[JOINT COMMITTEE PRINT]

DESCRIPTION OF H.R. 3712

RELATING TO

TAX-EXEMPT BONDS FOR HOUSING

SCHEDULED FOR A HEARING

BY THE

COMMITTEE ON WAYS AND MEANS

ON MAY 14, 15, AND 21, 1979

PREPARED FOR THE USE OF THE

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BY THE STAFF OF THE

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INTRODUCTION

The bill discussed in this pamphlet, H.R. 3712 (introduced by Mr. Ullman and Mr. Conable of the Committee on Ways and Means, and by Mr. Reuss, Mr. Ashley, and Mr. Stanton of the Committee on Banking, Finance and Urban Affairs), has been scheduled for hearings on May 14, 15, and 21, 1979, by the Committee on Ways and Means. The bill relates to the treatment of tax-exempt housing bonds issued by State and local governments.

In connection with the hearings, the staff of the Joint Committee on Taxation has prepared a description of the provisions of the bill. There also is included in the pamphlet a description of the present law tax treatment of State-local bonds, and housing mortgage subsidy bonds in particular. In addition, information is presented on the recent growth in the issuing of mortgage subsidy bonds. Further, there is a discussion of other tax incentives for housing in present law and the various Federal housing subsidy programs.

In the Appendix, tables present data on single-family housing bonds issued by State housing agencies for the period January 1, 1979, to April 25, 1979 (table 1), and by local governments for the same period (table 2). The Appendix also shows (by State) the proposed mortage subsidy bond issues that were in process as of April 25, 1979 (table 3), as well as a summary listing of existing State-local government authority for mortgage bond plans (table 4).

I. SUMMARY

The bill (H.R. 3712) makes two amendments to the provision exempting interest on State and local bonds from Federal income tax. First, it removes the exemption for bonds which are used for mortgages on owner-occupied residence. Second, it restricts the existing rule allowing tax-exempt industrial development bonds used in a trade or business of a non-exempt person to bonds which are used for projects for low- or moderate-income rental housing, in a manner consistent with the Leased Housing Program under Section 8 of the United States Housing Act of 1937.

II. DESCRIPTION OF THE BILL

The bill (H.R. 3712) makes two amendments to the provision exempting interest on State and local bonds to be exempt from Federal income tax (Code sec. 103). First, it removes the exemption for mortgage subsidy bonds. Second, it restricts the exception for tax-exempt industrial development bonds issued in connection with housing programs to bonds whose proceeds are used for projects for low- or moderate-income rental housing.

Under the bill, a mortgage subsidy bond is defined as any obligation that is part of an issue of which all or a significant portion of the proceeds are used, directly or indirectly, for mortgages on (or other owner-financing of) owner occupied residences. This rule applies regardless of whether the bonds are revenue bonds (secured by mortgage payments) or general obligation bonds (secured by the full faith and credit of the issuing governmental unit)

The bill contains an exception to the taxable status of interest on mortgage subsidy bonds in the case of bonds used to finance residences for veterans. Under the exception, tax-free status would continue to be allowed for general obligation bonds of a State, territory, possession of the United States, or the District of Columbia which are part of an issue substantially all of the proceeds of which are used to provide residences for veterans.

The bill would also modify the exception to the industrial development bond rules for housing by restricting the types of housing for which tax-free industrial development bonds may be issued to projects for low- or moderate-income rental housing. For this purpose, low- or moderate-income housing is to be determined by the Secretary of the Treasury in a manner consistent with the Leased Housing Program under Section 8 of the United States Housing Act of 1937. The current Treasury regulations provide that occupants of a dwelling unit are considered families and individuals of low or moderate income only if their adjusted income does not exceed 90% of the income limits (80% under proposed regulations) described by the Secretary of Housing and Urban Development (HUD) for occupants of projects financed with certain mortgages insured by the Federal Government. The level of eligible income varies according to geographical area.

In general, the amendments made by the bill are to apply to obligations issued on or after April 25, 1979 (which is the day that the bill was introduced). However, the amendments made by the bill would not apply to obligations issued before May 25, 1979, pursuant to a binding written agreement to sell between the issuer and the underwriter (or other purchaser of the obligations) which was entered into before April 25, 1979.

III. PRESENT LAW AND BACKGROUND

A. Present Law—State and Local Bonds

1. Tax-exempt bonds generally

Under present law (sec. 103 of the Code), interest on State and local government bonds generally is exempt from Federal income taxation. However, in order to qualify for tax-exemption, a bond must satisfy certain restrictions placed on the use of the bond's proceeds.

2. Industrial development bonds (IDBs)

a. General

Prior to 1968, the exemption applied regardless of the manner in which a State or local government used the proceeds of bonds. As a result, State and local governments could issue a bond for the benefit of private industries. Such bonds, known as industrial development bonds, were used to finance a factory or building for an industrial corporation. Typically, the State or local government would purchase the facility, and either lease or sell (on an installment basis) the facility to the corporation for the amount needed to pay the interest and amortize the principal on the bond. Usually, the State or local government assumed no liability for payment of the bonds. Instead, payment of the interest and principal was guaranteed from the lease or installment sales contract.

In 1968, in response to the widespread use of industrial development bonds, concern over their potentially adverse effect on interest rates on traditional State and local government obligations and interstate competition for the location of new industrial plants, Congress substantially restricted the uses for which tax-exempt industrial development bonds could be issued. Under current section 103(b), with certain exceptions, interest on industrial development bonds is taxable.[1]

b. Industrial development bonds for residential real property for family units

One exception to the general rule of taxability of industrial development bonds is for industrial development bonds used to provide residential real property for family units (sec. 103(b)(4)(A)). The explanation of this exception in the Conference Report on the Revenue and Expenditure Control Act of 1968 makes no distinction between

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[1] Under section 103(b), a State or local government obligation is an industrial development bond if all or a major portion of the proceeds are to be used directly or indirectly in a trade or business of a person (other than a government unit or a tax-exempt organization), and payment of principal or interest on the obligation is secured by an interest in, or derived from payment with respect to, property used in a trade or business. In addition to housing, the exempt activities include sports facilities, convention or trade show facilities, airports, docks and wharves, solid waste disposal facilities, air and water pollution control facilities, and several other activities.

multi-family rental housing and single-family owner-occupied residences. However, at the time the report was written, no revenue bond had been issued for single-family residences. The first such bond was not issued until 1970. One statutory restriction is the arbitrage provision, sec. 103(c), which denies tax-exempt status to an issue when its proceeds reasonably may be expected to be used to acquire securities which produce a materially higher yield.

