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REPORT
107–196

# OFFICE OF MULTIFAMILY HOUSING ASSISTANCE RESTRUCTURING EXTENSION ACT OF 2001

SEPTEMBER 5, 2001.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. OXLEY, from the Committee on Financial Services, submitted the following

# REPORT

[To accompany H.R. 2589]

[Including cost estimate of the Congressional Budget Office]

The Committee on Financial Services, to whom was referred the bill (H.R. 2589) to amend the Multifamily Assisted Housing Reform and Affordability Act of 1997 to reauthorize the Office of Multifamily Housing Assistance Restructuring, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

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## PURPOSE AND SUMMARY

H.R. 2589, the Office of Multifamily Housing Assistance Restructuring Extension Act of 2001, extends the Office of Multifamily

Housing Assistance (OMHAR) for three years. The bill also requires the Program Director to report directly to the Federal Housing Commissioner and eliminates the need for Senate confirmation of the Director.

## BACKGROUND AND NEED FOR LEGISLATION

The Office of Multifamily Housing Assistance Restructuring (OMHAR) was established within the Department of Housing and Urban Development (HUD) by the Multifamily Assisted Housing Reform and Affordability Act of 1997 (Public Law 105–65) to administer the "mark-to-market" program for restructuring Federal Housing Administration (FHA)-insured mortgages for section 8 project based contracts. The mark-to-market program is aimed at preserving the affordability of low-income rental housing, while reducing the cost of rental assistance subsidies provided to low-income households.

The mark-to-market program and OMHAR are both scheduled to terminate on September 30, 2001. At that time, without reauthorization, HUD would still be required to renew section 8 contract rents at market levels. However, the tools established by the Act for restructuring mortgage loan debts would no longer be available. OMHAR's authority would be transferred to HUD's Secretary, disrupting program momentum and leaving HUD without the capacity and expertise it needs to administer the program effectively.

H.R. 2589 simplifies issues of jurisdiction and coordination. Under current law, the Office of Housing and OMHAR have overlapping jurisdictions with both directors reporting to the HUD Secretary. H.R. 2589 would require the OMHAR Director to report to the Federal Housing Commissioner. This new arrangement will make it easier to coordinate OMHAR with the 18 Multifamily Hubs in the Office of Housing located around the country. Additionally, H.R. 2589 eliminates the need for Senate confirmation of the Director.

*Mark-to-Market Restructuring Program.* Over 800,000 units in approximately 8,500 multifamily projects have been financed with mortgages insured by FHA and supported by project-based section 8 housing assistance payments contracts. The residents of housing units that receive project-based assistance are required to pay a portion of their income for rent (generally 30 percent), while HUD pays the balance. Many of these properties' rents are higher than the market rents of comparable unassisted properties. A main cause of the higher rents is that the Government originally supported the development of these properties by establishing rents above market levels. The Government would then raise the rents regularly through the application of set formulas that, according to HUD, tended to be generous to encourage the production of new affordable housing.

After a careful review of the insured multifamily portfolio of FHA, Congress realized that if substantial changes to the section 8 project-based program were not made, the renewals of expiring contracts for section 8 assistance would consume an increasingly larger portion of the discretionary budget of HUD in future years. In fact, HUD estimated that if no action were taken by 2007, the annual cost of renewing project-based section 8 contracts would rise

to approximately $7 billion, or about one-third of HUD's total budget.

In an effort to address this growing problem, Congress enacted the mark-to-market proposal in 1997. Specifically, the program provides the framework for HUD to restructure insured section 8 multifamily housing projects by lowering their rents to market levels when their current section 8 contracts expire and reducing mortgage debt if necessary for the properties to continue to have a positive cash flow. The rents are marked back down to market price, hence the phrase "mark-to-market." Without this restructuring, rents for many of the 8,500 properties in HUD's insured section 8 multifamily housing portfolio would continue to substantially exceed market levels. This would result in higher Federal subsidies under the section 8 program.

