

## Fiscal Year 2016 General Provisions

**SEC. 201.** *Section 1012(b) of the Stewart B. McKinney Homeless Assistance Amendments Act of 1988 (42 U.S.C. 1437 note) is amended to read as follows:*

"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in section 1012(a) of the Stewart B. McKinney Homeless Assistance Amendments Act of 1988 (42 U.S.C. 1437 note) shall be rescinded or in the case of cash, shall be remitted to the Treasury, and such amounts of budget authority or cash recaptured and not rescinded or remitted to the Treasury shall be used by State housing finance agencies or local governments or local housing agencies with projects approved by the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the previous sentence, the Secretary may award up to 15 percent of the budget authority or cash recaptured and not rescinded or remitted to the Treasury to provide project owners with incentives to refinance their project at a lower interest rate."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 [2015] 2016 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 with the date change.

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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 [2015] 2016 as if such sections were included in this title, except that during such fiscal year such sections shall be applied by substituting "fiscal year [2015] 2016" for "fiscal year 2011" and for "fiscal year 2012" each place such terms appear, and shall be amended to reflect revised delineations of statistical areas established by the Office of Management and Budget pursuant to 44 U.S.C. 3504(e)(3), 31 U.S.C. 1104(d), and Executive Order No. 10253.

**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 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. This provision also updates the references to the MSAs in the FY 2012 Appropriations Act to reflect the updated names as delineated by Office of Management and Budget.

**Proposed Action:** The President's Budget proposes retaining this section with the date change.

**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 President's Budget proposes retaining this section.

**SEC. 205.** *Section 7 of the Department of Housing and Urban Development Act (42 U.S.C. 3535) is amended by adding at the end the following new subsection:*

*"(u)(1) 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*

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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).

*"(2) 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 2015 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 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 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.

This provision also makes the authorization by which Congress implements its responsibilities under section 104 of the Government Corporations Control Act (31 U.S.C. 9104), which is necessary to carry out the programs set forth in Ginnie Mae's budget for the coming year, permanent law.

**Proposed Action:** The President's Budget proposes making this section permanent law and incorporates Sec. 207 from the Consolidated and Further Continuing Appropriations Act, 2015 (Public Law 113-235).

**[SEC. 206.** Unless otherwise provided for in this Act or through a reprogramming of funds, no part of any appropriation for the Department of Housing and Urban Development shall be available for any program, project or activity in excess of amounts set forth in the budget estimates submitted to Congress.]

**Explanation of this Section:** This provision forbids HUD from spending more money on any program than the agency proposed in the budget estimates, unless a different amount is appropriated or provided in a reprogramming.

**Proposed Action:** The President's Budget proposes deleting this provision because it is redundant.

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**[SEC. 207.** 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 2015 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 provision is an authorization by which Congress implements its responsibilities under section 104 of the Government Corporations Control Act (31 U.S.C. 9104). After consideration of Ginnie Mae's budget program, 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 program budget for the coming year.

**Proposed Action:** The President's Budget proposes deleting this provision and making it permanent law in Sec. 205.

**[SEC. 208.** 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 and shall submit additional, updated budget information to these Committees upon request.]

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

**Proposed Action:** The President's Budget proposes to delete this provision.

**[SEC. 209.** The President's formal budget request for fiscal year 2016, as well as the Department of Housing and Urban Development's congressional budget justifications to be submitted to the Committees on Appropriations of the House of Representatives and the Senate, shall use the identical account and sub-account structure provided under

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this Act.]

**Explanation of this Section:** This provision requires the Department to structure its budget request in an identical way to the structure of the Appropriations Act.

**Proposed Action:** The President's Budget proposes to delete this provision. The Department provides justification in this format and will continue to do so.

**SEC. [210] 206.** A public housing agency or such other entity that administers Federal housing assistance for the Housing Authority of the county of Los Angeles, California, and 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:** Exempts Los Angeles County, Alaska, Iowa and Mississippi from the requirement of having a PHA resident on the board of directors. Instead, the public housing agencies in these States are required to establish advisory boards that include public housing tenants and Section 8 recipients.

**Proposed Action:** The President's budget proposes retaining this provision.

**[SEC. 211.** No funds provided under this title may be used for an audit of the Government National Mortgage Association that makes applicable requirements under the Federal Credit Reform Act of 1990 (2 U.S.C. 661 et seq.).]

**Explanation of this Section:** This provision prohibits use of GNMA funds for certain audit activities.

**Proposed Action:** The President's Budget proposes deleting this provision.

**SEC. [212]207.** (a) Notwithstanding any other provision of law, subject to the conditions listed under this section, for fiscal

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years 2015 and 2016, 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 or projects 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 subsection (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.

(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), 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

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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 mark to 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

(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-Gonzalez 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.

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### (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.

**SEC. [213]208.** (a) No assistance shall be provided under section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f) to any individual who—

- (1) is enrolled as a student at an institution of higher education (as defined under section 102 of the Higher Education Act of 1965 (20 U.S.C. 1002));
- (2) is under 24 years of age;
- (3) is not a veteran;
- (4) is unmarried;
- (5) does not have a dependent child;
- (6) is not a person with disabilities, as such term is defined in section 3(b)(3)(E) of the United States Housing Act of 1937 (42 U.S.C. 1437a(b)(3)(E)) and was not receiving assistance under such section 8 as of November 30, 2005; and
- (7) is not otherwise individually eligible, or has parents who, individually or jointly, are not eligible, to receive assistance under section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f).

(b) For purposes of determining the eligibility of a person to receive assistance under section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f), any financial assistance (in excess of amounts received for tuition and any other required fees and charges) that an individual receives under the Higher Education Act of 1965 (20 U.S.C. 1001 et seq.), from private sources, or an institution of higher education (as defined under the Higher Education Act of 1965 (20 U.S.C. 1002)), shall be considered income to that individual, except for a person over the age of 23 with dependent children.

**Explanation of this Section:** This provision clarifies the eligibility for assistance under section 8 of the United States Housing Act of 1937.



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

**[SEC. 214.** The funds made available for Native Alaskans under the heading "Native American Housing Block Grants" in title II of this Act shall be allocated to the same Native Alaskan housing block grant recipients that received funds in fiscal year 2005.]

**Explanation of this Section:** This section would direct block grant funds awarded to each tribe to be allocated to those entities that received funding in fiscal year 2005.

**Proposed Action:** The President's Budget proposes to delete this provision because it is not supportive of tribal self-determination.

**SEC. [215]209.** [Notwithstanding the limitation in the first sentence of section 255(g) of the National Housing Act (12 U.S.C. 1715z-20(g)), the Secretary of Housing and Urban Development may, until September 30, 2015, insure and enter into commitments to insure mortgages under such section 255.] *Section 255(g) of the National Housing Act (12 U.S.C.1715z-20(g)) is amended by striking "AUTHORITY—" and all that follows through "275,000." and inserting "AMOUNT.—".*

**Explanation of this Section:** This section removes the limitations placed on Home Equity Conversion Mortgages (HECM) that can be insured by the FHA.

**Proposed Action:** The President's Budget proposed to amend the provision to permanently remove the cap.

**SEC. [216]210.** Notwithstanding any other provision of law, in fiscal year [2015] 2016, in managing and disposing of any multifamily property that is owned or has a mortgage held by the Secretary of Housing and Urban Development, and during the process of foreclosure on any property with a contract for rental assistance payments under section 8 of the United States Housing Act of 1937 or other Federal programs, the Secretary shall maintain any rental assistance payments under section 8 of the United States Housing Act of 1937 and other programs that are attached to any dwelling units in the property. To the extent the Secretary determines, in consultation with the tenants and the local government, that such a multifamily property owned or held by the Secretary is not feasible for continued rental assistance payments under such section 8 or other programs, based on consideration of (1) the costs of rehabilitating and operating the property and all available Federal, State, and local resources,

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including rent adjustments under section 524 of the Multifamily Assisted Housing Reform and Affordability Act of 1997 ("MAHRAA") and (2) environmental conditions that cannot be remedied in a cost-effective fashion, the Secretary may, in consultation with the tenants of that property, contract for project-based rental assistance payments with an owner or owners of other existing housing properties, or provide other rental assistance. The Secretary shall also take appropriate steps to ensure that project based contracts remain in effect prior to foreclosure, subject to the exercise of contractual abatement remedies to assist relocation of tenants for imminent major threats to health and safety after written notice to and informed consent of the affected tenants and use of other available remedies, such as partial abatements or receivership. After disposition of any multifamily property described under this section, the contract and allowable rent levels on such properties shall be subject to the requirements under section 524 of MAHRAA.

**Explanation of this Section:** This section governs the use of project-based subsidy in connection with managing and disposing of multifamily properties.