3. Tax-exempt bonds for single-family residences

a. Mortgage subsidy bonds

Under present law, no restrictions are placed on the use of the proceeds of State and local government bonds which are not industrial development bonds.[2] In rulings the Internal Revenue Service has held that, if bond proceeds are used for facilities which are not used in a trade or business, then the bond is not an industrial development bond. As a result of this current status of the law, many State and local governments have instituted mortgage subsidy bond programs. Under these programs, the State or local government relends the bond proceeds through a private lending institution which acts as an agent of the issuer to individuals for the purchase of homes. Since the bond proceeds are not used in a trade or business, but for the purchase of homes by private individuals, the bonds have not been considered to be industrial development bonds.

b. Mortgage subsidy bond programs

General

In a typical transaction, a State or local government will issue a revenue bond for the purpose of making low-interest mortgage loans for single-family homes. The lower tax-exempt interest rates on the bonds allow the State or local government to relend the bond proceeds to individuals at approximately one to two percentage points below conventional home mortgage interest rates. The bonds are repaid from the mortgage payments collected from the individual homeowner-mortgagors.

Generally, the sole security for the bonds is the pool of mortgage loans made with the bond proceeds and reserve accounts established from the bond proceeds.[3] In addition, private insurers and the Federal government through its VA and FHA programs insure repayment of the mortgages and, thus indirectly, the bonds. Generally, there is no general obligation for repayment on the part of the issuing State or local government.

Mortgage loans are typically made through lending institutions.[4] These institutions also service the loans. Loan applicants must satisfy the credit criteria established for the program. A commercial trustee will generally act as trustee of the repayment proceeds and make

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[2] However, Sec. 103(c) places arbitrage restrictions on the use of bond proceeds for arbitrage gains.

[3] Typically 15 to 20 percent of the bond proceeds are placed in a reserve account. For example, for a $100 million bond issue, $15 million of the proceeds would be placed in a reserve account.

[4] Some State housing agencies and at least one local housing agency originate and service their own loans.

interest and principal payments to bondholders. Usually the issuing government's primary role is issuing the bonds and establishing guidelines for eligibility for mortgage loans.

Guidelines for eligibility for mortgage loans under existing mortgage subsidy bond programs have differed for each issuing governmental unit. Usually these programs limit participation to low- and moderate-income individuals (see Appendix table 3). However, the definition of low to moderate income has been subject to different meanings for each issuer. For example, a recent program defined low to moderate income as including fanilies with incomes up to $50,000. Some jurisdictions have conducted bond-financed urban renewal and community development programs in which no income restrictions were placed upon participants.

IDBs for residential real property for family units

In addition to mortgage subsidy bonds, some State or local governments have issued industrial development bonds for owner-occupied residential real property for family units. In these cases, the bond proceeds are lent to a private developer who uses the proceeds to construct single-family residences or to convert existing structures into condominium units. Since the bond proceeds are used in a trade or business, the bonds are industrial development bonds.

c. State restrictions on mortgage subsidy bonds and IDBs for residential real property for family units

While the Federal tax exemption of interest on mortgage subsidy and industrial development bonds for owner-occupied residential real property for family units provides the economic incentive for the issuance of these bonds, it depends on the constitutions and specific statutes of the States. In the absence of constitutional authority or specific enabling legislation, local governments generally do not have the authority to issue these types of bonds.

During the 1970s, most of the States have established State housing finance agencies which are authorized to issue tax-exempt housing bonds. In addition, recent legislation and constitutional changes in several States have established such a power for local governments.

Local governments issue mortgage subsidy and industrial development bonds through the exercise of home rule powers or pursuant to State statutes authorizing their issuance. (See Appendix Table 4 for a listing of State and local government authority to issue such housing bonds.)

B. Growth of Mortgage Subsidy Bond and Industrial Development Bonds for Owner-Occupied Residential Real Property for Family Units

State housing agencies began to issue some mortgage subsidy bonds in the early 1970's. However, prior to 1978, most State Housing Finance Agency bonds were issued to provide multi-family rental housing, and the volume of their bonds for single family housing varied between $36 and $680 million from 1971 through 1976 and was $959 million in 1977. In 1978, the number of State agencies issuing mortgage subsidy bonds and industrial development bonds for owner-occupied residential real property for family units increased to $2.8 billion. In addition, since May 1978, numerous localities have begun issuing such bonds.

During 1978, State and local governments issued $3.3 billion of mortgage subsidy and industrial development bonds for owner-occupied residential real property for family units. This amount represents approximately 7.1 percent of the aggregate of the tax-exempt long-term financing for all purposes by State and local governments during 1978. In the first four months of 1979, State and local governments issued $3.4 billion of such mortgage subsidy and industrial development bonds. This amount represents 27 percent of the aggregate for tax-exempt long-term financing for all purposes by State and local governments during the first 4 months of 1979. Other types of State and local government borrowing during the first 4 months of 1979 were as follows:

	Percent
Education	11. 6
Water and sewer	7. 5
Highways, bridges and tunnels	3. 3
Gas and electric	13. 2
Industrial aid	1. 6
Pollution control	6. 0
Hospital	4. 9
Multi-family rental housing	4. 0
Various purposes	20. 7

The following table reflects in summary form the amount of tax-exempt housing bonds issued during 1978 and the first 4 months of 1979:[5]

	State Mortgage Subsidy and Industrial Development Bonds for Single-Family Owner-Occupied Residential Real Property	*Local Mortgage Subsidy and Industrial Development Bonds for Single-Family Residences (in billions of dollars)*	*Total State and Local Mortgage Subsidy and Industrial Development Bonds for Single-Family Residences*	*Total Long-Term State and Local Tax-Exempt Bonds*
1978	2. 7	0. 6	3. 3	46. 2
First 4 months of 1979	1. 7	1. 6	3. 6	12. 5

[5] For specific data by States and localities, see tables 1 and 2.