*Office of Multifamily Assisted Housing Restructuring (OMHAR).* Congress provided OMHAR the following restructuring tools: (1) reducing property debt levels by approving partial or full payments of FHA insurance claims without an owner default; (2) approving exception rents in excess of local market rents in order to preserve affordable housing in specific markets; (3) exempting FHA mortgage insurance credit subsidy limitations and limitations on risk sharing commitments; and (4) using public and nonpublic participating administrative entities (PAEs) to complete restructuring actions. PAEs can be housing financing agencies (HFA), or non-profit or for-profit organizations.

OMHAR was slow in getting started. It took almost two years to establish the program's infrastructure and for OMHAR to begin assigning a large volume of properties to the entities that would carry out restructuring actions. Some program participants criticized OMHAR's administration of the program asserting that cost cutting would often take precedent over long-term preservation goals. Moreover, critics argued that OMHAR's complex rules and rigid procedures discouraged participation and innovation by Housing Finance Agencies. Others describe poor communication and coordination between OMHAR and HUD. This has led some advocates to support transferring responsibility for administration of the program from OMHAR to other parts of HUD.

*GAO Recommendations and Review.* The 1997 legislation directed the General Accounting Office (GAO) to review OMHAR's implementation of the mark-to-market program within 18 months of the effective date of final regulations, which were issued on May 22, 2000. In a July 2001 report ("Multifamily Housing: Issues Related to Mark-to-Market Program Reauthorization," Report to Congressional Committees, GAO–01–800, July 2001), GAO pointed out that OMHAR has taken action to address many of the criticisms raised by eliminating some elements of its review, streamlining the requirements in the operating procedure guide, and developing incentives to encourage owner participation in the program. In addition, GAO maintains that OMHAR's pace in implementing the program has been reasonable given the program's complexity and the number of tasks that needed to be accomplished.

GAO also concluded that the mark-to-market program should be extended. HUD estimated that over 1,300 section 8 properties with rents above market have section 8 contracts that will expire after the program is scheduled to sunset. If rents for these properties

must be marked down to market levels without provisions for mortgage restructuring, it is likely that many of the properties would default on their mortgages, resulting in large claims against FHA's insurance fund.

Finally, GAO concludes that OMHAR's authority to administer the program should also be extended. The report maintains that transferring responsibility for administering the program from OMHAR to other parts of HUD, without dedicated mark-to-market staff, could disrupt program momentum and leave HUD without the capacity and expertise it needs to administer the program effectively. GAO saw no problem, however, with placing the office under HUD's Office of Housing "so long as such action does not disrupt program momentum, diminish HUD's capacity for administering the program, or weaken program oversight."

GAO makes several other recommendations that could assist the program's performance and may warrant this Committee's consideration in the future. In that regard, a letter was sent by the Chairwoman of the Subcommittee on Housing and Community Opportunity to OMHAR Director Ira Peppercorn asking several questions relating to program administration. The Committee will carefully review the recommendations of HUD, OMHAR, and the GAO for purposes of evaluating additional changes that could be made in future legislation. Given the impending September 30th reauthorization deadline, however, H.R. 2589 includes only changes specific to reauthorization and office structure.

## HEARINGS

No hearings were held on this legislation.

## COMMITTEE CONSIDERATION

On July 25, 2001, the Committee met in open session and ordered H.R. 2589 reported to the House, without amendment, with a favorable recommendation by a voice vote.

## COMMITTEE VOTES

Clause 3(b) of rule XIII of the Rules of the House of Representatives requires the Committee to list the record votes on the motion to report legislation and amendments thereto. No record votes were taken in conjunction with the consideration of this legislation. A motion by Mr. Oxley to report the bill to the House with a favorable recommendation was agreed to by a voice vote.

## COMMITTEE OVERSIGHT FINDINGS

Pursuant to clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the Committee made findings that are reflected in this report.

## PERFORMANCE GOALS AND OBJECTIVES

Pursuant to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the Committee establishes the following performance related goals and objectives for this legislation:

The OMHAR will continue to pursue its current programs to (1) preserve affordability and availability of low-income housing, (2) re-

duce the costs of Federal housing assistance, (3) enhance HUD's administration of Federal housing assistance, (4) address financially and physically troubled projects, and (5) correct management and ownership deficiencies.