**Proposed Action:** The President's Budget proposes retaining the provision with the date change.

**SEC. [217]211.** [The commitment authority funded by fees as provided under the heading "Community Development Loan Guarantees Program Account" 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.] *COMMUNITY DEVELOPMENT LOAN GUARANTEE AMENDMENTS. — Section 108 of the Housing and Community Development Act of 1974 (42 U.S.C. 5308) is amended—*

*(1) in subsection (a) by inserting "States on behalf of non-entitlement communities," after "issued by such eligible public entities,";*

*(2) by striking subsection (k) and inserting the following:*

*"(k) The Secretary shall monitor the use by eligible public entities and states of commitment amounts authorized in appropriation Acts for any fiscal year. If the Secretary finds that 50 percent of the annual commitment amount has been committed, the Secretary may impose a limitation on the amount of guarantees any one entity may receive in any fiscal year of \$35,000,000 for units of general local government receiving grants under section 106(b) or states receiving grants under section 106(d) and \$7,000,000 for units of general local government receiving grants under section 106(d); or request the enactment of legislation increasing the annual commitment authority for guarantees under this section.";* and

*(3) by striking subsection (m) and inserting the following new subsection:*

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*"(m) Distribution of funds to local governments in non-entitlement areas.—Any State receiving such a guarantee or commitment on behalf of non-entitlement areas shall distribute all funds that are subject to such guarantee to the units of general local government in non-entitlement areas that received the commitment."*

**Explanation of this Section:** This section, as amended, permanently amends Section 108 of the Housing and Community Development Act of 1974 (42 U.S.C. 5308) to align the statute to current fee-supported operations:

- Makes permanent a longstanding provision that allows the program to be used to guarantee notes or other obligations issued by any State on behalf of non-entitlement communities in the State.
- Removes the aggregate limitation on outstanding guarantee obligations that has long been superseded by appropriations language; and
- Removes the prohibition on fees (superseded by appropriations language in 2014 and 2015).

**Proposed Action:** The President's Budget proposes making this section, as amended, permanent law.

**[SEC. 218.** Public housing agencies that own and operate 400 or fewer public housing units may elect to be exempt from any asset management requirement imposed by the Secretary of Housing and Urban Development in connection with the operating fund rule: Provided, That an agency seeking a discontinuance of a reduction of subsidy under the operating fund formula shall not be exempt from asset management requirements.]

**Explanation of this Section:** This section permits small PHAs with 400 or fewer units to elect not to operate under asset management.

**Proposed Action:** The President's Budget proposes deleting this provision because the Department does not support increasing the threshold for exemption.

**[SEC. 219.** With respect to the use of amounts provided in this Act and in future Acts for the operation, capital improvement and management of public housing as authorized by sections 9(d) and 9(e) of the United States Housing Act of 1937 (42 U.S.C. 1437g(d) and (e)), the Secretary shall not impose any requirement or guideline relating to asset management that restricts or limits in any way the use of capital funds for central office costs pursuant to section 9(g)(1) or 9(g)(2) of the United States Housing Act of 1937 (42 U.S.C. 1437g(g)(1), (2)): Provided, That a public housing agency may not use capital funds authorized under section 9(d) for activities that are eligible under section 9(e) for assistance with amounts from the operating fund in

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excess of the amounts permitted under section 9(g)(1) or 9(g)(2).]

**Explanation of this Section:** This section prohibits the Department from imposing requirements or guidelines related to asset management that restricts or limits the use of capital funds for PHAs' central office/overhead costs.

**Proposed Action:** The President's Budget recommends deleting this provision. It is not necessary to repeat this provision since it was enacted to apply to "future Acts."

**SEC. [220]212.** 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 sub-office under the accounts "Executive Offices" and "Administrative Support Offices," as well as each account receiving appropriations for "Program Office Salaries and Expenses" [, "Government National Mortgage Association—Guarantees of Mortgage-Backed Securities Loan Guarantee Program Account", and "Office of Inspector General"] 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. 221.** The Secretary of Housing and Urban Development shall report annually to the House and Senate Committees on Appropriations on the status of all section 8 project-based housing, including the number of all project-based units by region as well as an analysis of all federally subsidized housing being refinanced under the Mark-to-Market program. The Secretary shall identify all existing units maintained by region as section 8 project-based units, all project-based units that have opted out or have otherwise been eliminated, and the reasons these units opted out or otherwise were lost as section 8 project-based units.]

**Explanation of this Section:** This provision requires the Department to prepare annual reports on section 8 project-based housing.

**Proposed Action:** The Department proposes to eliminate this reporting requirement; however it recognizes Congress'

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continued interest in the report. The Department is able to provide data on the status of all section 8 project-based units by region, an analysis of refinancing under the Mark-to- Market program, existing section 8 units, and units that have opted out or been eliminated as section 8 project-based units. The Department does not have the resources or capacity to collect data or report on reasons why units opted out or were lost as section 8 project-based units.

**SEC. [222]213.** The Secretary of the Department of Housing and Urban Development shall, for fiscal year [2015] 2016, 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 [2015] 2016, 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 with date changes.

**[SEC. 223.** Payment of attorney fees in program-related litigation must be paid from the individual program office and Office of General Counsel personnel funding. The annual budget submissions for program offices and Office of General Counsel personnel funding must include program-related litigation costs for attorney fees as a separate line item request.]

**Explanation of this Section:** This provision requires the Department to pay all program-related litigation attorney fees from individual personnel benefits accounts. These costs must be reflected as a separate line item request in the budget submission.

**Proposed Action:** The Department proposes deleting this provision.

**SEC. [224]214.** The Secretary of the Department of Housing and Urban Development is authorized to transfer up to [5] 10 percent or [\$5,000,000] \$10,000,000, whichever is less, of the funds appropriated for any [office funded under the heading "Administrative Support Offices" to any other office funded under such heading] *account under the headings "Management and Administration", "Program Office Salaries and Expenses" or "Government National Mortgage Association" to any other account*

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*funded under such headings: Provided, That no appropriation for any [office]account funded under [the heading "Administrative Support Offices"] such headings shall be increased or decreased by more than [5] 10 percent or [\$5,000,000]\$10,000,000, whichever is less, without prior written [approval of]notification to the House and Senate Committees on Appropriations[:Provided further, That the Secretary is authorized to transfer up to 5 percent or \$5,000,000, whichever is less, of the funds appropriated for any account funded under the general heading "Program Office Salaries and Expenses" to any other account funded under such heading: Provided further, That no appropriation for any account funded under the general heading "Program Office Salaries and Expenses" shall be increased or decreased by more than 5 percent or \$5,000,000, whichever is less, without prior written approval of the House and Senate Committees on Appropriations: Provided further, That the Secretary may transfer funds made available for salaries and expenses between any office funded under the heading "Administrative Support Offices" and any account funded under the general heading "Program Office Salaries and Expenses", but only with the prior written approval of the House and Senate Committees on Appropriations].*

**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 with amendments.

**SEC. [225]215.** 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. [226]216.** (a) The Secretary of Housing and Urban Development shall take the required actions under subsection (b) when a multifamily housing project with a section 8 contract or contract for similar project-based assistance:

- (1) receives a Real Estate Assessment Center (REAC) score of 30 or less; or
- (2) receives a REAC score between 31 and 59 and:
  - (A) fails to certify in writing to HUD within 60 days that all deficiencies have been corrected; or
  - (B) receives consecutive scores of less than 60 on REAC inspections. Such requirements shall apply to

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insured and noninsured projects with assistance attached to the units under section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f), but do not apply to such units assisted under section 8(o)(13) (42 U.S.C. 1437f(o)(13)) or to public housing units assisted with capital or operating funds under section 9 of the United States Housing Act of 1937 (42 U.S.C. 1437g).

(b) The Secretary shall take the following required actions as authorized under subsection (a)—

(1) The Secretary shall notify the owner and provide an opportunity for response within 30 days. If the violations remain, the Secretary shall develop a Compliance, Disposition and Enforcement Plan within 60 days, with a specified timetable for correcting all deficiencies. The Secretary shall provide notice of the Plan to the owner, tenants, the local government, any mortgagees, and any contract administrator.

(2) At the end of the term of the Compliance, Disposition and Enforcement Plan, if the owner fails to fully comply with such plan, the Secretary may require immediate replacement of project management with a management agent approved by the Secretary, and shall take one or more of the following actions, and provide additional notice of those actions to the owner and the parties specified above:

(A) impose civil money penalties;

(B) abate the section 8 contract, including partial abatement, as determined by the Secretary, until all deficiencies have been corrected;

(C) pursue transfer of the project to an owner, approved by the Secretary under established procedures, which will be obligated to promptly make all required repairs and to accept renewal of the assistance contract as long as such renewal is offered; or

(D) seek judicial appointment of a receiver to manage the property and cure all project deficiencies or seek a judicial order of specific performance requiring the owner to cure all project deficiencies.

(c) The Secretary shall also take appropriate steps to ensure that project-based contracts remain in effect, subject to the exercise of contractual abatement remedies to assist relocation of tenants for imminent major threats to health and safety after written notice to and informed consent of the affected tenants and use of other remedies set forth above. To the extent the Secretary determines, in consultation with the tenants and the local government, that the property is not feasible for continued rental assistance payments under such section 8 or other programs, based on consideration of (1) the costs of rehabilitating and operating the property and all available Federal, State, and local resources, including rent adjustments under section 524 of the Multifamily Assisted Housing Reform and Affordability Act of 1997 ("MAHRAA") and (2) environmental conditions that cannot be remedied in a cost-effective fashion, the Secretary may, in consultation with the tenants of that property, contract for project-based rental assistance payments with an owner or owners of other existing housing properties, or provide other rental assistance. The Secretary shall report semi-annually on all properties covered by this section that are assessed through the Real Estate Assessment Center and have physical inspection scores of less than 30 or have consecutive physical inspection scores of less than 60. The report shall include:

(1) The enforcement actions being taken to address such conditions, including imposition of civil money penalties

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and termination of subsidies, and identify properties that have such conditions multiple times; and  
(2) Actions that the Department of Housing and Urban Development is taking to protect tenants of such identified properties.

**Explanation of this Section:** This provision requires the Department to take certain actions against owners receiving rental subsidies that do not maintain safe properties.