C. Other Tax Incentives for Housing

The Federal Government currently provides several programs that subsidize housing. These programs are either direct subsidies, or indirect subsidies through various tax incentives under the Internal Revenue Code. These programs cover both owner-occupied housing and rental housing. The tax incentives are outlined below, while the various Federal housing subsidy programs are summarized later.

1. Owner-occupied housing

Deduction for interest

Under present law, interest paid on mortgage loans for owner-occupied homes is deductible for individuals who itemize. As a result of the allowance of this deduction, the estimated loss of revenue is $9.3 billion in fiscal 1980.

Deduction for real property taxes

Property taxes paid with respect to owner-occupied homes are also deductible. As a result of the allowance of this deduction, the estimated loss of revenues is $6.6 billion in fiscal 1980.

Exclusion of gain on sale of residence

Individuals who have attained the age of 55 may exclude from gross income, on a one-time elective basis, up to $100,000 of gain from the sale of their principal residence. As a result of this exclusion, the estimated loss of revenue is $535 million in fiscal 1980.

Rollover of gain on sale of residence

Gain realized on the sale of a taxpayer's principal residence generally is not recognized to the extent the adjusted sales price is reinvested in a new principal residence. As a result of this deferral provision, the estimated loss of revenue is $1 billion in fiscal 1980.[6]

2. Rental housing

Accelerated depreciation

Under present law the owner of residential rental property is able to recover, through annual depreciation deductions over the useful life of the property, his capital investment. In general, real property depreciation deductions must be on a straight-line method under which equal annual amounts may be deducted over the useful life of the property. However, with respect to new and used residential real property, larger depreciation deductions may be claimed in the early years of the property's life under an accelerated depreciation

[6] In addition, the Energy Tax Act of 1978 provides a new tax credit for the installation of insulation and other energy conserving items in a taxpayers' principal residence. The Act also provides a credit for the installation of solar, wind and geothermal energy equipment in a taxpayer's principal residence. As a result of these credits, the Federal Government will forego $434 million in fiscal 1980.

method. In addition, upon the sale or other disposition of residential real property, only depreciation in excess of straight-line depreciation is recaptured. In other words, the gains upon sale of residential real property are taxable as ordinary income only to the extent the prior accelerated depreciation deductions exceed the depreciation deduction which would have been allowed under a straight-line method. Further, the recapture rules are phased out for certain low-income housing. As a result of these provisions, the estimated loss of revenue is $285 million in fiscal 1980.

Rehabilitation of low-income housing

Taxpayers may also amortize expenditures incurred in the rehabilitation of low-income rental housing over a period of five years (sec. 167(k)). The aggregate amount of expenditures qualifying for the special deduction may not exceed $20,000 per dwelling unit and the deduction is avialable only if the taxpayer makes qualifying expenditures for the unit in excess of $3,000 over a period of two consecutive years. Under present law, this provision will expire after December 31, 1981. As a result of this provision, the estimated loss of revenue is $10 million in fiscal 1980.

D. Federal Government Programs to Assist Housing

1. Programs for single-family housing

Government National Mortgage Association tandem plan

GNMA (Government National Mortgage Association) is a corporation within the Department of Housing and Urban Development HUD that provides a secondary market for FHA, VA and conventional mortgages. Under its Tandem Plan, GNMA provides an interest subsidy that permits lenders to offer mortgages at a below-market interest from lenders at the market interest rate; the difference between 7.5 percent and the market rate which GNMA absorbs is the subsidy. Authority to purchase both single family and multifamily mortgages has been given to GNMA. There are no income limits for borrowers under the single family program, although the maximum mortgage is $42,000 per unit.

Section 312 rehabilitation loan program

These loans are available for improvements to residential and commercial structures located in designated economically depressed areas. Loans for improvements on residential property may not exceed $27,000 per unit, nor $50,000 for improvements to nonresidential property. The interest rate is 3 percent for low income individuals and rises to higher levels for middle and upper income individuals.

Section 235 Homeownership program

Through this program, HUD pays family housing expenses (mortgage payments, property taxes and insurance premiums) which are greater than 20 percent of adjusted gross income. The program assists low to moderate income families in purchasing newly constructed or substantially rehabilitated homes. The subsidy could bring the effective mortgage interest rate paid by the homeowners to as low as 4 percent.

Eligibility is limited to families with incomes below 95 percent of area median [7] income, which HUD determines annually for each standard Metropolitan Statistical Area and nonurban county. The maximum allowable mortgage ranges from $32,000 to $38,000, from low to high cost areas; additional allowances are made for family size. A minimum downpayment of 3 percent is required on the purchases, and the subsidy terminates when the family is able to meet its housing costs by spending 20 percent or less of its adjusted gross income.

Farmers Home Administration (Section 502)

The Farmers Home Administration (FmHA) makes direct low interest rate mortgages available to low and moderate income families buying homes in rural areas. The interest rate is 8.75 percent to families

[7] The median is the midpoint of a distribution, of families above and below which are 50 percent of the observations of family income.

with adjusted annual incomes below $15,000, ($18,500 in Hawaii and $23,000 in Alaska). Families with low incomes ($10,000 in general, $12,000 in Hawaii and $15,600 in Alaska) are eligible for an additional subsidy which could reduce the mortgage interest rate to as little as 1 percent.

Loans are made for rehabilitation, construction or the purchase of existing homes. The size of the home is restricted but not the mortgage or purchase price of the home.

Insured and guaranteed loans

Federal Housing Administration.—The section 203(b) program of the FHA provides insurance for single-family loans, with maximum interest rates, downpayment requirements and loan amounts which are set periodically by statute and regulation. The insurance is a guarantee to the lender that payments of interest and principal will be made.

Veterans Administration.—VA guarantees and insures privately written mortgages for eligible veterans and servicemen.

Mortgage market interventions

Federal National Mortgage Association (FNMA).—This is a government sponsored private corporation that purchases and resells privately written loans. Because it offers lenders an opportunity to liquidate residential mortgages, FNMA encourages the use of private funds for home loans

Government National Mortgage Association (GNMA).—GNMA purchases Federal Government insured and Federal Government guaranteed mortgages, which provide the backing for securities sold to the public. GNMA also may buy mortgages with interest rates as low as 7.5 percent, under the tandem program.

