowance that is higher than the applicable amount on the utility allowance schedule if a higher utility allowance is needed as a reasonable accommodation to make the program accessible to and usable by the family member with a disability.”

Explanation of this Section: This provision will cap the utility allowance for families leasing oversized units at an amount based on family size rather than the size of the unit leased. Currently, PHAs provide utility allowances to families based on the actual size of the unit rented rather than the size of the unit a family qualifies for under the PHA subsidy standards. This would harmonize the utility allowance standard with the payment standard rule in that the utility allowance would be no more than the bedroom size a family qualifies for.

Proposed Action: The Department proposes the addition of this provision in fiscal year 2014.

Sec. 238. FAIR MARKET RENTS. — *Paragraph (1) of section 8(c) of the United States Housing Act of 1937 (42 U.S.C. 1437) is amended—*

- (a) by inserting “(A)” after the paragraph designation;*
- (b) by striking the fourth, seventh, eighth, ninth sentences; and*
- (c) by adding at the end the following:*

“(B) Publication of Fair Market Rentals – Not less than annually:

“(1) The Secretary shall publish a notice in the Federal Register that proposed fair market rentals for an area have been published on the site of the Department on the Internet and in any other manner specified by the Secretary. Such notice shall describe proposed material changes in the methodology for estimating fair market rentals and shall provide reasonable time for public comment.

“(2) The Secretary shall publish a notice in the Federal Register that final fair market rentals have been published on the site of the Department on the internet and in any other manner specified by the Secretary. Such notice shall include the final decisions regarding proposed substantial methodological changes for estimating fair market rentals and responses to public comments.”

Explanation of this Section: This provision generally allows the Secretary of HUD to publish proposed and final FMRs on the Internet without also printing all FMRs in the Federal Register. Proposed and final methodological changes in FMR estimates, and solicitation of public comment on FMRs would continue to be published in the Federal Register. The provision also removes obsolete language specifying certain counties as receiving special FMR estimates.

Proposed Action: The Department proposes the addition of this provision in fiscal year 2014.

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Sec. 239. *Section 314 of the Department of Housing and Urban Development Appropriations Act, 2006 is repealed.*

Explanation of this Section: Section 314 of the fiscal year 2006 Appropriations Act required the Department to submit a report in 2006, and annually thereafter, regarding the number of federally assisted units under lease and per unit cost. It is a significant administrative burden to produce this report and the data it contains is available in other sources including the Department's Annual Performance Report and on the website.

Proposed Action: The Department proposes the addition of this provision in fiscal year 2014. The Department can provide this data to the Committees on Appropriations upon request and the repeal of this requirement would reduce the administrative burden of preparing an annual report.

Sec. 240. *Section 255 of the National Housing Act (12 U.S.C. 1715z-20) is amended—*

(a) in subsection (b)(1) by inserting before the period ", except that the term mortgagor shall not include the successors and assigns of the original borrower under a mortgage"; and

(b) in subsection (j) to read as follows: "(j) SAFEGUARD TO PREVENT DISPLACEMENT OF HOMEOWNER.--In order for a mortgage to be eligible for insurance under this section, the mortgage shall provide that the obligation of the mortgagor to satisfy the loan obligation is deferred until the death of the mortgagor, the sale of the home, or the occurrence of other events specified in regulations of the Secretary. Section 1647(b) of title 15 and any implementing regulations issued by the Board of Governors of the Federal Reserve System shall not apply to a mortgage insured under this section."

Explanation of this Section: This section revises the National Housing Act to clarify that the HECM becomes due and payable on the death of the mortgagor spouse. This corrects the incorrect understanding that a non-mortgagor spouse can benefit from the HECM despite the death of the mortgagor spouse. This has been a source of litigation for the Department. This clarification will help avoid such misunderstanding in the future.

Proposed Action: The Department proposes the addition of this provision in fiscal year 2014.

Sec. 241. *HOUSING COUNSELING AMENDMENTS—*

(a) Section 106 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701x) is amended—

(1) by adding at the end of the section the following new subsection: "(j) FINANCIAL ASSISTANCE. For purposes of this section, the Secretary may enter into multiyear agreements as is appropriate, subject to the availability of annual appropriations."