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

**SEC. [227]217.** [None of the funds made available by this Act, or any other Act, for purposes authorized under section 8 (only with respect to the tenant-based rental assistance program) and section 9 of the United States Housing Act of 1937 (42 U.S.C. 1437 et seq.), may be used by any public housing agency for any amount of salary, including bonuses, for the chief executive officer of which, or any other official or employee of which, that exceeds the annual rate of basic pay payable for a position at level IV of the Executive Schedule at any time during any public housing agency fiscal year 2015.] *PHA COMPENSATION.— 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 fewer 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;*



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*"(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—*

*"(i) Employee includes any member of a public housing agency 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 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 sub-paragraph (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."*

**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.

**Proposed Action:** The Department proposes addition of this provision in fiscal year 2016.

**SEC. [228]218.** None of the funds in this Act may be available for the doctoral dissertation research grant program at the Department of Housing and Urban Development.

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**Explanation of this Section:** This section prohibits the funds from being used for the doctoral dissertation research grant program.

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

**[SEC. 229.** Section 24 of the United States Housing Act of 1937 (42 U.S.C. 1437v) is amended—

(1) in subsection (m)(1), by striking "fiscal year" and all that follows through the period at the end and inserting "fiscal year 2015."; and

(2) in subsection (o), by striking "September" and all that follows through the period at the end and inserting "September 30, 2015." . ]

**Explanation of this Section:** This provision extends the authorization of appropriations and sunset provision in the HOPE VI statute through fiscal year 2015.

**Proposed Action:** The President's Budget proposes deleting this provision because the HOPE VI program has been replaced by the Choice Neighborhoods program.

**[SEC. 230.** None of the funds in this Act provided to the Department of Housing and Urban Development may be used to make a grant award unless the Secretary notifies the House and Senate Committees on Appropriations not less than 3 full business days before any project, State, locality, housing authority, tribe, nonprofit organization, or other entity selected to receive a grant award is announced by the Department or its offices.]

**Explanation of this Section:** This section requires that the House and Senate Committee on Appropriations be notified 3 full business days prior of grant awards prior to announcement by the Department.

**Proposed Action:** The President's Budget proposes deleting this provision.

**SEC. [231]219.** 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 **[\$2,500,000]** *\$15,000,000* may be transferred to and merged with

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amounts made available in the "Information Technology Fund" account under this title.

**Explanation of this Section:** This provision allows HUD to transfer up to \$15 million from salaries and expenses to fund technology priorities throughout the Department.

**Proposed Action:** The Department proposes retaining this provision and increasing the transfer authority.

**[SEC. 232.** Section 579 of the Multifamily Assisted Housing Reform and Affordability Act (MAHRA) of 1997 (42 U.S.C. 1437f note) is amended by striking "October 1, 2015" each place it appears and inserting in lieu thereof "October 1, 2017".]

**Explanation of this Section:** This provision extends the MAHRAA program through the 2017 fiscal year.

**Proposed Action:** The President's Budget proposes deleting this provision because it is permanent law.

**[SEC. 233.** None of the funds made available by this Act may be used to require or enforce the Physical Needs Assessment (PNA).]

**Explanation of this Section:** Prohibits funds from being used to require or enforce the physical needs assessment (PNA).

**Proposed Action:** The President's Budget proposes deleting this provision.

**SEC. [234]220.** 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 it appears;]

[(2) in the second proviso, by striking "2015" and inserting "2018";]

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

[(4) in the fourth proviso, by striking "60,000" and inserting "185,000";]

[(5) in the penultimate proviso, by—

(A) striking "for fiscal years 2012 through December 31, 2014" ;

(B) striking "and agreement of the administering public housing agency"; and

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(C) inserting "a long-term project-based subsidy contract under section 8 of the Act, which shall have a term of no less than 20 years, with rent adjustments only by an operating cost factor established by the Secretary, which shall be eligible for renewal under section 524 of the Multifamily Assisted Housing Reform and Affordability Act of 1997 (42 U.S.C. 1437f note), or, subject to agreement of the administering public housing agency, to assistance under" following "vouchers to assistance under";]

[(6) by inserting the following provisos before the final proviso: " *Provided further*, That amounts made available under the heading "Rental Housing Assistance" during the period of conversion under the previous proviso, which may extend beyond fiscal year 2016 as necessary to allow processing of all timely applications, shall be available for project-based subsidy contracts entered into pursuant to the previous proviso: *Provided further*, That amounts, including contract authority, recaptured from contracts following a conversion under the previous two provisos are hereby rescinded and an amount of additional new budget authority, equivalent to the amount rescinded is hereby appropriated, to remain available until expended for such conversions: *Provided further*, That the Secretary may transfer amounts made available under the heading "Rental Housing Assistance", amounts made available for tenant protection vouchers under the heading "Tenant-Based Rental Assistance" and specifically associated with any such conversions, and amounts made available under the previous proviso as needed to the account under the "Project-Based Rental Assistance" heading to facilitate conversion under the three previous provisos and any increase in cost for "Project-Based Rental Assistance" associated with such conversion shall be equal to amounts so transferred:"; and]

[(7) in the final proviso, by—

(A) striking "with respect to the previous proviso" and inserting "with respect to the previous four provisos"; and

(B) striking "impact of the previous proviso" and inserting "impact of the fiscal year 2012 and 2013 conversion of tenant protection vouchers to assistance under section 8(o)(13) of the Act".]

(1) *by striking the fourth proviso;*

(2) *in the eighteenth proviso, by inserting "for fiscal years 2012 and hereafter," before "owners of properties assisted under"; and*

(3) *in the nineteenth proviso, by striking ", which may extend beyond fiscal year 2016 as necessary to allow processing of all timely applications,".*

**Explanation of this Section:** This general provision amends the Rental Assistance Demonstration (RAD) to (1) eliminate the unit cap for public housing and Moderate Rehabilitation program units converted under the first component of RAD and (2) make technical amendments to clarify the existing permanent authority (as intended by Congress) of RAD Component II.

**Proposed Action:** The President's Budget proposes the deletions because these provisos are permanent law. The President's Budget proposes amending three provisos of the RAD account authority.

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**[SEC. 235.** None of the funds made available by this Act nor any receipts or amounts collected under any Federal Housing Administration program may be used to implement the Homeowners Armed with Knowledge (HAWK) program.]

**Explanation of this Section:** Prohibits funds from being used for the Homeowners Armed With Knowledge (HAWK) program.

**Proposed Action:** The President's Budget proposes deleting this provision.

**[SEC. 236.** None of the funds made available in this Act shall be used by the Federal Housing Administration, the Government National Mortgage Administration, or the Department of Housing and Urban Development to insure, securitize, or establish a Federal guarantee of any mortgage or mortgage backed security that refinances or otherwise replaces a mortgage that has been subject to eminent domain condemnation or seizure, by a state, municipality, or any other political subdivision of a state.]

**Explanation of this Section:** Prohibits funds for HUD financing of mortgages for properties that have been subject to eminent domain.

**Proposed Action:** The President's Budget proposes deleting this provision.

**[SEC. 237.** All unobligated balances, including recaptures and carryover, remaining from funds appropriated to the Department of Housing and Urban Development under the heading "Brownfields Redevelopment" are hereby permanently rescinded: *Provided*, That all unobligated balances, including recaptures and carryover, remaining from funds appropriated to the Department of Housing and Urban Development under the heading "Drug Elimination Grants for Low Income Housing" are hereby permanently rescinded: *Provided further*, That all unobligated balances, including recaptures and carryover, remaining from funds appropriated to the Department of Housing and Urban Development for Youthbuild program activities authorized by subtitle D of title IV of the Cranston-Gonzalez National Affordable Housing Act are hereby permanently rescinded.]

**Explanation of this Section:** Rescinds balances from various HUD programs that are no longer funded.

**Proposed Action:** The President's Budget proposes deleting this provision.

**[SEC. 238.** Clause (i) of section 3(a)(2)(B) of the United States Housing Act of 1937 (42 U.S.C. 1437a(a)(2)(B)(i)), as amended by section 210 of the Transportation, Housing and Urban Development, and Related Agencies Appropriations Act, 2014 (division L of Public Law 113-76; 128 Stat. 625), is amended—

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(1) by striking "which shall not be lower" in the matter preceding subclause (I) and all that follows through the end of subclause (I) and inserting the following: "which—

(I) shall not be lower than 80 percent of—

(aa) the applicable fair market rental established under section 8(c) of this Act; or

(bb) at the discretion of the Secretary, such other applicable fair market rental established by the Secretary that the Secretary determines more accurately reflects local market conditions and is based on an applicable market area that is geographically smaller than the applicable market area used for purposes of the applicable fair market rental under section 8(c); except that a public housing agency may apply to the Secretary for exception allowing for a flat rental amount for a property that is lower than the amount otherwise determined pursuant to item (aa) or (bb) and the Secretary may grant such exception if the Secretary determines that the fair market rental for the applicable market area pursuant to item (aa) or (bb) does not reflect the market value of the property and the proposed lower flat rental amount is based on a market analysis of the applicable market and complies with subclause (II) and";

(2) in subclause (II), by inserting "shall" before "be designed"; and

(3) in the matter after and below subclause (II), by striking "Public housing agencies must comply by June 1, 2014, with the requirement of this clause, except that if" and inserting "If". ]

**Explanation of this Section:** Makes adjustments to flat-rents to accommodate local markets.

**Proposed Action:** The President's Budget proposes deleting this provision because it is permanent law.

**[SEC. 239.** None of the funds made available by this Act may be used to require the relocation, or to carry out any required relocation, of any asset management positions of the Office of Multifamily Housing of the Department of Housing and Urban Development in existence as of the date of the enactment of this Act. ]

**Explanation of this Section:** Prohibits funds from being used for the relocation of any asset management positions within the Office of Multifamily Housing currently in existence on the date of enactment of this Act.