## NEW BUDGET AUTHORITY, ENTITLEMENT AUTHORITY, AND TAX EXPENDITURES

In compliance with clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, the Committee finds that this legislation would result in changes in budget authority, entitlement authority, or tax expenditures or revenues consistent with the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974.

## COMMITTEE COST ESTIMATE

The Committee adopts as its own the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974.

## CONGRESSIONAL BUDGET OFFICE ESTIMATE

Pursuant to clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, the following is the cost estimate provided by the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
*Washington, DC, August 23, 2001.*

Hon. MICHAEL G. OXLEY,
*Chairman, Committee on Financial Services,*
*House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 2589, the Office of Multifamily Housing Assistance Restructuring Act of 2001.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contacts are Chad Chirico and Susanne S. Mehlman.

Sincerely,

DAN CRIPPEN.

Enclosure.

*H.R. 2589—Office of Multifamily Housing Assistance Restructuring Act of 2001*

Summary: H.R. 2589 would extend the Multifamily Assisted Housing Restructuring and Affordability Act of 1997 (MAHRA) for three years beyond its current expiration date of September 30, 2001. That law authorizes the so-called mark-to-market approach for renewing Section 8 Housing Assistance Payment (HAP) contracts and for the restructuring of certain mortgages insured by the Federal Housing Administration (FHA). Under the mark-to-market approach, HAP contracts are renewed at market rents for FHA-insured projects that currently receive above-market rents and, if necessary, the mortgages for those projects are written down to levels that could be supported by the lower rents.

CBO estimates that enacting H.R. 2589 would prevent some projects from defaulting on FHA-insured mortgages and thus reduce direct spending by $307 million over the 2002–2006 period. Because the bill would affect direct spending, pay-as-you-go procedures would apply. We also estimate that implementing H.R. 2589 would reduce discretionary spending by $114 million over the 2002–2006 period, assuming that future appropriations are reduced to reflect the lower costs of Section 8 contracts.

H.R. 2589 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). Reauthorization of the mark-to-market program would extend cooperative agreements between the Department of Housing and Urban Development (HUD) and participating state and local agencies, and any costs incurred by those agencies as part of the agreements would be voluntary.

Estimated cost to the Federal Government: The estimated budgetary impact of H.R. 2589 is shown in the following table. The costs of this legislation would fall within budget functions 370 (mortgage and housing credit) and 600 (income security). For this estimate, CBO assumes that the legislation will be enacted early in fiscal year 2002 and that the necessary amounts will be appropriated each fiscal year. Outlay estimates are based on historical spending patterns associated with the mark-to-market program.

ESTIMATED BUDGETARY EFFECTS OF H.R. 2589

| | By fiscal year, in million of dollars— | | | | | |
|---|---|---|---|---|---|---|
| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
| DIRECT SPENDING | | | | | | |
| FHA Multifamily Mortgage Insurance Fund | | | | | | |
| Spending Under Current Law: | | | | | | |
| Estimated Budget Authority | 645 | 2,550 | 1,801 | 847 | 163 | 34 |
| Estimated Outlays | 645 | 2,550 | 1,801 | 847 | 163 | 34 |
| Proposed Changes: | | | | | | |
| Estimated Budget Authority | 0 | −302 | 0 | 0 | 0 | 0 |
| Estimated Outlays | 0 | −302 | 0 | 0 | 0 | 0 |
| Proposed Spending Under H.R. 2589: | | | | | | |
| Estimated Budget Authority | 645 | 2,248 | 1,801 | 847 | 163 | 34 |
| Estimated Outlays | 645 | 2,248 | 1,801 | 847 | 163 | 34 |
| Section 8 Contracts | | | | | | |
| Spending Under Current Law: | | | | | | |
| Estimated Budget Authority | 0 | 0 | 0 | 0 | 0 | 0 |
| Estimated Outlays | 4,390 | 3,933 | 3,460 | 3,039 | 2,817 | 2,715 |
| Proposed Changes: | | | | | | |
| Estimated Budget Authority | 0 | 0 | 0 | 0 | 0 | 0 |
| Estimated Outlays | 0 | −1 | −2 | −2 | 0 | 0 |
| Proposed Spending Under H.R. 2589: | | | | | | |
| Estimated Budget Authority | 0 | 0 | 0 | 0 | 0 | 0 |
| Estimated Outlays | 4,390 | 3,932 | 3,458 | 3,037 | 2,817 | 2,715 |
| Total Changes in Direct Spending | | | | | | |
| Estimated Budget Authority | 0 | −302 | 0 | 0 | 0 | 0 |
| Estimated Outlays | 0 | −303 | −2 | −2 | 0 | 0 |
| SPENDING SUBJECT TO APPROPRIATION | | | | | | |
| Spending Under Current Law: | | | | | | |
| Estimated Authorization Level[1] | 12,105 | 16,165 | 17,110 | 17,761 | 18,271 | 18,753 |
| Estimated Outlays | 16,515 | 17,525 | 18,265 | 18,620 | 19,094 | 19,603 |
| Proposed Changes: | | | | | | |
| Administrative Expenses: | | | | | | |
| Estimated Authorization Level | 0 | 24 | 24 | 18 | 0 | 0 |