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(2) in subsection (e)(2) by adding the following undesignated matter at the end of paragraph (2): "These standards may provide that an individual may also show competence to provide counseling by having successfully completed training in each of the six areas."; and

(3) in subsection (f)—

(A) in paragraph (1), by inserting "or entities" after "(which may be a nonprofit organization)"; and

(B) in paragraphs (3) through (6), by inserting "or entities" after the word "entity" each place such word

appears.

(b) Section 4(g)(3)(A) of the Department of Housing and Urban Development Act (42 U.S.C. 3533(g)(3)(A)) is amended by—

(1) by striking "and" in clause (i);

(2) in clause (ii), by striking the period at the end, and inserting "; and"; and

(3) by adding the following clause at the end: "(iii) to accept and retain, on behalf of the Secretary, and subject to procedures established by the Secretary, funds from private entities, including mortgage lenders and servicers, and any funds made available to the Director pursuant to the settlement of any legal proceedings, to be distributed and used for housing counseling activities under section 106 of the Housing and Urban Development Act of 1968."

Explanation of this Section: This proposed provision makes three changes that will streamline and improve the Housing Counseling program:

(1) Allows the Department to enter into multiyear agreements with grantees subject to the availability of funding. Multiyear counseling funding reduces the burden on HUD to process applications and award grants on an annual basis and allows HUD-approved housing counseling agencies to apply for multiyear grant funds instead of submitting applications annually. Multiyear funding will help counseling agencies use their resources to help homeowners and prospective homeowners and not expend valuable time applying for grants every year if the counseling agency has a proven record of performance. Additionally, multiyear funding will allow housing counseling agencies to reduce capital costs by increasing the potential funds they can leverage and provide for better long-term funding plans.

(2) Expands the eligibility for qualified organizations to provide counselor training from one to multiple entities. Multiple entities administering the homeownership and rental counselor training and certification program will reduce burden on housing counseling agencies and housing counselors by providing housing counselors with more testing sites and training opportunities.

(3) Allows private entities to provide funding to HUD-approved Housing Counseling agencies. Private funding from sources such as reverse mortgage lenders, servicers and settlement funds, could be efficiently and fairly approved or distributed by HUD to qualified

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counseling agencies. Leveraging non-federal sources of funding would allow agencies to provide additional services while maintaining the quality and independence of HUD-approved Housing Counselors.

Proposed Action: The Department proposes the addition of this provision in fiscal year 2014.

Sec. 242. COMMUNITY DEVELOPMENT BLOCK GRANT AMENDMENTS—

(a) Section 102 of the Housing and Community Development Act of 1974 (42 U.S.C. 5302) is amended—

(1) in subsection (a)(4)—

(A) in the second sentence, by striking "Any" and inserting "Through September 30, 2013, but not thereafter, any";

(B) by amending the fourth sentence to read, "A city may elect not to maintain its classification as a metropolitan city."; and

(C) by striking the fifth sentence; and

(2) in subsection (a)(6)(B) by striking "Any" and inserting "Through September 30, 2013, but not thereafter, any".

(b) Section 106 of the Housing and Community Development Act of 1974 (42 U.S.C. 5306) is amended by adding at the end the following new subsection:

"(g) QUALIFICATION FOR A GRANT.—

"(1) In general, in fiscal year 2014 and for subsequent fiscal years, once a metropolitan city or urban county receives a formula allocation, it shall receive an allocation for five years regardless of its classification as a metropolitan city, whether it meets the population criteria under section 102(a)(6)(A)(ii), or any decrease in its formula allocation.

"(2) Notwithstanding section 106(a)(4)—

"(A) except as provided in (B), the Secretary will not make an allocation—

"(i) to a metropolitan city or urban county if its allocation falls below 0.0125 percent of the appropriation for three years during the five year period in paragraph (1);

"(ii) for a city, if it does not meet the definition of a metropolitan city in section 102(a)(4) after the five year period; or

"(iii) for a county, if it no longer maintains the population under section 102(a)(6)(A)(ii) after the five year period; and

"(B) any metropolitan city or urban county that does not receive a grant in any fiscal year after September 30, 2012, shall only receive a grant in fiscal year 2014 and any subsequent year if its formula allocation is \$500,000 or greater."