**Proposed Action:** The President's Budget proposes deleting this provision.

**[SEC. 240.** None of the funds made available by this Act may be used to terminate the status of a unit of general local government as a metropolitan city (as defined in section 102 of the Housing and Community Development Act of 1974 (42 U.S.C. 5302)) with respect to grants under section 106 of such Act (42 U.S.C. 5306). ]

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**Explanation of this Section:** Prohibits funds from being used to terminate the status of a unit of local government as a metropolitan city, as defined under section 102 of the Housing and Community Development Act of 1974, with respect to grants under section 106 of such Act.

**Proposed Action:** The President's Budget proposes deleting this provision.

**[SEC. 241.** Section 184(h)(1)(B) of the Housing and Community Development Act of 1992 (12 U.S.C. 1715z-13a(h)(1)(B)) is amended by inserting after the first sentence the following: "Exhausting all reasonable possibilities of collection by the holder of the guarantee shall include a good faith consideration of loan modification as well as meeting standards for servicing loans in default, as determined by the Secretary.".]

**Explanation of this Section:** Requires lenders to consider loan modification and meet standards for servicing loans in default prior to payment of the claim by HUD.

**Proposed Action:** The President's Budget proposes deleting this provision because it is permanent law.

***SEC. 221. 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 at the end by inserting after the period 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.

**Proposed Action:** The President's Budget proposes the addition of this provision in fiscal year 2015.

**SEC. 222.** *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 2015. 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. 223.** *Section 9 of the United States Housing Act of 1937 (42 U.S.C. 1437g) is amended—*

*(1) in subsection (d), by adding the following new paragraph at the end:*

*"(4) REPLACEMENT RESERVE ACCOUNT.—A public housing agency receiving funds under this subsection may set aside, pursuant to requirements established by the Secretary, a portion of those funds for a replacement reserve account held by the Department of Treasury.";*

*(2) in subsection (g), by—*

*(A) striking paragraph (1) and inserting the following new paragraph: "(1) FLEXIBILITY OF CAPITAL AND OPERATING FUND AMOUNTS.—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 public housing agency may use 30 percent of 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*

*(B) redesignating paragraph (3) as (4) and inserting the following new paragraph (3):*

*"(3) USE OF OPERATING RESERVES.—In addition to the amounts in paragraph (1), 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, may use amounts set aside in operating reserve accounts for purposes under subsection (d)."; and*

*(3) in subsection (j)(4), by adding at the end the following new subparagraph:*

*"(C) CAPITAL REPLACEMENT RESERVES.—Funds placed in a capital replacement reserve account pursuant to subsection (d)(4) shall not be subject to the obligation and expenditure time limits in paragraphs (1) and (5)."*



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**Explanation of this Section:** This provision amends the U.S. Housing Act to

- (1) allow PHAs with more than 250 units the flexibility to transfer up to 30% of Capital Funds to Operations, and vice versa;
- (2) allow Operating Reserve Funds to be used not only for operating purposes, but also for capital improvements; and
- (3) establish a Capital Fund Replacement Reserve to be held by Treasury in LOCCS. The proposal eliminates the current 2-year obligation and 4-year expenditure requirements for Capital Funds placed in these replacement reserve accounts. Instead, the Department will specify a new timeframe for expenditure of those funds, and will also establish a limit to the amount a PHA could maintain in its replacement reserve accounts.

**Proposed Action:** The President's Budget proposes the addition of this provision in 2016.

### ***SEC. 224. 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 in its text by revising it 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 in its text by revising it to read as follows:*

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*"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 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.

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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 2015 and proposes it again for fiscal year 2016. The proposed amendments will increase access to multifamily development financing by allowing Ginnie Mae to securitize risk-sharing loans.

**SEC. 225. SHOP AMENDMENTS.** — *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 adding 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 follows 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) adding 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*

*(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

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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 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 2016.

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**SEC. 226. 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, and 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 President's Budget proposed the addition of this provision in 2015 and proposes it again in fiscal year 2016.

**SEC. 227. 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 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.";

- (2) in subsection (e)(2) by adding at the end of paragraph (2) the following sentence: "These standards may provide that an individual may also show competence to provide counseling by having successfully completed training in

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*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) in clause (i), striking "and";*

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

*(3) adding at the end the following clause: "(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 four changes that will streamline and improve the Housing Counseling program:

(1) Gives permanent authority for 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.

(2) Allows the Department to substitute training for a written examination under certain conditions for the purpose of counselor certification.

(3) 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.

(4) 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 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.

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**Proposed Action:** The President's Budget proposed the addition of this provision in 2015 and proposes it again in fiscal year 2016.

**SEC. 228.** (a) *Subsection (b) of section 225 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12755) is amended by adding at the end the following new 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 adding 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:*

*"(9) REVOCATION.—*

*"(A) The Secretary may revoke the designation of a jurisdiction 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 HOME Investment Trust Fund established for the jurisdiction under section 218 shall be reallocated in accordance with paragraph (6) of this section.*

*"(B) The Secretary shall revoke the designation of a jurisdiction as a participating jurisdiction if the allocation for the jurisdiction 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—*

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(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 President's Budget proposed the addition of this provision in 2015 and proposes it again in fiscal year 2016.

**SEC. 229.** *Subsection 3(b) of the United States Housing Act of 1937 (42 U.S.C. 1437a(b)) is amended by revising subparagraph (ii) of paragraph (5)(A) 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."*

**Explanation of this Section:** This section 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 this provision in fiscal years 2014 and 2015 and proposes it again for fiscal year 2016 to simplify administration of the medical expenses deduction, and reduce Federal costs.

**SEC. 230.** *MULTIFAMILY PERFORMANCE-BASED ENERGY CONSERVATION DEMONSTRATION.—*

*(a) PURPOSE.—The purpose of this demonstration is to authorize the Secretary of the Department of Housing and Urban Development (hereinafter referred to as "the Secretary") to test a performance-based model program that facilitates financing*



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*of energy and water conservation improvements in assisted multifamily housing with the intent of reducing the utility costs of such housing.*

*(b) PROGRAM AUTHORITY.—In accordance with the provisions of this section, the Secretary may execute performance-based agreements in fiscal years 2016 through 2018 to provide energy and water conservation improvements for up to 20,000 units in eligible multifamily properties. The Secretary may use funds made available under the heading "Project-Based Rental Assistance" for such agreements in each fiscal year that such agreements are executed or in effect.*

*(c) BUDGET NEUTRALITY.— The demonstration shall be budget neutral, so that the utility costs subsidized by the Secretary and the performance payments under the performance-based agreements for the participating properties are not more than the utility costs subsidized by the Secretary would have been for such properties in the absence of this demonstration.*

*(d) ELIGIBLE ENTITIES.—*

*(1) IN GENERAL.—The Secretary may execute performance-based agreements under this section with entities that provide services or that arrange for the provision of services and, upon receipt of payments under the agreement, disburse such payments in accordance with the agreement.*

*(2) SELECTION OF ELIGIBLE ENTITIES.—The Secretary may select eligible entities by competition or a formula based on an eligibility threshold.*

*(e) TERMS OF PERFORMANCE-BASED AGREEMENTS.—A performance-based agreement under this section shall include—*

*(1) the period that the agreement will be in effect and during which payments may be made, which may be a term of up to 12 years;*

*(2) the performance measures that will serve as payment thresholds during the term of the agreement; (3) an audit protocol for the properties covered by the agreement;*

*(4) a requirement that payments shall be contingent on realized cost savings associated with reduced utility consumption in the participating properties; and*

*(5) such other requirements and terms as determined to be appropriate by the Secretary.*

*(f) IMPLEMENTATION.—This section shall be implemented in accordance with such procedures, terms, requirements, and conditions as the Secretary shall, by notice, provide.*

*(g) EVALUATION AND REPORT.—The Secretary shall conduct an evaluation of the use of the authority under this section every 5 years after the execution of the first agreement under this section and within 2 years of the expiration of the last agreement executed under this section, and report such findings to Congress.*

**Explanation of this Section:** Authorizes the Secretary to conduct a demonstration to test a performance-based model program that facilitates financing of energy and water conservation improvements in assisted multifamily housing with the intent to reduce utility costs.

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**Proposed Action:** The President's Budget proposed addition of this provision in 2015 and proposes it again in fiscal year 2016.

***SEC. 231. LIHPRHA FLEXIBILITY.*** Section 219(a) of the Low Income Housing Preservation and Resident Homeownership Act of 1990 (12 U.S.C. 4109) is amended by—

(a) striking "AGREEMENTS BY THE SECRETARY.—After" and inserting "AGREEMENTS BY THE SECRETARY.—"(1) After";

(b) redesignating paragraphs (1), (2), and (3) as subparagraphs (A), (B), and (C), respectively; and

(c) adding after the newly designated paragraph (1) the following new paragraph:

"(2) As determined by the Secretary of Housing and Urban Development and notwithstanding section 222(a)(2)(A) (12 U.S.C. 4112(a)(2)(A)), at the request of any owner refinancing, or any qualified purchaser of eligible low-income housing that is subject to a use agreement pursuant to such Acts, the Secretary may amend the use agreement or other governing documents for such housing in order to terminate or modify any limitations on prepayments and periodic distributions of surplus cash generated by such housing in accordance with section 220(d)(2)(E) (12 U.S.C. 4110(d)(2)(E)) to facilitate the preservation of the housing through acquisition or refinancing as affordable housing, provided that the property is covered by a use agreement for 20 years beyond the date of acquisition or refinancing, and that the owner or purchaser of such housing agrees to renew the existing project-based Housing Assistance Payments contract pursuant to section 524 of the Multifamily Assisted Housing and Affordability Act of 1997, as amended (42 U.S.C. 1437f note) for a term to be determined by the Secretary."