ESTIMATED BUDGETARY EFFECTS OF H.R. 2589—Continued

| | By fiscal year, in million of dollars— | | | | | |
|---|---|---|---|---|---|---|
| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
| Estimated Outlays | 0 | 23 | 24 | 28 | 1 | 0 |
| Section 8 Contracts: | | | | | | |
| Estimated Authorization Level | 0 | −34 | −65 | −56 | −25 | −6 |
| Estimated Outlays | 0 | −33 | −63 | −54 | −24 | −6 |
| Proposed Spending Under H.R. 2589: | | | | | | |
| Estimated Authorization Level | 12,105 | 16,155 | 17,069 | 17,723 | 18,246 | 18,747 |
| Estimated Outlays | 16,515 | 17,515 | 18,226 | 18,584 | 19,071 | 19,597 |

[1] The amount shown for 2001 is the amount appropriated for the housing certificate fund and administrative expenses in that year. The 2002–2006 levels are CBO baseline projections, assuming adjustments for anticipated inflation and the renewal of all units.

Basis of estimate: CBO estimates that enacting H.R. 2589 would reduce direct spending by a total of $307 million over the 2002–2006 period. Such savings would result principally from avoiding defaults on FHA-insured mortgages that are anticipated under current law. Those estimated FHA savings would be reflected in the budget on a present value basis as "loan modifications" under the provisions of the Federal Credit Reform Act, which establishes present value accounting for federal loan programs.

Subject to the availability of appropriations, CBO estimates that implementing H.R. 2589 would cost a total of $66 million over the 2002–2006 period to support the continuation of the Office of Multifamily Housing Assistance Restructuring's (OMHAR's) mark-to-market activities under the three-year extension of MAHRA. CBO also estimates that implementing H.R. 2589 would result in savings of $180 million over the next five years from the reduction of HAP contract rents to market levels, assuming that appropriations are reduced accordingly. Thus, CBO estimates that implementing this bill would reduce discretionary spending by $114 million over the 2002–2006 period.

*Background*

In 1997, MAHRA was enacted to address financial problems in the Section 8 program for affordable housing assistance. At that time, over 4,000 multifamily projects with FHA-insured mortgages were receiving project-based rent subsidies under Section 8 of the United States Housing Act of 1937. The majority of these projects had units with rents that exceeded those for comparable unassisted units. The original HAP contracts attached to these projects were written for periods typically ranging from 15 to 40 years—mostly expiring over the 1998–2004 period. However, HUD no longer had the authority to review these contracts at more than 120 percent of the fair market rent except under certain circumstances. Consequently, few of these projects would have remained financially viable when their rental income was reduced to market rates. With reduced rents, such projects would have been expected to default on their mortgages, generating large losses to the FHA insurance fund and possibly displacing many tenants in these projects.

The mark-to-market process usually involves reducing a project's rents to market levels and then either modifying or refinancing the existing mortgage at an amount that could be supported by the new market rents (this process is often referred to as "full" restructuring). Specifically, FHA prepays all or a portion of the owner's existing mortgage debt through a partial payment of claims (PPC)

and then takes back a second mortgage, and in some cases a third mortgage, to recover some of the PPC. In some instances, though, only a property's rent is reduced to market levels; this type of restructuring (referred to as a "lite" restructuring) usually occurs when the project is physically and financially sound enough to operate at market-level rents with its existing mortgage. When MAHRA expires, HUD will still be required to renew HAP contracts at market levels, but the authority to restructure mortgage debt will no longer be available for projects that have yet to enter the mark-to-market program. Without that authority, many mortgages would enter into deficit after rents are reduced to market levels.