Federal Home Loan Banks.—These banks advance funds to member savings and loan institutions to cover net withdrawals during tight money periods or to savings and loan associations to expand their lending activities, which are focused mainly on single family homes.

2. Programs for multi-family rental housing

Low-rent public housing

Low-rent public-housing programs fund the construction or the purchase and rehabilitation costs (including financing expenses), and a portion of the operating expenses, of rental projects that are owned and managed by State or local government agencies and that are made available to lower-income tenants at reduced charges. Public housing is generally limited to low- and moderate-income families and to elderly, handicapped, or displaced individuals. Tenant rental and utility charges are limited to a total of not more than 25 percent of adjusted family income.

Section 8 new construction and substantial rehabilitation

Section 8 new construction and substantial rehabilitation programs provide assistance on behalf of lower-income households occupying newly built or significantly rehabilitated units that meet certain criteria as to cost, physical adequacy, and location. Under these programs, public agencies or private sponsors develop housing projects in which a portion of the units are made available to low- and moderate-income renters at reduced costs. The difference between the HUD-established allowable rent for each unit and the household contribution—limited to 15–25 percent of family income—is made up by regular payments from HUD to the project owner/manager. Assistance contracts between HUD and project sponsors cover five-year periods and are renewable at the owner's discretion for 20 to 40 years, depending on the type of sponsor and the kind of financing used. Income limits for Section 8 assistance recipients are set at approximately 80 percent of the area median family incomes.

Section 8 existing housing

The existing housing component of the Section 8 program provides assistance on behalf of lower-income households occupying physically adequate, moderate-cost rental housing of their own choosing in the private market. Public housing agencies under contract to HUD subsidize the housing costs of lower-income families by paying their landlords the difference between the tenants' rental fee and the tenants' contribution of 15 to 25 percent of their monthly income. All housing units must meet standards of physical adequacy, must be located within the jurisdiction served by the local agency, and must rent for an amount equal to or less than a HUD-established maximum. Beyond these restrictions, assisted households are free to select the location and type of housing, so long as the landlord is willing to enter into a lease with the tenant and a participation agreement with the administering agency.

Section 236 rental assistance and rent supplements

The Section 236 program, authorized in 1968, provides mortgage interest subsidies to developers of rental projects in which a portion of the housing units are made available to lower-income persons at reduced rates. The interest subsidy alone is sufficient to reduce tenant rental payments to an average of about 30 percent of family income. Additional subsidies are provided on behalf of the occupants of some of the units through rent supplement payments, Section 8 assistance, or deep subsidy payments specifically authorized for use in conjunction with Section 236. This piggybacking of those subsidies, which are paid to the project owner, permits tenants' rents for some units to be reduced to 25 percent of their income without jeopardizing the financial viability of the projects.

The rent supplement program was authorized to provide payments to the owners of private rental housing on behalf of lower-income tenants, but it has been used primarily to reduce rental charges in Section 236 and other mortgage subsidy projects.

Section 202 housing for the elderly and handicapped

Section 202 provides direct federal loans to nonprofit organizations developing rental housing for the elderly and the handicapped. Since 1974, the interest rates have been slightly higher than the yield on all outstanding Treasury obligations—an interest rate more nearly approximating that of conventional financing. Projects developed under the Section 202 program also carry a Section 8 subsidy, which enables the rents of lower-income families and individuals to be reduced to a maximum of 25 percent of their income.

3. Housing-related community development programs

Several community development programs provide housing benefits to a wider range of income groups than are eligible for housing assistance programs. These grant programs to State and local governments generally are administered by the Department of Housing and Urban Development.

Community Development Block Grants (CDBG)

The CDBG program provides grants to state and local governments to fund projects designed to promote viable urban communities. Most CDBG funds are allocated by means of needs-based formulae among cities within metropolitan areas with populations of 50,000 or more and urban counties with populations of 200,000 or more. Beginning in fiscal year 1978, two formulae are used to distribute these entitlement grants. Both consider the number of persons in the jurisdiction with incomes below the poverty line. One formula also takes into account total population and the number of overcrowded housing units within the jurisdiction; the other formula considers lag in population growth relative to the national rate and the number of pre-1940 housing units. Communities that receive entitlement grants must also submit housing assistance plans that estimate the extent and nature of housing needs among low- and moderate-income persons residing or expected to reside in the jurisdiction and indicate how federal housing assistance will be used to address those needs. Communities that fail to provide lower-income housing assistance may forfeit their eligibility for the community development funds.

Urban Development Action Grants (UDAG)

The UDAG program was authorized as an adjunct to block grants. UDAG funds are available only to distressed cities, and they are to be used to support projects involving private investment as well as public funds. Current criteria for determining urban distress include: the proportion of the housing stock constructed before 1940, net increase in per capita income from 1969 to 1974, population growth between 1960 and 1975 relative to the national rate, the level of unemployment, the rate of growth in employment, the percent of the population below the poverty level, and unique local factors. More than 300 localities are eligible for UDAG funding under those criteria.

Section 312 rehabilitation loans

The Section 312 loan program provides direct financing for the rehabilitation of privately owned residential and commercial buildings in designated urban renewal, neighborhood-development, and code-enforcement areas. Loans bear a 3-percent interest rate, with a maximum repayment period of 20 years. Most of the approximately 58,000 Section 312 loans made through the end of fiscal year 1977 financed the rehabilitation of owner-occupied housing. The Section 312 program provides benefits to people with higher incomes than those who receive direct federal housing assistance.

Urban homesteading

A small-scale urban homesteading demonstration program has been enacted, under which federally held single-family properties are deeded to localities and sold by them at nominal cost to persons willing to rehabilitate and occupy them. This program is intended to encourage residential reinvestment in distressed areas and to stimulate economic integration and neighborhood revitalization.