**Explanation of this Section:** This provision allows the Department to update use agreements for Low Income Housing Preservation and Resident Homeownership Act (LIHPRHA) properties to allow prepayments and distributions in connection with preservation transactions.

**Proposed Action:** The President's Budget proposed addition of this provision in 2015 and proposes it again in fiscal year 2016.

***SEC. 232.*** Subsection (a) of section 1018 of the Housing and Community Development Act of 1992 (42 U.S.C. 4852d), is amended by adding after paragraph 5 the following new paragraph:

"(6) AUTHORITY OF THE SECRETARY.—

"(A) INVESTIGATIONS.—The Secretary is authorized to conduct such investigations as may be necessary to administer and carry out his duties under this section. The Secretary is authorized to administer oaths and require by subpoena the production of documents, and the attendance and testimony of witnesses as the Secretary deems advisable. Nothing contained in this subparagraph shall prevent the Administrator of the Environmental Protection

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*Agency from exercising authority under the Toxic Substances Control Act or this Act.*

*"(B) ENFORCEMENT.—Any district court of the United States within the jurisdiction of which an inquiry is carried, on application of the Attorney General, may, in the case of contumacy or refusal to obey a subpoena of the Secretary issued under this section, issue an order requiring compliance therewith; and any failure to obey such order of the court may be punished by the court as a contempt thereof."*

**Explanation of this Section:** Provides the Secretary authority to carry out investigations, administer oaths, and subpoena documents related to violations of the Lead Disclosure provision of Title X.

**Proposed Action:** The President's Budget proposed addition of this provision in 2015 and proposes it again in fiscal year 2016.

***SEC. 233. NONPROFITS ADMINISTERING RENTAL ASSISTANCE.*** *Section 423(g) of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11383(g)) is amended by inserting "private nonprofit organization," after "unit of general local government,".*

**Explanation of this Section:** Permanently amends the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11383(g)) to allow private non-profit organizations to administer rental assistance programs. This authority was previously provided in fiscal year 2014 and 2015 through appropriations language.

**Proposed Action:** The President's Budget proposed addition of this provision in 2015 and proposes it again in fiscal year 2016.

***SEC. 234.*** *Section 184(b)(4) of the Housing and Community Development Act of 1992 (12 U.S.C. 1715z-13a(b)(4)) is amended by adding at the end the following new subparagraphs:*

*"(E) The Secretary may authorize qualifying lenders to participate in a direct guarantee process for approving loans. If the Secretary determines that a mortgage insured through the direct guarantee process was not originated in accordance with the requirements established by the Secretary, then the Secretary may require the lender approved under this subparagraph to indemnify the Secretary for the loss, irrespective of whether the violation caused the mortgage default. If fraud or misrepresentation was involved in the direct guarantee process, the Secretary shall require the lender approved under this subparagraph to indemnify the Secretary for the loss regardless of when an insurance claim is paid.*

*"(F) Periodically, the Secretary may review the mortgagees originating or underwriting single family mortgages under this section, as follows:*

*"(i) In conducting this review the Secretary shall compare that mortgagee with other mortgagees originating or*

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*underwriting loan guarantees for Indian housing based on the rates of defaults and claims for insured single family mortgage loans originated or underwritten by that mortgagee.*

*"(ii) The Secretary may also compare that mortgagee with such other mortgagees based on underwriting quality; geographic area served; or any commonly used factors the Secretary deems necessary for comparing mortgage default risk, provided that such comparison is of factors that the Secretary would expect to reduce the default risk of mortgages insured by the Secretary.*

*"(iii) In carrying out the periodic review of mortgagee performance, the Secretary shall implement such comparisons by regulation, notice, or mortgagee letter.*

*"(iv) The Secretary may terminate the approval of a mortgagee to originate or underwrite loan guarantees for Indian Housing if the Secretary determines that the mortgage loans originated or underwritten by the mortgagee present an unacceptable risk to the Indian Housing Loan Guarantee fund based on a comparison of any of the factors set forth in this subparagraph or by a determination that the mortgagee engaged in fraud or misrepresentation."*

**Explanation of this Section:** Amends the Housing and Community Development Act to authorize the Secretary to (1) seek indemnification from any loss if he determines that a mortgage was not originated in accordance with HUD requirements; (2) terminate lenders if the lender presents an unacceptable risk or commits fraud.

**Proposed Action:** The President's Budget proposed addition of this provision in 2015 and proposes it again in 2016.

**SEC. 235.** *Section 184(l)(3) of the Housing and Community Development Act of 1992 (12 U.S.C. 1715z-13a(l)(3)) is amended to read as follows:"(3) The term "Indian" has the same definition as in section 4(10) of the Native American Housing Assistance and Self-Determination Act of 1996."*

**Explanation of this Section:** Updates statutory definitions governing the Section 184 program for "Indian" to make them consistent with the Native American Housing Assistance and Self-Determination Act (NAHSADA) for eligibility purposes.

**Proposed Action:** The President's Budget proposed addition of this provision in 2015 and proposes it again in fiscal year 2016.

**SEC. 236.** *Section 184(l)(8) of the Housing and Community Development Act of 1992 (12 U.S.C. 1715z-13a(l)(8)) is amended to read as follows:*

*"(8) Indian tribe.—*

*"(A) INDIAN TRIBE.—The term "Indian tribe" has the same definition as in section 4(13)(A) of the Native*

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*American Housing Assistance and Self-Determination Act of 1996.*

*"(B) FEDERALLY RECOGNIZED TRIBE.—The term "Federally recognized tribe" has the same definition as in section 4(13)(B) of the Native American Housing Assistance and Self-Determination Act of 1996.*

*"(C) STATE-RECOGNIZED TRIBE.— The term "State-recognized tribe" has the same definition as in section 4(13)(C)(i) of the Native American Housing Assistance and Self-Determination Act of 1996.*

*"(D) CONDITIONS.—Nothing in paragraph (C) shall be construed to confer upon a State-recognized tribe any rights, privileges, responsibilities, or obligations otherwise accorded Indian tribes recognized by the United States for other purposes."*

**Explanation of this Section:** Updates statutory definitions governing Section 184 program for "Indian Tribe", "Federally-Recognized Tribe" and "State-Recognized tribe" to make them consistent with the Native American Housing Assistance and Self-Determination Act (NAHSADA) for eligibility purposes.

**Proposed Action:** The President's Budget proposed addition of this provision in 2015 and proposes it again in fiscal year 2016.

**SEC. 237.** *The fifth sentence in the second undesignated paragraph after section 221(f) of the National Housing Act (12 U.S.C. 1715l(f)) is amended by inserting "or subsection (d)(4)" after "subsection (d)(3)".*

**Explanation of this Section:** Clarifies that low-and-moderate income persons under 62 years of age are eligible for occupancy of dwelling units in a project financed with a mortgage insured under 221(d)(4) private industry mortgagors like they are for 221(d)(3) public agency mortgagors, which is consistent with current practice.

**Proposed Action:** The President's Budget proposed addition of this provision in 2015 and proposes it again in fiscal year 2016.

**SEC. 238.** *Section 221 of the National Housing Act (12 U.S.C. 1715l) is amended by striking subsection (g)(4).*

**Explanation of this Section:** Eliminates Section 221(g)(4) of the National Housing Act regarding loan assignment authority. The provision is no longer necessary because there aren't any outstanding loans left that would qualify under this provision.

**Proposed Action:** The President's Budget proposed addition of this provision in 2015 and proposes it again in fiscal year 2016.

**SEC. 239.** *Notwithstanding section 24(o) of the United States Housing Act of 1937 (42 U.S.C. 1437v(o)), amounts made*

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*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.*

**Explanation of this Section:** Allows prior year Choice and HOPE VI funds to continue to be available notwithstanding the HOPE VI sunset date.

**Proposed Action:** The President's Budget proposed addition of this provision in 2015 and proposes it again in fiscal year 2016.

***SEC. 240. ADMINISTRATIVE SUPPORT FEE.*** *Section 202 of the National Housing Act (12 U.S.C. 1708) is amended by adding the following new subsection:*

*"(i) ADMINISTRATION.—Notwithstanding any provision of law, and in addition to any other fees charged in connection with the provision of insurance under this title, in each fiscal year the Secretary may charge and collect a fee not to exceed 4 basis points of the original principal balance of mortgages originated by the mortgagee that were insured under this title during the previous fiscal year. Such fee collected from each mortgagee shall be used as offsetting collections for part of the administrative contract expenses funding, information technology expenses, and any necessary salaries and expenses funding provided under the Mutual Mortgage Insurance Program Account under this title. The Secretary may establish the amount of such fee through regulations, notice, Mortgagee Letter, or other administrative issuance."*

**Explanation of this Section:** Provides authority to charge lenders an administrative support fee. These funds will provide enhancements to administrative contract support and FHA staffing, with a focus on increasing the number of loans reviewed annually for quality assurance, which will ensure lender compliance with FHA endorsement policies and reduce losses to the FHA insurance fund.

**Proposed Action:** The President's Budget proposes the addition of this provision in 2016.

***SEC. 241.*** *Notwithstanding Section 620(d)(2) of the National Manufactured Housing Construction and Safety Standards Act of 1974, as amended (42 U.S.C. 5419(d)(2)), the Secretary may modify fees authorized under Section 620 of such Act by notice published in the Federal Register.*

**Explanation of this Section:** This provision is similar to procedures for FHA mortgages and will provide the Department with the ability to respond timely to changes in the dynamic Manufactured Housing Industry and raise fees by notice rather than rulemaking.

**Proposed Action:** The President's Budget proposed the addition of this provision in 2015 and proposes it again in fiscal year 2016.