*Direct spending*

CBO estimates that enacting H.R. 2589 will result in savings principally by avoiding defaults on FHA-insured multifamily mortgages that otherwise would occur under current law. We expect that a small amount of savings also would occur because rents will be reduced prior to HAP contract expiration for a small number of projects.

Avoiding FHA Multifamily Defaults through Mark-to-Market. Based on information from OMHAR, CBO estimates that by the end of fiscal year 2001, about 1,730 projects will have undergone or will be in the process of undergoing some form of mark-to-market restructuring. By extending the mark-to-market authority through 2004, CBO estimates that an additional 680 properties with FHA-insured mortgages would have their mortgage debt restructured. Because there is relatively little incentive for owners to begin the mark-to-market process prior to the expiration of their HAP contracts, we estimate that only about 25 of the 680 projects will have their mortgage debt restructured prior to their HAP contract expiration date. Restructuring those projects will not only result in savings to FHA (by avoiding defaults), but also result in savings to existing HAP contracts (these savings are explained in the next section).

Based on a review of financial information on over 4,000 projects, including projects that have defaulted on FHA-insured mortgages as well as projects for which mortgage restructurings have been completed, CBO estimates that the cost of restructuring mortgage debt is less expensive than the cost of default by about $1 million per project, on average. Our analysis indicates that over several years defaulted projects cost the FHA insurance fund an average of $2 million per project, while restructured projects have cost the FHA insurance fund an average of $1 million each since the program began operations in 1999. Included in the costs of defaults are the payments covering the remaining balance on the mortgage (about $1.3 million per project), and the expenses of maintaining and preparing the property for sale (about $600,000 per project). These estimates reflect the fact that two out of three projects that have defaulted since 1985 were eventually sold for $10 or less.

The cost of restructuring mortgage debt includes the payment covering the remaining balance on the mortgage (an estimated 80 percent of the loan's unpaid balance or about $1 million per project), the fees paid to the public or private organization that assists OMHAR with mark-to-market activities (about $50,000 per

project), and the FHA subsidy cost associated with guaranteeing the new first mortgage ($30,000 per project), less the present value of expected receipts from repayments on the second mortgage ($200,000 per project). Because properties that are projected to be restructured in the 2002–2004 period have unpaid mortgage balances that are significantly higher than the historical average, CBO has adjusted the historical averages proportionately to estimate future savings.

The additional restructuring that could occur under H.R. 2589 would reduce the cost to the FHA insurance fund over the remaining life of the affected loan guarantees. If the mark-to-market program ends—as under current law—CBO assumes, based on discussions with HUD and OMHAR, that about 60 percent of the 680 projects whose mortgages have not yet been restructured would default. The remaining 40 percent are assumed to either be sustainable at market rents or would not have rents reduced to market in the near future. For these projects that are not expected to default, enacting this bill would result in restructuring costs only.

Because enacting H.R. 2589 would change the expected cash flows associated with the FHA multifamily loan guarantee program, this legislation is considered to be a modification of existing federal loan guarantees. Under credit reform procedures, the costs of a loan modification are estimated on a net present value basis in the year in which the legislation is enacted. Assuming that the bill is enacted early in fiscal year 2002, CBO estimates savings of $302 million in that year.

Reduction in Rents for Units Subject to Mortgage Restructuring. CBO expects that under the bill, some projects would have their mortgages restructured prior to the expiration of their HAP contracts. This would result in savings from funds that have already been appropriated for housing assistance payments. Under the existing mark-to-market authority, only a small number of project owners had their mortgages restructured prior to the expiration of their HAP contracts. Because CBO anticipates similar behavior over the next three years, we estimate that about 25 of the 680 projects will have their rents reduced and mortgage debt restructured prior to their HAP contract expiration. CBO estimates that the average savings would amount to roughly $200,000 per project, resulting in a total estimated savings of $5 million over the next three years.