Explanation of this Section: This proposed provision makes two changes to the CDBG program. It establishes a minimum grant threshold and eliminates the "grandfathering" provision to better target funds to communities in need and ensure that communities

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receive grants large enough to be effective in furthering the goals of the program. The proposed changes affecting current grantees will not be fully implemented until 2019.

Proposed Action: The Department proposes the addition of this provision in fiscal year 2014.

Sec. 243. PERFORMANCE PARTNERSHIP PILOTS—

(a) **Definitions.** *In this section,*

(1) *"Performance Partnership Pilot" (or "Pilot") is a project that seeks to identify, through a demonstration, cost-effective strategies for providing services at the state, regional, or local level that—*

(A) *involve two or more Federal programs (administered by one or more Federal agencies)—*

(i) *which have related policy goals, and*

(ii) *at least one of which is administered (in whole or in part) by a state, local, or tribal government;*

and

(B) *achieve better results for regions, communities, or specific at risk populations through making better use of the budgetary resources that are available for supporting such programs.*

(2) *"To improve outcomes for disconnected youth" means to increase the rate at which individuals between the ages of 14 and 24 (who are homeless, in foster care, involved in the juvenile justice system, or are neither employed nor enrolled in an educational institution) achieve success in meeting educational, employment or other key goals.*

(3) *The "lead Federal administering agency" is the Federal agency, to be designated by the Director of the Office of Management and Budget (from among the participating Federal agencies that have statutory responsibility for the Federal discretionary funds that will be used in a Performance Partnership Pilot) that will enter into and administer the particular Performance Partnership Agreement on behalf of that agency and the other participating Federal agencies.*

(b) **Use of Discretionary Funds in Fiscal Year 2014 Appropriations Act.** *Federal agencies may use Federal discretionary funds, that are made available in this act or any other appropriations act providing funds for Fiscal Year 2014 and corresponding authority to enter into Performance Partnership Pilots, to carry out up to a total of 13 Performance Partnership Pilots involving up to a total of \$130,000,000 in aggregate Federal discretionary budget authority. Such Pilots shall:*

(1) *be designed to improve outcomes for disconnected youth, and*

(2) *involve Federal programs targeted on disconnected youth, or designed to prevent youth from disconnecting from school or work, that provide education, training and employment, and other related social services; and*

(c) **Performance Partnership Agreements.** *Federal agencies may use Federal discretionary funds, as authorized in subsection (b), to participate in a Performance Partnership Pilot only in accordance with the terms of a Performance Partnership Agreement that—*

(1) *is entered into between—*

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(A) the head of the lead Federal administering agency, on behalf of all of the participating Federal agencies (subject to the head of the lead Federal administering agency having received from the heads of each of the other participating agencies their written concurrence for entering into the Agreement), and

(B) the respective representatives of all of the state, local or tribal governments that are participating in the Agreement; and

(2) specifies, at a minimum, the following information:

(A) the length of the Agreement (which shall not extend beyond September 30, 2018);

(B) the Federal programs and federally-funded services that are involved in the Pilot;

(C) the Federal discretionary funds that are being used in the Pilot (by the respective Federal account identifier, and the total amount from such account that is being used in the Pilot), and the period (or periods) of availability for obligation (by the Federal Government) of such funds;

(D) the non-Federal funds that are involved in the Pilot, by source (which can include private funds as well as governmental funds) and by amount;

(E) the state, local, or tribal programs that are involved in the Pilot;

(F) the populations to be served by the Pilot;

(G) the cost-effective Federal oversight procedures that will be used for the purpose of maintaining the necessary level of accountability for the use of the Federal discretionary funds;

(H) the cost-effective State, local or tribal oversight procedures that will be used for the purpose of maintaining the necessary level of accountability for the use of the Federal discretionary funds;

(I) the outcome (or outcomes) that the Pilot is designed to achieve;

(J) the appropriate, reliable, and objective outcome-measurement methodology that the Federal Government and the participating state, local, or tribal governments will use, in carrying out the Pilot, to determine whether the Pilot is achieving, and has achieved, the specified outcomes that the Pilot is designed to achieve; and

(K) in cases where, during the course of the Pilot, it is determined that the Pilot is not achieving the specified outcomes that it is designed to achieve,

(i) the consequences that will result from such deficiencies with respect to the Federal discretionary funds that are being used in the Pilot, and

(ii) the corrective actions that will be taken in order to increase the likelihood that the Pilot, upon completion, will have achieved such specified outcomes.