**Sec. 242. MOVING TO WORK EXPANSION.**—*The Secretary of Housing and Urban Development may increase, pursuant to this section, the number of Moving to Work agencies authorized under section 204, title II, of the Departments of Veterans Affairs and Housing and Urban Development and Independent Agencies Appropriations Act, 1996 (Public Law 104–134; 110 Stat. 1321) by adding to the program up to 15 public housing agencies, for a total of no more than 150,000 housing vouchers and public housing units, over three years, in order to test innovative policy approaches to providing housing assistance, and to conduct rigorous evaluations to determine the effectiveness of such initiatives.*

*(1) IN GENERAL.—Public housing agencies selected under this section, under criteria and program requirements established by Federal Register notice subject to public comment—*

*(A) shall be high capacity public housing agencies, the definition of which shall include—*

*(I) a designation as a high performer under the public housing assessment system and the section 8 management assessment program, as applicable; and*

*(II) a voucher utilization rate of at least 90 percent of voucher funds, as defined by the Secretary, for the duration of participation in the program;*

*(B) may include a consortia of public housing agencies of an appropriate size, as determined by the Secretary;*

*(C) shall represent, to the extent feasible based on eligible applications, a diverse range of public housing agencies in terms of geography and size to allow innovative policies to be tested in different contexts; and*

*(D) shall not receive more funding under sections 8 or 9 of the United States Housing Act of 1937 ("the Act") (42 U.S.C. 1437f and 1437g) than they otherwise would have received absent this designation.*

*(2) APPLICABILITY OF THE UNITED STATES HOUSING ACT OF 1937.—For purposes of this expansion, in addition to the provisions of the Act retained in section 204, the following provisions of the Act shall continue to apply:*

*(A) the 20 percent portfolio cap on the use of voucher funds for project-based vouchers under section 8(o)(13)(B) of the Act (42 U.S.C. 1437f(o)(13)(B)), unless the use of voucher funds for project-based vouchers above the 20 percent cap, but not to exceed 35 percent, meets one of the following criteria:*

*(I) the project-based vouchers serve homeless or other special needs families, as defined by the Secretary;*

*(II) the project-based vouchers are used in a low-poverty area, as defined by the Secretary; or*

*(III) the project-based vouchers are used in connection with a demonstration of a project-based program that is subject to evaluation by the Secretary;*

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*(B) the ability of families with project-based vouchers to move, using tenant-based vouchers, after 12 months of occupancy under section 8(o)(13)(E) of the Act, unless the Secretary determines that waiver of this section is necessary to implement transitional or time-limited housing policies subject to evaluation by the Secretary;*

*(C) the portability of vouchers for families under section 8(r)(1) of the Act unless the Secretary determines that waiver of this section is necessary to implement comprehensive rent reform and occupancy policies subject to evaluation by the Secretary, and the waiver contains, at a minimum, exceptions for requests to port due to employment, education, health and safety; and*

*(D) the following sections of the Act:*

*(I) section 2(b) (42 U.S.C. 1437(b)) relating to tenant representatives on the public housing agency board of directors;*

*(II) section 3(b)(2) (42 U.S.C. 1437a(b)(2)) relating to definitions for the terms 'low-income families,' 'very low-income families,' and 'extremely low-income families';*

*(III) section 5A(e) (42 U.S.C. 1437c-1(e)) relating to the formation of and consultation with a resident advisory board;*

*(IV) sections 6(f)(1) and 8(o)(8)(B) (42 U.S.C. 1437d(f)(1), 1437f(o)(8)(B)), relating to compliance of units assisted with housing quality standards or other codes;*

*(V) section 6(k) (42 U.S.C. 1437d(k)) relating to grievance procedures for public housing tenants;*

*(VI) section 7 (42 U.S.C. 1437e) relating to designation of housing for elderly and disabled households);*

*and*

*(VII) sections 8(ee) and 6(u) (42 U.S.C. 1437f(ee), 1437d(n)) relating to records, certification and confidentiality regarding domestic violence; and*

*(E) the following requirements applicable to resident councils and jurisdiction-wide resident organizations:*

*(I) establishment of resident councils and resident organizations under section 20 of the Act;*

*(II) minimum amount of public housing agency support for such councils and organizations under Section 20 of the Act; and*

*(III) involvement of such councils and organizations in public housing agency operations, as authorized under sections 3(c)(2), 6(c)(5)(C), and 9(e) of the Act (42 U.S.C. 1437a(c)(2), 1437d(c)(5)(C), 1437g(e)).*

*(3) RESIDENT INVOLVEMENT.—The initial application and annual plan submitted by the public housing agencies under this expansion shall be submitted to the Secretary only after—*

*(A) being made available for public comment for at least 30 days;*

*(B) providing for citizen participation, including at least one documented public hearing; and*

*(C) the Board of Commissioners, or Board of Directors, has approved the application or plan no less than 15 days after the public hearing in order to carefully consider the public comments.*

*(4) EVALUATION.— Participating public housing agencies shall comply with all reporting and evaluation requirements, as established by the Secretary.*



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**Explanation of this Section:** This provision expands the MTW program to high capacity PHAs. Up to fifteen PHAs, totaling no more than 150,000 combined HCV and public housing units, would be selected competitively.

**Proposed Action:** The President's Budget proposes the addition of this provision in 2016.

**Sec. 243.** *Section 3(a) of the United States Housing Act of 1937 (42 U.S.C. 1437a(a)) is amended by adding at the end the following new paragraph:*

*"(6) REVIEWS OF FAMILY INCOME.—*

*"(A) FREQUENCY.—Reviews of family income for purposes of this section shall be made—*

*"(i) in the case of all families, upon the initial provision of housing assistance for the family; and*

*"(ii) no less than annually thereafter, except as provided in subparagraph (B)(i);*

*"(B) FIXED-INCOME FAMILIES.—*

*"(i) SELF CERTIFICATION AND 3-YEAR REVIEW.—In the case of any family described in clause (ii), after the initial review of the family's income pursuant to subparagraph (A)(i), the public housing agency or owner shall not be required to conduct a review of the family's income pursuant to subparagraph (A)(ii) for any year for which such family certifies, in accordance with such requirements as the Secretary shall establish, that the income of the family meets the requirements of clause (ii) of this subparagraph and that the sources of such income have not changed since the previous year, except that the public housing agency or owner shall conduct a review of each such family's income not less than once every 3 years.*

*"(ii) ELIGIBLE FAMILIES.—A family described in this clause is a family who has an income, as of the most recent review pursuant to subparagraph (A) or clause (i) of this subparagraph, of which 90 percent or more consists of fixed income, as such term is defined in clause (iii).*

*"(iii) FIXED INCOME.—For purposes of this subparagraph, the term 'fixed income' includes income from—*

*"(I) the supplemental security income program under title XVI of the Social Security Act, including supplementary payments pursuant to an agreement for Federal administration under section 1616(a) of the Social Security Act and payments pursuant to an agreement entered into under section 212(b) of Public Law 93-66;*

*"(II) Social Security payments;*

*"(III) Federal, State, local and private pension plans; and*

*"(IV) other periodic payments received from annuities, insurance policies, retirement funds, disability or death benefits, and other similar types of periodic receipts that are of substantially the same amounts from year to year.*

*"(C) INFLATIONARY ADJUSTMENT FOR FIXED INCOME FAMILIES.—*

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*"(i) IN GENERAL.—In any year in which a public housing agency or owner does not conduct a review of income for any family described in clause (ii) of subparagraph (B) pursuant to the authority under clause (i) of such paragraph to waive such a review, such family's prior year's income determination shall, subject to clauses (ii) and (iii), be adjusted by applying an inflationary factor as the Secretary shall, by regulation or notice, establish.*

*"(ii) EXEMPTION FROM ADJUSTMENT.—A public housing agency or owner may exempt from an adjustment pursuant to clause (i) any income source for which income does not increase from year to year."*

**Explanation of this Section:** Authorizes triennial re-certifications of fixed-income families. Under current law, public housing authorities (PHAs) and owners must recertify the incomes of all program participants on an annual basis. This proposal would authorize PHAs and owners to recertify fixed-income families every three years.

**Proposed Action:** The President's Budget proposes the addition of this provision in 2016.

### **Sec. 244. UTILITIES CONSERVATION PILOT.**

*(a) ESTABLISHMENT.—The Secretary of Housing and Urban Development may establish, through notice, a demonstration program to incent public housing agencies, as defined in section 3(b)(6) of the United States Housing Act of 1937 (in this section referred to as "the Act"), to implement measures to reduce their energy and water consumption.*

*(b) ELIGIBILITY.—Public housing agencies that operate public housing programs that meet the demonstration requirements, as determined by the Secretary, shall be eligible for participation in the demonstration.*

*(c) INCENTIVE.—The Secretary may provide an incentive as follows to an eligible public housing agency that uses capital funds, operating funds, grants, utility rebates, and other resources to reduce its energy and/or water consumption in accordance with a plan approved by the Secretary.*

*(1) BASE UTILITY CONSUMPTION LEVEL.—The initial base utility consumption level under the approved plan shall be set at the public housing agency's rolling base consumption level immediately prior to the installation of energy conservation measures.*

*(2) FIRST YEAR UTILITY COST SAVINGS.—For the first year that an approved plan is in effect, the Secretary shall allocate the utility consumption level in the public housing operating fund using the base utility consumption level.*

*(3) SUBSEQUENT YEAR SAVINGS.—For each subsequent year that the plan is in effect, the Secretary shall decrease the utility consumption level by one percent of the initial base utility consumption level per year until the utility consumption level equals the public housing agency's actual consumption level that followed the installation of energy conservation measures, at which time the plan will terminate.*

*(4) USE OF UTILITY COST SAVINGS.—The public housing agency may use the funds resulting from the energy conservation measures, in accordance with paragraphs (2) and (3), for either operating expenses, as defined by section 9(e)(1) of the Act, or capital improvements, as defined by section 9(d)(1) of the Act.*

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*(5) DURATION OF PLAN.—The length in years of the utility conservation plan shall not exceed the number of percentage points in utility consumption reduction a public housing agency achieves through the energy conservation measures implemented under this demonstration, but in no case shall it exceed 20 years.*

*(6) OTHER REQUIREMENTS.—The Secretary may establish such other requirements as necessary to further the purposes of this demonstration.*

*(7) EVALUATION.—Each public housing agency participating in the demonstration shall submit to the Secretary such performance and evaluation reports concerning the reduction in energy consumption and compliance with the requirements of this section as the Secretary may require.*

*(d) TERMINATION.—Public housing agencies may enter into this demonstration for 5 years after the date on which the demonstration program is commenced.*

**Explanation of this Section:** This proposal creates a utilities conservation pilot to provide incentive for PHAs to reduce public housing utility consumption. The pilot is modeled on the Operating Fund's Frozen Rolling Base.