*Spending subject to appropriation*

Office of Multifamily Housing Assistance Restructuring. CBO estimates that OMHAR would incur costs of $66 million over the 2002–2006 period, subject to the availability of appropriations, to continue its mark-to-market activities for an additional three years. Such funding would cover costs associated with the salaries and expenses of OMHAR personnel and contractor support. CBO estimates that OMHAR would require appropriations of $24 million in each of fiscal years 2002 and 2003. By fiscal year 2004, however, CBO predicts that the number of mortgage restructurings would begin to decline. Consequently, we estimate that OMHAR would require appropriations of only $18 million in fiscal year 2004.

Section 8 Rental Assistance. CBO estimates that by extending MAHRA through 2004, the transition to market rents for projects

with expiring HAP contracts would occur at a faster pace than expected under current law. CBO estimates that implementing the bill would result in discretionary savings of $33 million in 2002 and $180 million over the 2002–2006 period, assuming that appropriations are reduced to reflect the lower cost of the HAP contracts.

Information provided by HUD indicates that those properties estimated to have above-market rents that were not assigned to OMHAR for restructuring over the last few years had their rents increased, on average, by the rate of inflation at their first HAP contract renewal. In contrast, those projects that were assigned to OMHAR for restructuring over the same time period had average rent reductions of 13 percent. CBO estimates that this trend in rent determination is an indication that OMHAR would reduce rents to market levels more rapidly than would be expected under current law.

Pay-as-you-go considerations: The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

| | By fiscal year, in millions of dollars— | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| Changes in outlays | 0 | −303 | −2 | −2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Changes in receipts | Not applicable | | | | | | | | | | |

Intergovernmental and private-sector impact: H.R. 2589 contains no intergovernmental or private-sector mandates as defined in UMRA. Reauthorization of the mark-to-market program would extend cooperative agreements between HUD and participating state and local agencies, and any costs incurred by those agencies as part of the agreements would be voluntary.

Estimate prepared by: Federal Costs: Chad Chirico and Susanne S. Mehlman. Impact on State, Local, and Tribal Governments: Susan Sieg Tompkins. Impact on the Private Sector: Bruce Vavrichek.

Estimate approved by: Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.

## FEDERAL MANDATES STATEMENT

The Committee adopts as its own the estimate of Federal mandates prepared by the Director of the Congressional Budget Office pursuant to section 423 of the Unfunded Mandates Reform Act.

## ADVISORY COMMITTEE STATEMENT

No advisory committees within the meaning of section 5(b) of the Federal Advisory Committee Act were created by this legislation.

## CONSTITUTIONAL AUTHORITY STATEMENT

Pursuant to clause 3(d)(1) of rule XIII of the Rules of the House of Representatives, the Committee finds that the Constitutional authority of Congress to enact this legislation is provided by Article

1, section 8, clause 1 (relating to the general welfare of the United States); Article 1, section 8, clause 3 (relating to the power to regulate interstate commerce); and Article I, section 8, clause 18 (relating to making all laws necessary and proper for carrying into execution powers vested by the Constitution in the government of the United States).

## APPLICABILITY TO LEGISLATIVE BRANCH

The Committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of section 102(b)(3) of the Congressional Accountability Act.

## SECTION-BY-SECTION ANALYSIS OF THE LEGISLATION

*Section 1. Short title*

This section establishes the short title of the bill, the "Office of Multifamily Housing Assistance Restructuring Extension Act of 2001."

*Section 2. Reauthorization of Office*

Legislation that authorizes The Office of Multifamily Housing Assistance Restructuring is set to expire on September 30, 2001. This section strikes the date of September 30, 2001 and inserts September 30, 2004.

*Section 3. Director*

Currently, the Director of OMHAR is appointed by the President and confirmed by the Senate. This section amends the law to provide that the Director no longer must be confirmed by the Senate.

This section also clarifies the duties of the Director. Current law "authorizes" the Director to implement the duties of OMHAR. This section makes it "the sole duty and responsibility of the Director." This section also prohibits HUD from assigning duties to the Director of OMHAR other than that necessary to administer OMHAR.