(d) **Agency Head Determinations.** A Federal agency may participate in a Performance Partnership Pilot (including by providing Federal discretionary funds that have been appropriated to such agency) only upon the written determination by the head of such agency that the agency's participation in such Pilot—

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(1) will not result in denying or restricting the eligibility of any individual for any of the services that (in whole or in part) are funded by the agency's programs and Federal discretionary funds that are involved in the Pilot, and

(2) based on the best available information, will not otherwise adversely affect vulnerable populations that are the recipients of such services. In making this determination, the head of the agency may take into consideration the other Federal discretionary funds that will be used in the Pilot as well as any non-Federal funds (including from private sources as well as governmental sources) that will be used in the Pilot.

*(e) **Transfer Authority.** For the purpose of carrying out the Pilot in accordance with the Performance Partnership Agreement, and subject to the written approval of the Director of the Office of Management and Budget, the head of each participating Federal agency may transfer Federal discretionary funds that are being used in the Pilot to an account of the lead Federal administering agency that includes Federal discretionary funds that are being used in the Pilot. Subject to the waiver authority under subsection (g), such transferred funds shall remain available for the same purposes for which such funds were originally appropriated: Provided, That such transferred funds shall remain available for obligation by the Federal Government until the expiration of those Federal discretionary funds (which are being used in the Pilot) that have the longest period of availability, except that any such transferred funds shall not remain available beyond September 30, 2018.*

*(f) **Waiver Authority.** In connection with a Federal agency's participation in a Performance Partnership Pilot, and subject to the other provisions of this section (including subsection (e)), the head of the Federal agency to which the Federal discretionary funds were appropriated may waive (in whole or in part) the application, solely to such discretionary funds that are being used in the Pilot, of any statutory, regulatory, or administrative requirement that such agency head—*

(1) is otherwise authorized to waive (in accordance with the terms and conditions of such other authority), and

(2) is not otherwise authorized to waive, provided that in such case the agency head, prior to granting the waiver, shall—

(A) not waive any requirement related to nondiscrimination, wage and labor standards, or allocation of funds to State and substate levels;

(B) issue a written determination with respect to such discretionary funds that the granting of such waiver for purposes of the Pilot—

(i) is consistent with both—

(I) the statutory purposes of the Federal program for which such discretionary funds were appropriated, and

(II) the other provisions of this section, including the written determination by the agency head issued under subsection (e);

(ii) is necessary to achieve the outcomes of the Pilot as specified in the Partnership Performance Agreement, and is no broader in scope than is necessary to achieve such outcomes; and

(iii) will result in either—

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(I) realizing efficiencies by simplifying reporting burdens or reducing administrative barriers with respect to such discretionary funds, or
(II) increasing the ability of individuals to obtain access to services that are provided by such discretionary funds; and
(C) provide at least 60 days advance written notice to the Committees on Appropriations and other committees of jurisdiction in the House of Representatives and the Senate.

Explanation of this Section: Through interagency and intergovernmental collaboration, the Interagency Forum on Disconnected Youth (IFDY) is committed to improving educational, employment and other key outcomes for youth, ages 14 to 24, who are homeless, in foster care, involved in the justice system, or are neither employed nor enrolled in an educational institution. The IFDY was established in March 2012 as an out-growth of the fiscal year 2013 budgetary proposals for Performance Partnership Pilot authority and targeted funding. As in 2013, the 2014 President's Budget requests new authority and funding targeted at improving services for disconnected youth. Specifically, the Budget requests a total of \$25 million in the Departments of Labor and Education for activities focused on disconnected youth and a Government-wide general provision to implement a limited number of Performance Partnership Pilots. These pilots would grant a select group of states and localities flexibility to blend and braid Federal discretionary funding streams serving disconnected youth in exchange for strong accountability for results. The Department of Housing and Urban Development is a member of the IFDY. No direct funding is requested for this activity in the Department's budget, however, the Department requests this language allowing it to enter into Performance Partnership agreements with other participating federal agencies.

Proposed Action: The Department proposes the addition of this provision in fiscal year 2014.