**Proposed Action:** The President's Budget proposes the addition of this provision in 2016.

***Sec. 245.*** *Section 242(i) of the National Housing Act (12 U.S.C. 1715z-7(i)(1)) is amended by striking "(i) TERMINATION OF EXEMPTION FOR CRITICAL ACCESS HOSPITALS" and all that follows through "(2)" and redesignating paragraphs (2)(A) and (B) as paragraphs (1) and (2), respectively.*

**Explanation of this Section:** Critical care facilities are currently exempted from the requirement that fifty percent of their patient days must be for acute care services, but this exemption expires on July 31, 2016. This general provision would eliminate the sunset date.

**Proposed Action:** The President's Budget proposes the addition of this provision in 2016.

***Sec. 246.*** *Title V of the National Housing Act is amended by striking section 521 (12 U.S.C. 1735e).*

**Explanation of this Section:** Removes from mandatory use the "Technical Suitability of Products Program" for programs covered under FHA's mortgage insurance platform.

**Proposed Action:** The President's Budget proposes the addition of this provision in 2016.

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### **Sec. 247.** *TEMPORARY AUTHORITY TO TRANSFER HOUSING UNDER SUPPORTIVE HOUSING FOR PERSONS WITH DISABILITIES.—*

*(a) AUTHORITY.—Subject to the conditions in subsection (d), the Secretary of Housing and Urban Development (hereafter referred to as "Secretary") may authorize, in response to requests received in fiscal years 2016 through 2020, the transfer of some or all project-based assistance, tenant-based assistance, capital advances, debt, and statutorily required use restrictions from housing assisted under section 811 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 8013) to other new or existing housing, which may include projects, units, and other types of housing, as permitted by the Secretary.*

*(b) CAPITAL ADVANCES.—Interest shall not be due and repayment of a capital advance shall not be triggered by a transfer pursuant to this section.*

*(c) PHASED AND PROPORTIONAL TRANSFERS.—*

*(1) Transfers under this section may be done in phases to accommodate the financing and other requirements related to rehabilitating or constructing the housing to which the assistance is transferred, to ensure that such housing meets the conditions under subsection (d).*

*(2) The capital advance repayment requirements, use restrictions, rental assistance, and debt shall transfer proportionally from the transferring housing to the receiving housing.*

*(d) CONDITIONS.—The transfers authorized by this section shall be subject to the following conditions:*

*(1) the owner of the transferring housing shall demonstrate that the transfer is in compliance with applicable Federal, State, and local requirements regarding housing for persons with disabilities and shall provide the Secretary with evidence of obtaining any approvals related to housing disabled persons that are necessary under Federal, State, and local government requirements;*

*(2) the owner of the transferring housing shall demonstrate to the Secretary that any transfer is in the best interest of the disabled residents by offering opportunities for increased integration or less concentration of individuals with disabilities;*

*(3) the owner of the transferring housing shall continue to provide the same number of units as approved for rental assistance by the Secretary in the receiving housing;*

*(4) the owner of the transferring housing shall consult with the disabled residents in the transferring housing about any proposed transfer under this section and shall notify the residents of the transferring housing who are eligible for assistance to be provided in the receiving housing that they shall not be required to vacate the transferring housing until the receiving housing is available for occupancy;*

*(5) the receiving housing shall meet or exceed applicable physical standards established or adopted by the Secretary; and*

*(6) if the receiving housing has a mortgage insured under title II of the National Housing Act, any lien on the receiving housing resulting from additional financing shall be subordinate to any federally insured mortgage lien transferred to, or placed on, such housing, except that the Secretary may waive this requirement upon determination*

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*that such a waiver is necessary to facilitate the financing of acquisition, construction, or rehabilitation of the receiving housing.*

*(e) PUBLIC NOTICE.—The Secretary shall publish a notice in the Federal Register of 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.*

**Explanation of this Section:** The provision gives the Department needed flexibility to transfer Section 811 subsidies to properties that comply with local Olmstead requirements, which prohibit the unlawful segregation of persons with disabilities.

**Proposed Action:** The President's Budget proposes the addition of this provision in 2016.

***Sec. 248. AUTHORIZATION TO PARTICIPATE IN THE ORIGINATION OF FHA-INSURED LOANS. Section 203(b) of the National Housing Act (12 U.S.C. 1709(b)) is amended by striking paragraph (1) and inserting the following new paragraph:***

*"(1) Have been made to a mortgagee approved by the Secretary or to a person or entity authorized by the Secretary under section 203(d)(1) to participate in the origination of the mortgage, and be held by a mortgagee approved by the Secretary as responsible and able to service the mortgage properly."*

**Explanation of this Section:** Amends the National Housing Act to allow third party loan originators to close loans in their own name instead of the name of their FHA approved funding partner.

**Proposed Action:** The President's Budget proposes the addition of this provision in 2016.

***Sec. 249. REVIEW OF MORTGAGEE PERFORMANCE.— Section 533 of the National Housing Act (12 U.S.C. 1735f-11) is amended—***  
*(1) by amending subsection (a) to read as follows:*

*"(a) PERIODIC REVIEW OF MORTGAGEE PERFORMANCE.—To reduce losses in connection with single family mortgage insurance programs under this Act, at least once a year the Secretary shall review the performance of insured single family mortgages originated, underwritten or serviced by each mortgagee.";*

*(2) by amending subsection (b) to read as follows:*

*"(b) COMPARISON WITH OTHER MORTGAGEES.—In conducting the review required under subsection (a), for each mortgagee the Secretary may compare the performance of insured single family mortgage loans originated, underwritten, or serviced by the mortgagee or its sub-servicer with the performance of other mortgagees originating, underwriting, or servicing insured single family mortgage loans. The Secretary may make this comparison on any basis the Secretary determines appropriate, such as geographic area, varying underwriting and servicing standards, or populations served. The Secretary may implement such comparison through regulations, notice, Mortgagee Letter, or other administrative issuance.";*

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(3) *in subsection (c)—*

*(A) by amending the title to by inserting "AND SERVICER" following "ORIGINATION";*

*(B) by striking paragraph (1) and inserting the following:*

*"(1) TERMINATION AUTHORITY.—Notwithstanding section 202(c), the Secretary may terminate the approval in whole or in part of a mortgagee to originate, underwrite, or service single family mortgages if the Secretary determines that the mortgage loans originated, underwritten, or serviced by the mortgagee present an unacceptable risk to the insurance funds. The determination shall be based on the comparison required under subsection (b) of this section and shall be made in accordance with regulations, notice, Mortgagee Letter, or other administrative issuance of the Secretary.";* and

*(C) in paragraph (2)—*

*(i) by inserting "PROCEDURE.—" prior to "The Secretary shall give"; and*

*(ii) in the fourth sentence, by striking "excessive default and claim rate" and inserting "unacceptable performance".*

**Explanation of this Section:** This general provision amends the National Housing Act to:

(1) authorize FHA to review the performance of mortgagee servicing under Credit Watch, in addition to mortgage origination and underwriting review process authorized under current law;

(2) amend the Credit Watch authority to allow the Secretary to compare the performance of single family mortgage loans originated, underwritten, or serviced by the mortgagee on any basis the Secretary determines appropriate, such as geographic area, varying underwriting and servicing standards, or populations served, instead of a national basis; and

(3) enable FHA, based on its revised Credit Watch authority under this budget to review mortgages, to determine that if a mortgagee is found to have unacceptable performance, terminate the approval of the mortgagee, in whole or in part, to originate underwrite, or service single family mortgages in a specified area or areas, or on a nationwide basis.