IV. APPENDIX TABLES

Table 1.—Tax-Exempt Single-Family Housing Bonds Issued by State Housing Agencies—January 1, 1979 to April 25, 1979

Issuing State agency	Bond size (in millions of dollars)	In thousands of dollars		
		Income ceiling [1]	Mortgage ceiling	Purchase price ceiling [2]
Alaska: Housing Finance Corporation	60.00	23.7–65.2	75.0	None
Arkansas: Housing and Development Agency	75.00	[10] 20.0		
California: Housing Authority	75.00	[3] Varies	None	[4] 60.0–69.0
Connecticut: Housing Finance Agency	100.00	[11] 13.0–26.4	None	50.0–60.0
Delaware: State Housing Authority	49.23	16.0–22.0	None	None
Iowa: Housing Finance Authority	150.00	17.3	None	55.0
Kentucky: Housing Corporation	59.34	[5] 15.0–20.5	None	40.0
Maryland: Community Development Administration	20.00	[6] 22.7–24.1	None	[7] Varies
Massachusetts: Home Mortgage Finance Agency	25.00	16.0–21.0	None	56.0
New Mexico: Mortgage Finance Agency	97.30	17.7–18.7	None	51.7
North Carolina: Housing Finance Agency	37.30	13.9–15.2	40.0	None
Oregon: Veteran's Welfare	150.00	16.5	None	42.0
Rhode Island:				
Housing and Mortgage Finance Corporation	80.60	18.5–19.5	40.0	None
Housing and Mortgage Finance Corporation	163.27	[8] 18.5–30.0	50.0	None

South Carolina: State Housing Authority	84. 87	[5] 14. 4–16. 8	None	42. 0
South Dakota: Housing Development Authority	147. 00	[9] 14. 4–32. 2	None	None
Utah: Housing Finance Agency	56. 98	[5] 14. 3–15. 8	None	38. 0–41. 0
Virginia: Housing Development Authority	100. 00	16. 0	None	[8] 35. 9–55. 0
West Virginia: Housing Development Fund	100. 00	20. 0–25. 0	None	48. 7
Wyoming: Community Development Administration	68. 30	30. 0	60. 0	None
Total	1, 699. 19			

[1] Income limits in some states vary with location or family size. Where a range is indicated, the numbers represent the range of limits.

[2] Some purchase price ceilings may vary by location and/or type of house. Where a range is indicated, the numbers represent the range of limits.

[3] Prior to January 1, 1979, there was no income limitation for purchasers of homes in revitalization areas, but there was an income limit of 120 percent of HUD area median income for all other purchasers. As of January 1, 1979, the income limit for all home purchasers is 100 percent of HUD area median income, with some adjustments for family size.

[4] Purchase price ceiling is $90,000 in the San Francisco area.

[5] Upper income limit is shown for a family of four, but the limit may be adjusted upward for each additional family member.

[6] Computed for a family of four.

[7] The Maryland Community Development Administration housing bonds will finance a number of housing projects, each of which will have a purchase price ceiling.

[8] Limit is higher if the home has energy saving devices.

[9] Proceeds of this bond fund two programs. $71,935,000 is used for loans for low-income people (maximum income of $14,410, and $58,141,250 is used to purchase loans from bank portfolios to assist moderate-income people (maximum income of $32,200).

[10] For a family of two; the limit increases for each additional family member by $2,000 per person.

[11] One-fourth of the lendable proceeds are for urban areas, with respect to which no income ceilings exist.

Source: Derived from information supplied by the Congressional Budget Office.

Table 2.—Tax-exempt single-family housing bonds issued by local governments—January 1, 1979 to April 25, 1979

Issuing county or city	Bond size (in millions of dollars)	In dollars: Area median income [1]	Income ceiling [2]	Mortgage ceiling
Alaska				
Anchorage	50.00	22,000	60,000	None
Arkansas				
Jacksonville	15.00	15,100	29,000	58,000
Fayetteville	18.00	12,300	30,000	70,000
Jonesboro	20.00	11,800	[3] 39,500	[4] None
Little Rock	75.00	15,100	32,000	None
Lonoke County	25.00	10,800	30,000	60,000
Mississippi County	15.00	10,100	29,000	58,000
North Little Rock	52.26	15,100	33,000	75,000
Sebastian County (issue No. 1)	9.56	11,500	27,500	55,000
Sebastian County (No. 2)	17.80	11,500	27,500	55,000
Sebastian County (No. 3)	3.40	11,500	27,500	55,000
Sebastian County (No. 4)	1.73	11,500	27,500	55,000
Saline County (Benton)	28.90	15,100	30,000	60,000
Sherwood	12.00	15,100	33,000	80,000
West Memphis	16.50	12,530	29,000	[4] None
California				
Duarte Redev. Agency	26.57	----------	None	None
Hawaiian Gardens	14.45	18,000	None	None
La Habra	32.00	18,000	None	None
Long Beach Redev. Agency	11.60	----------	None	None
Redondo Beach Redev. Agency	40.00	----------	None	None
San Bernardino	34.77	14,800	None	None
Colorado				
Delta County	6.20	10,000	20,000	[4] 50,000
Delaware				
Sussex County	20.98	14,700	30,000	60,000
Wilmington	17.92	19,500	30,000	None
Illinois				
Village of Addison	25.00	20,700	40,000	80,000
Chicago	150.00	20,700	[3] 40,000	None
Decatur	15.00	17,800	40,000	80,000
Evanston	25.00	20,700	[3] 50,000	100,000
Highland Park	8.00	20,700	[3] 40,000	[4] 85,000
Joliet	27.80	13,300	50,000	80,000
Springfield	31.00	17,400	35,000	60,000
Waukegon	23.73	----------	[7] 25,000	75,000
Wheeling	15.00	20,700	40,000	80,000

Footnotes at end of table.

Table 2.—Tax-exempt single-family housing bonds issued by local governments—January 1, 1979 to April 25, 1979—Continued

Issuing county or city	Bond size (in millions of dollars)	In dollars: Area median income [1]	Income ceiling [2]	Mortgage ceiling
Kansas				
Kansas City	35.00		37,500	None
Wichita	30.00	16,100	25,000	[4] 50,000
Kentucky				
Boone County	19.40	10,500	40,000	80,000
Floyd County		9,300	40,000	80,000
Johnson County	12.40	8,200	40,000	80,000
Montgomery County	12.40	12,100	40,000	80,000
Louisiana				
East Baton Rouge	100.00	15,800	29,500	[4] None
New Iberia	22.00		35,000	65,000
Lafayette	75.00		31,500	75,000
New Orleans	85.00	15,100	[3] 40,000	75,000
Terrebonne–House Parish	25.00	14,600	25,000	65,000
Maryland				
Montgomery County	56.84	23,200	19,500	[4] None
Minnesota				
St. Paul	50.00	20,200	[5] 22,000	[6] 50,000
South St. Paul	10.00	20,200	26,000	[4] 60,000
New Mexico				
Albuquerque	78.56	14,200	24,000	52,000
Clovis	8.00	11,900	28,000	65,000
West Virginia				
Cabell-Putnam-Wayne Counties	50.00	14,200	30,000	None
Martinsburg	25.00	14,000	30,000	Varies
Monongalia County	20.13	14,000	30,000	None
Wood County	21.31	14,700	30,000	None
Total	1,621.21			

[1] Median income for a family of four obtained from Department of Housing and Urban Development. *Area Median Income for Standard Metropolitan Statistical Areas and Non-Urban Counties* (December 1978).