**Proposed Action:** The President's Budget proposes the addition of this provision in 2016.

### ***Sec. 250. INDEMNIFICATION BY MORTGAGEES***

*(a) Section 202 of the National Housing Act (12 U.S.C. 1708) is amended by adding at the end the following new clause:*

*"(i) INDEMNIFICATION BY MORTGAGEES.—*

*"(1) IN GENERAL.—If the Secretary determines that a mortgage executed by a mortgagee approved by the Secretary under the direct endorsement program or insured by a mortgagee pursuant to the delegation of authority*

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*under section 256 was not originated or underwritten in accordance with the requirements established by the Secretary, and the Secretary pays an insurance claim with respect to the mortgage within a reasonable period specified by the Secretary, the Secretary may require the mortgagee approved by the Secretary under the direct endorsement program or the mortgagee delegated authority under section 256 to indemnify the Secretary for the loss.*

*"(2) FRAUD OR MISREPRESENTATION.—If fraud or misrepresentation was involved in connection with the origination or underwriting, the Secretary may require the mortgagee approved by the Secretary under the direct endorsement program or the mortgagee delegated authority under section 256 to indemnify the Secretary for the loss regardless of when an insurance claim is paid.*

*"(3) REQUIREMENTS AND PROCEDURES.—The Secretary shall issue regulations establishing appropriate requirements and procedures governing the indemnification of the Secretary by the mortgagee.";*

*(b) Section 256 of the National Housing Act (12 U.S.C. 1715z-21) is amended—*

*(1) by striking subsection (c);*

*(2) in subsection (e), by striking ", including" and all that follows through "by the mortgagee"; and*

*(3) by redesignating subsections (d) and (e) as subsections (c) and (d), respectively.*

**Explanation of this Section:** This allows FHA to seek indemnification from Direct Enforcement (DE) lenders in addition to Lender Insurance (LI) lenders. This language will make all FHA lenders subject to the same enforcement regime.

**Proposed Action:** The President's Budget proposes the addition of this provision in 2016.

***Sec. 251. STATISTICAL METHODOLOGY.*** *Section 202 of the National Housing Act (12 U.S.C. 1708) is amended by adding the following new subsection:*

*"(j) STATISTICAL METHODOLOGY.—In order to further reduce risk to the single family mortgage insurance programs under Title I and Title II of this Act due to originating, underwriting, and compliance risk, the Secretary may, through regulation, establish a statistically valid sampling method to extrapolate defect rates in loans insured under this Act."*

**Explanation of this Section:** This provision allows FHA to resolve underwriting/manufacturing compliance risk through the extrapolation of statistical sampling and the imposition of administrative fees, indemnifications or other remedies as deemed appropriate by the Commissioner.

**Proposed Action:** The President's Budget proposes the addition of this provision in 2016.

***Sec. 252. SHORT SALES FOR FHA-INSURED MORTGAGES.*** *Section 204(a)(1) of the National Housing Act (12 U.S.C. 1710(a)(1)) is amended—*

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- (1) in subparagraph (C) by striking "at foreclosure"; and
- (2) in subparagraph (D) by inserting "or imminent default" after the word "default".

**Explanation of this Section:** This provision revises the National Housing Act to allow for short sales in the case of imminent default.

**Proposed Action:** The President's Budget proposes the addition of this provision in 2016.

**Sec. 253.** *USE OF GOVERNMENT-FINANCED DOWNPAYMENT ASSISTANCE.* Section 203(b)(9)(C) of the National Housing Act (12 U.S.C. 1709) is amended to read as follows:

*"(C) PROHIBITED SOURCES.—Except as provided in subparagraph (D), in no case shall the funds required by subparagraph (A) consist, in whole or in part, of funds provided by any of the following parties before, during, or after closing of the property sale:*

*"(i) The seller or any other person or entity that financially benefits from the transaction.*

*"(ii) Any third party or entity that is reimbursed, directly or indirectly, by any of the parties described in clause (i).*

*"(D) GOVERNMENT ASSISTANCE.—For purposes of this paragraph, the Secretary may consider as cash or its equivalent any amounts borrowed from or provided by any entity authorized to provide secondary financing under section 528 of this Act, under such terms and conditions as may be prescribed by the Secretary, through notice, mortgagee letter, or rule.*

*"This subparagraph shall apply only to mortgages for which the mortgagee has issued credit approval for the borrower on or after October 1, 2008."*

**Explanation of this Section:** This general provision limits the applicability of government-financed down payment assistance towards satisfying FHA requirements. The amendment of the National Housing Act seeks to clarify that down payment assistance from state and local governments and their respective agencies and instrumentalities are not impermissible sources of down payment assistance.

**Proposed Action:** The President's Budget proposes the addition of this provision in 2016.

**Sec. 254.** *SEC. 254. TRANSFER OF MORTGAGE SERVICING DUTIES*

*(a) In General.—Title II of the National Housing Act (12 U.S.C. 1707 et seq.) is amended by adding at the end the following new section:*

*"SEC. 259. DELEGATION OF MORTGAGE SERVICING DUTIES.*



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*"(a) In general.—For any mortgage or pool of mortgages insured under this title and in accordance with any published terms and conditions of the Secretary, the Secretary may require the servicer of any such mortgage or group of mortgages to enter into a subservicing arrangement with any independent specialty servicer approved by the Secretary.*

*"(b) DELEGATION REQUIREMENTS.—Prior to mandating any subservicing arrangement under this section, the Secretary (a) shall—*

*"(1) set forth with clarity the performance conditions of a servicer that would warrant or necessitate the use of the authority granted to the Secretary under this section;*

*"(2) require that the performance condition warranting or necessitating the use of such authority be based on serious or material failures to comply with requirements of the Secretary;*

*"(3) require that any servicer whose servicing duties are subject to this section be provided a reasonable amount of time, provided that such time does not present an increase in risk to the Mutual Mortgage Insurance Fund, to rebut, address, or correct any determination of the Secretary regarding a performance condition described under paragraph (1);*

*"(4) only permit the Secretary to carry out the authority granted under this section upon expiration of the time-period allowed under paragraph (3);*

*"(5) limit the scope of the authority exercised under this subsection to mortgages that share similar underwriting, borrower, or performance characteristics as established by the Secretary;*

*"(6) ensure that the scope of any such authority is not applied broadly and without further limitation; and*

*"(c) Nothing in this subsection may be construed to limit the exercise of authority by the Secretary or the Mortgagee Review Board for violations of any requirement of the Secretary."*

*(b) APPLICABILITY.—The amendment made by this section shall only apply to mortgages insured under title II of the National Housing Act (12 U.S.C. 1707 et seq.) that were originated on or after the date of enactment of this Act.*

**Explanation of this Section:** This provision allows for the FHA to direct servicers to move servicing to identified sub-servicers to ensure that loans are appropriately serviced in ways that mitigate loss levels for the Fund.

**Proposed Action:** The President's Budget proposes the addition of this provision in 2016.

**Sec. 255.** *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) by amending that subsection 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 homeowner to satisfy the loan obligation is deferred*

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*until the death of the homeowner, the sale of the home, or the occurrence of other events specified in regulations of the Secretary. The Secretary may, within his sole discretion, provide for further deferrals. 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 give HUD additional flexibility in establishing the time period for which the obligation to satisfy the loan must be deferred in Home Equity Conversion Mortgages.

**Proposed Action:** The President's Budget proposes the addition of this provision in 2016.

***Sec. 256. INCREASE IN SET-ASIDE OF CDBG ASSISTANCE FOR UNITED STATES-MEXICO BORDER REGION.—*** *Section 916(a)(2) of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 5306 note) is amended by striking "10" and inserting "15".*

**Explanation of this Section:** This provision will allow the Department to direct States along the U.S.-Mexico border to set aside up to fifteen percent within the CDBG program for colonias, rural areas along the border.

**Proposed Action:** The President's Budget proposes the addition of this provision in 2016.

***Sec. 257. USE OF UNUTILIZED OR UNDERUTILIZED PUBLIC BUILDINGS AND REAL PROPERTIES TO ASSIST THE HOMELESS.*** *Section 501 of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11411) is amended—*

*(1) in subsection (a), by adding at the end the following new sentence:*

*"Agencies shall not be required to submit information to the Secretary regarding properties located in an area for which the general public is denied access in the interest of national security or any buildings or structures that are excess or surplus or that are described as underutilized or unutilized, that are on land owned by a landholding agency where the underlying land is not excess, surplus, or that is described as underutilized or unutilized.";*

*(2) in subsection (c)(1)(A), by adding the following after "in the Federal Register":*

*", in a searchable database on the Web site of the appropriate Government agency, or through other electronic means, as determined by the Secretary"; and*

*(3) in subsection (d)(3), by adding at the end the following new sentence: "If no such review of the determination is requested within the 20-day period, such property will not be included in subsequent publications unless the landholding agency makes modifications to the property that would affect its suitability and the Secretary subsequently determines the property is suitable."*

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**Explanation of this Section:** This provision allows the Department to list available properties on the Internet rather than the Federal Register. The provision also provides additional flexibility by excluding the listing of properties located in areas of restricted access due to national security, properties where the underlying land is still of use to the agency, and properties previously determined unsuitable for listing.

**Proposed Action:** The President's Budget proposes the addition of this provision in 2016.

***Sec. 258.*** *Section 24(m)(3) of the United States Housing Act of 1937 (42 U.S.C. 1437v(m)(3)) is amended by striking "shall" and inserting "may".*

**Explanation of this Section:** Current law requires the Department to allocate a portion of Choice Neighborhoods funds to HOPE VI Main Street Grants. This provision would give the Department discretion over these funds.

**Proposed Action:** The President's Budget proposes the addition of this provision in 2016.

***Sec. 259. Evaluation Funding Flexibility Pilot.***

*Amounts made available under this Act which are either appropriated, allocated, advanced on a reimbursable basis, or transferred to the Office of Policy Development and Research in the Department of Housing and Urban Development and functions thereof, for research, evaluation, or statistical purposes, and which are unexpended at the time of completion of a contract, grant, or cooperative agreement, may be deobligated and shall immediately become available and may be reobligated in that fiscal year or the subsequent fiscal year for the research, evaluation, or statistical purposes for which the amounts are made available to that Office.*

**Explanation of this Section:** This provision allows funding for research, evaluation and statistical purposes that is unexpended at the completion of a contract, grant or cooperative agreement to be deobligated and reobligated for additional research, evaluation or statistical purposes.

**Proposed Action:** The President's Budget proposes the addition of this provision in 2016.