[2] Household or family income, adjusted according to varying local definitions.

[3] A portion of the bond proceeds are either reserved for households with lower incomes than the table entry, or funds are made available first only for households below a lower income limit than that appearing in the table.

[4] There is a home purchase price ceiling.

[5] $22,000 for purchasers of existing homes and $27,500 for purchasers of new homes. There are no income limitations on purchasers of homes in redevelopment areas.

[6] The mortgage ceiling for homes outside redevelopment areas is $50,000 for an existing single-family home and $60,000 for newly constructed or substantially rehabilitated homes. If the home is inside a redevelopment area, the mortgage ceiling is $85,000.

[7] No limit in downtown "block grant" area.

Source: Derived from information supplied by the Congressional Budget Office and the Department of Housing and Urban Development.

Table 3.—Proposed State-Local Mortgage Bond Issues in Process as of April 25, 1979*

Issuer	Size of issue (in millions of dollars)	Type	Limitations: Income ceiling	Limitations: Mortgage ceiling	Limitations: Purchase price	Area median income
Alaska						
Valdez	10.0	Owner-occupied	$75,000	None	None	21,800
Arizona						
Maricopa County (Phoenix).	50.0	Owner-occupied	125% of median	Not known	Not known	16,500
Pema County (Tucson)	50.0	Owner-occupied	125% of median	Not known	Not known	14,900
Arkansas						
Ashley County	[1] 10.0	Owner-occupied	$30,000 [1]	Not yet determined	Not yet determined	11,200
Benton County	[1] 25.0	Owner-occupied	Not yet determined	Not yet determined	Not yet determined	
Cleburne County	[1] 12.0	Owner-occupied	$28,000 [1]	$58,000	None	8,400
Chicot County	10.0	Owner-occupied	Not yet determined	Not yet determined	Not yet determined	7,100
Cross County	5.0	Owner-occupied	$30,000	$60,000	None	11,100
Desha County	10.0	Owner-occupied	$27,500	$55,000	None	8,900
Drew County	[1] 10.5	Owner-occupied	$28,500	$57,000	None	8,800
Greene County	[1] 17.5	Owner-occupied	$32,500	$65,000	None	10,000
Harrison (City of)	[1] 12.0	Owner-occupied	$29,000	$58,000	None	
Helena (City of)	[1] 12.5–15.0	Owner-occupied	$30,000 [1]	$60,000	None	
Hempstead County	[1] 15.0	Owner-occupied	Not yet determined	Not yet determined	Not yet determined	9,600
Jefferson County	[1] 24.0	Owner-occupied	$29,500 [1]	$59,500	None	
Poinsett County	[1] 20.0	Owner-occupied	Not yet determined	Not yet determined	Not yet determined	9,500
Pope County	[1] 20.0	Owner-occupied	Not yet determined	Not yet determined	Not yet determined	11,200
Pulaski County	100.0	Owner-occupied	$31,000	$70,000	None	8,350
Rogers (City of)	[1] 25.0	Owner-occupied	$30,000 [1]	$60,000	None	
Springdale (City of)	[1] 14.2	Owner-occupied	$25,000 [1]	$55,000	None	
Stuttgart (City of)	[1] 9.0–9.5	Owner-occupied	$33,000 [1]	$69,000	None	
Texarkana (City of)	[1] 15.0	Owner-occupied	$30,000 [1]	$60,000	None	13,000
Union County	[1] 20.0	Owner-occupied	$30,000 [1]	$60,000	None	12,500

California					
Burbank	75.0	Owner-occupied	$50,000	$135,000 (New) $112,500 (Existing)	$150,000 (New) $125,000 (Existing)
California State Housing Finance Agency.	40.0	Rental	20% of proceeds—sec. 8. Remainder are moderate income (120% of median income).	N/A	N/A
Colton	12.0	Owner-occupied	None	None	None
El Cerrito (1)	6.0	Owner-occupied	None	$85,000	$95,000
El Cerrito (2)	6.0	Mixed	None	N/A	N/A
Emeryville	10.0	Owner-occupied	None	None	None
Inglewood	11.6	Mixed	None	None	
Oakland					
Orange County			120% of median		
Palmdale	46.5	Owner-occupied	None	None	None
Paramount	25.9	Owner-occupied	None	None	None
Pico Rivera	48.0	Owner-occupied	None	None	None
Richmond (1)	4.0	Owner-occupied	None	$76,000	$76,000
Richmond (2)	30.0	Owner-occupied	None	$95,000	$95,000
Richmond (3)	5.0	Owner-occupied	None	$95,000	$95,000
San Diego					
San Francisco (Hunter's Point)	4.0				
San Francisco (Rehabilitation)	1.5				
San Pablo	30.0	Owner-occupied	None	None	None
Santa Ana	20.0	Owner-occupied	15% of proceeds must go to low and moderate income. 85% of proceeds have no limit.	None	None
Hawaiian Gardens (260 units).	Unsized.	Owner-occupied	None	95% to 97% of purchase price.	$50,000–$60,000
LaHabra	10.0	Owner-occupied	None	None	None
Long Beach	32.0	Owner-occupied	None	None	None

Footnotes at end of table.

Table 3.—Proposed State-Local Mortgage Bond Issues in Process as of April 25, 1979*—Con.

Issuer	Size of issue (in millions of dollars)	Type	Limitations			Area median income
			Income ceiling	Mortgage ceiling	Purchase price	
Los Angeles (Monterey Hill) (1,300 units).	Unsized.	Owner-occupied	None	None	None	
Monterey Park	10.0	Owner-occupied	None	None	None	
San Bernadino	15.0	Owner-occupied	None	None	None	
Santa Monica	Unsized.	Owner-occupied	None	None	None	
Santa Ana	6 to 8	Owner-occupied	HUD Guidelines on typical 312 program.			
University of Calif. (Faculty Housing).	25.0	Owner-occupied	None, but limited to new members of faculty within last 7 yrs. who are first time purchasers of a home.	None		
Colorado						
Aspen	1.4					
Aurora	75.0	Owner-occupied	$26,000	$75,000		
Mesa County (Grand Junction).	85.0	Owner-occupied	$25,000	$65,000	None	13,700
Otero, Bent and Prowers Counties.	4.9	Owner-occupied	$18,000	$43,000	$55,000	10,800–11,600
Snow Mass	1.7					
Vail	13.5	Owner-occupied	$12—32,000 (not finally determined).	95% of purchase price	$32–92,000 (not finally determined).	14,900
Florida						
Dade County	Unsized					15,200
Jacksonville (city of)	30–40					
Polk County	35.0	Owner-occupied	$16,800	$49,000		
West Palm Beach (City of)	Unsized					

Illinois						
Alton	30.0	Owner-occupied	$40,000			9,600
Bollingbrook	50.0	Owner-occupied	$50,000	$100,000	None	
City of Chicago Heights	12.0	Owner-occupied	$40,000	$80,000		
Danville	15.0	Owner-occupied	$30,000	None	None	15,700
Freeport	15.0	Owner-occupied	$40,000	None	None	10,360
Illinois Housing Development Authority.	30.0	Rental		N/A	N/A	
Moline	25.5	Owner-occupied	70% of proceeds—$40,000; 30% of proceeds—$20,000.	None	$125,000	
Morton Grove	13.5	Owner-occupied	$50,000	$100,000	None	
Quincy	15.0	Owner-occupied	$40,000	None	None	15,200
Village of Woodbridge	20.0	Owner-occupied	$50,000	$100,000	None	13,870
Kansas						
Finney County	Unsized					15,400
Crawford County	Unsized					11,100
Kentucky						
Carter County	12.4	Owner-occupied	$40,000	$80,000		10,300
Lewis County	12.4	Owner-occupied	$40,000	$80,000		10,200
Pike County	18.0	Owner-occupied	$40,000	$80,000		10,400
Louisiana						
Denham Springs/Livingston.	20.0	Owner-occupied	$30,000	$70,000	None	
Hammond/Tangipahoa	15.0	Owner-occupied	$30,000	$70,000	None	
Jefferson Parish	100.0	Owner-occupied	$30,000	$75,000	None	
LaFourche Parish	18.9	Owner-occupied	$30,000	$65,000	None	
Monroe/W. Monroe	40.0	Owner-occupied	$29,500	$65,000	None	
Rapids Parish	50.0	Owner-occupied	$24,500	$56,500	None	
Saint Bernard	25.0	Owner-occupied	$30,000	Not known	None	
Saint Tammany	50.0	Owner-occupied	$30,000	$70,000	None	
Shreveport	65.0	Owner-occupied	$30,000	Not known	None	
Sulphur (city of)	Unsized	Owner-occupied	Not known	Not known	Not known	
Maryland						
Maryland State Housing Authority.	11.8	Rental	20% of proceeds-Sec. 8 limits; 47–110% of median income; 33% of proceeds-no limits.	N/A	N/A	

See footnotes at end of table.

Table 3.—Proposed State-Local Mortgage Bond Issues in Process as of April 25, 1979*—Con.

Issuer	Size of issue (in millions of dollars)	Type	Limitations: Income ceiling	Limitations: Mortgage ceiling	Limitations: Purchase price	Area median income
Minnesota						
Moorehead (City of)	15.0	Owner-occupied				
South St. Paul (City of)	10.0	Owner-occupied				
Vadnais Heights (City of).	45.0	90% owner-occupied	15% of proceeds-$27,500; 85% of proceeds-None.	None	None	
Missouri						
Missouri Housing Development Commission.	66.8	Owner-occupied	Metro—$18,825, Rural—$17,579.	None	$45,000	
Montana						
Montana Board of Housing.	75–100		$18,000			
Nevada						
Nevada State Housing Agency.	12.0	Rental	80% of units to families with incomes below 120% of county.	N/A	N/A	
Nevada State Housing Agency.	100.0	Owner-occupied	$21,700	None	$55,000 except for Washoe Co. Washoe Co.—$60,000.	
New Hampshire						
New Hampshire Housing Finance Agency.	90.0	Owner-occupied	$24,000	95% of purchase price.	$50,000–$70,000	
New York						
New York City	120.0	Rental		N/A	N/A	
New York State Housing Agency.	312.0	Rental	Some Sec. 8	N/A	N/A	
Oklahoma						
Cherokee County	Unsized	Owner-occupied	$17,500[4]	None	None	8,800
Cleveland County	28.0	Owner-occupied	$19,800[2]	$49,500	None	
Comanche County	10.0	Owner-occupied	Lesser of 120% of median income or	None	2.5 x income	

			median income of 60th percentile.[2]			
Tulsa	89. 0	Owner-occupied	$21,900 [2]	None	$65,000 single family $80,000 duplex	16, 100
Pennsylvania						
Pittsburgh	23. 5	Owner-occupied	None targeted to geographical areas.			16, 200
Vermont						
Vermont Housing Finance Agency.	45. 0	Owner-occupied	$20,000–$22,000	$42,000–$46,000	$50,000–$55,000	
Virginia						
West Virginia						
Brooke, Pleasants, Tyler and Wetzel Counties.	18. 1	Owner-occupied	$30,000–80% of Proceeds, $35,000–20% of Proceeds.	(3)	None	8, 200–13, 900
Hardy, Mineral, Hampshire, Grant and Pendleton, Counties.	35–40	Owner-occupied	$30,000	None	None	
Harrison County	22. 7	Owner-occupied	$30,000–80% of Proceeds, $35,000–20% of Proceeds.	(3)	None	
Kanawha County	50. 0	Owner-occupied	$30,000			
Marion County	21. 0	Owner-occupied	$35,000			
Marshall County	18. 1	Owner-occupied	$30,000–80% of Proceeds, $35,000–20% of Proceeds.	(3)	None	
Mason County	15. 0	Owner-occupied	$30,000			12, 800
Mercer County	20. 0	Owner-occupied	$30,000			13, 100
Raleigh, Fayette, and Nicholas Counties.	35–40	Owner-occupied	$30,000	None	None	
Wyoming						
Community Development Authority.	60–80	Owner-occupied	$30,000	$60,000		

*This is not intended to be an all-inclusive listing. It reflects those proposed issues which have been brought to the attention of the staff before publication of this pamphlet.

[1] Approximate figures.

[2] Less $1,000 for each dependent and further reduced by certain medical expenses.

[3] Mortgage-principal and interest plus other indebtedness cannot exceed 36 percent of gross monthly income.

[4] Not eligible if net worth exceeds 4 times annual income.

[5] Median income for a family of four obtained from Department of Housing and Urban Development. *Area Median Income for Standard Metropolitan Statistical Areas and Non-Urban Counties* (December 1978).

Table 4.—Status of State-Local Government Mortgage Bond Plan Authority

State	State owner/occupied plan	Local owner/occupied plans	Authority for local plans	Comments
Alabama	No State agency	No known programs.		There is no indication that Alabama or any of its political subdivisions can or will issue bonds for owner-occupied housing.
Alaska	Active	Active		
Arizona	No State agency	Authorized, not yet active.	Arizona Rev. Stat. § 9–1151 et seq. (1978).	
Arkansas	Active	Active	Public Facilities Board Law.	
California	Active	Active	S.B. 99 (§ 33–750 Cal. Health and Safety Code). § 37–910 Cal. Health and Safety Code.	Amendments to S.B. 99 pending in legislative to redirect S.B. 99 and strengthen income limits and state review.
Colorado	Active	At least one city active.	IDB statute and possible home rule authority.	Local issues moratorium bill died in legislature after introduction of H.R. 3712.
Connecticut	Active	Not authorized		Bill pending in legislature to grant authority to localities.
Delaware	Active	Active	Home rule powers	
Florida	No State agency	Reportedly authorized.		Litigation on local authority reportedly pending.

Georgia	Active	Atlanta only; not yet active.	H. B. 454	
Hawaii	Active	Not authorized		Bill to enable local issuing of bonds reportedly defeated.
Idaho	Active	No active programs.		Legislation would be needed for local plans.
Illinois	State plans permitted; none currently active.	Active	Home rule powers	State has small loan to lenders program for single family units.
Indiana	Not authorized	Not authorized		Responsible state official has not formed opinion on whether plans could be created in the absence of specific authority.
Iowa	Active	At least on local program active.		Davenport.
Kansas	No State agency	Active	S.B. 199 (April 79) Home rule powers.	
Kentucky	Active	3 counties have issued owner-occupied housing bonds in the past.		State Attorney General has issued opinion that recent legislation prohibiting local owner-occupied housing bonds is unconstitutional.
Louisiana	No State program	Active	9 La. Rev. Stat. 2341 et seq.	Litigation pending *re* Baton Rouge.
Maine	Active	Not authorized		Legislative committee has recommended that authorizing local owner-occupied housing bonds not be passed.
Maryland	Active	Active in 2 localities.	IDB Act refers to "any building" Baltimore possesses charter powers.	

Table 4.—Status of State-Local Government Mortgage Bond Plan Authority—Continued

State	State owner/occupied plan	Local owner/occupied plans	Authority for local plans	Comments
Massachusetts	Active	Prohibited		2 localities bills pending (low income).
Michigan	Active	No known programs.		
Minnesota	Active	6 localities have authority.	1975 Laws Chps. 188, 195, 196, 260; 1976 Laws Chp. 226.	Bill enabling all localities to issue owner occupied housing bonds under strict guidelines introduced in legislature.
Mississippi	No State agency	No known programs.		
Missouri	Active	Not authorized		
Montana	Active	No active program		Local programs would need legislation.
Nebraska	Program pending	Not authorized		State program established by L.B. 476 passed in 1978. (Rev. Stat. Neb. §§ 81–8288 et seq.)
Nevada	Active	Prohibited	Nev. Rev. Stat. § 315	Localities have only authority for multi-family projects.
New Hampshire	Active	No programs		
New Jersey	Active	Prohibited		Bill introduced to permit localities to issue housing bonds.
New Mexico	Active	Active	H.B. 332 passed last session.	
New York	Authorized	Active in New York City.	Mitchell-Lama Act	Local bills pending.

North Carolina	Active	Not authorized		Local bill for Charlotte pending would face a constitutional challenge if passed.
North Dakota	No state agency			There is no indication that North Dakota or any of its political subdivisions can or will issue owner-occupied housing bonds.
Ohio	Legislated authority, but no active programs.	Not authorized		
Oklahoma	No authority	Litigation in progress on three local plans.	Public trust laws	State has only section 8 programs.
Oregon	Active	No active programs		Bond Counsels have felt localities have authority.
Pennsylvania	No active program	Not authorized		Legislation introduced to clarify authority of state; locality bill also pending.
Rhode Island	Active	Not authorized		
South Carolina	Active	Not authorized		Legislation would be necessary to enable local issues.
South Dakota	Active	Not authorized		
Tennessee	Active	Not authorized		Legislation to enable issuing by localities passed in House, pending in Senate.
Texas	No State agency	Not authorized		Various bills to establish both State and local plans are pending in the legislature.

Table 4.—Status of State-Local Government Mortgage Bond Plan Authority—Continued

State	State owner/occupied plan	Local owner/occupied plans	Authority for local plans	Comments
Utah	Active	No active programs.		Opinion is apparently divided on whether localities have authority under charter powers.
Vermont	Active	No active programs.		
Virginia	Active	Not authorized		Bill to grant home rule powers to some jurisdictions referred to legislative study committee.
Washington	Bill pending	Possibly home rule authority could be used in Seattle.		Significant constitutional limitations.
West Virginia	No program authorized.	Active county programs.	IDB Act, Chp. 13 Art. 2c, § 1 W. Va. Code.	
Wisconsin	Programs pending	Not authorized		Legislation would be necessary to enable local issues.
Wyoming	Active	Not authorized		Localities bill defeated in last session.