*Section 4. Oversight by Federal Housing Commissioner*

Current law requires the OMHAR Director to report to the Secretary of HUD. This section amends section 578 of the Multifamily Assisted Housing Reform and Affordability Act of 1997, entitled "Oversight by Federal Housing Commissioner." This new language amends the law to require the OMHAR Director to report to the Assistant Secretary of HUD who is the Federal Housing Commissioner.

## CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

## MULTIFAMILY ASSISTED HOUSING REFORM AND AFFORDABILITY ACT OF 1997

TITLE V—HUD MULTIFAMILY HOUSING REFORM

* * * * * * *

**SEC. 510. SHORT TITLE.**

This title may be cited as the "Multifamily Assisted Housing Reform and Affordability Act of 1997".

* * * * * * *

# Subtitle D—Office of Multifamily Housing Assistance Restructuring

* * * * * * *

**SEC. 572. DIRECTOR.**

**[**(a) APPOINTMENT.—The Office shall be under the management of a Director, who shall be appointed by the President by and with the advice and consent of the Senate, from among individuals who are citizens of the United States and have a demonstrated understanding of financing and mortgage restructuring for affordable multifamily housing. Not later than 60 days after the date of the enactment of this Act, the President shall submit to the Senate a nomination for initial appointment to the position of Director.

**[**(b) VACANCY.—A vacancy in the position of Director shall be filled in the manner in which the original appointment was made under subsection (a).**]**

*(a) APPOINTMENT.—The Office shall be under the management of a Director, who shall be appointed by the President from among individuals who are citizens of the United States and have a demonstrated understanding of financing and mortgage restructuring for affordable multifamily housing.*

*(b) VACANCY.—A vacancy in the position of Director shall be filled by appointment in the manner provided under subsection (a). The President shall make such an appointment not later than 60 days after such position first becomes vacant.*

* * * * * * *

**SEC. 573. DUTY AND AUTHORITY OF DIRECTOR.**

(a) * * *

(b) AUTHORITY.—**[**The Director is authorized**]** *The sole duty and responsibility of the Director shall be* to make such determinations, take such actions, issue such regulations, and perform such functions assigned to the Director under **[**law as the Director determines necessary to carry out such functions**]** *this title as the Director determines necessary to carry out the program under subtitle A*, subject to the review and approval of the Secretary. The Director shall semiannually submit a report to the **[**Secretary**]** *Assistant Secretary of the Department of Housing and Urban Development who is the Federal Housing Commissioner* regarding the activities, determinations, and actions of the Director. *Neither the Secretary, nor the Assistant Secretary of the Department of Housing and Urban Development who is the Federal Housing Commissioner, nor any other officer of such Department may delegate or assign to the*

*Director any duty or responsibility other than, or in addition to, the duty and responsibility of the Director established under this subsection.*

* * * * * * *

**[SEC. 578. SUSPENSION OF PROGRAM BECAUSE OF FAILURE TO APPOINT DIRECTOR.**

[(a) IN GENERAL.—If, upon the expiration of the 12-month period beginning on the date of the enactment of this Act, the initial appointment to the office of Director has not been made, the operation of the program under subtitle A shall immediately be suspended and such provisions shall not have any force or effect during the period that ends upon the making of such appointment.

[(b) INTERIM APPLICABILITY OF DEMONSTRATION PROGRAM.—Notwithstanding any other provision of law, during the period referred to in subsection (a), the Secretary shall carry out sections 211 and 212 of the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1997. For purposes of applying such sections pursuant to the authority under this section, the term "expiring contract" shall have the meaning given in such sections, except that such term shall also include any contract for project-based assistance under section 8 of the United States Housing Act of 1937 that expires during the period that the program is suspended under subsection (a).]

***SEC. 578. OVERSIGHT BY FEDERAL HOUSING COMMISSIONER.***

*All authority and responsibilities assigned under this subtitle to the Secretary shall be carried out through the Assistant Secretary of the Department of Housing and Urban Development who is the Federal Housing Commissioner.*

**SEC. 579. TERMINATION.**

(a) REPEAL.—Subtitle A (except for section 524) and subtitle D (except for this section) are repealed effective October 1, [2001] *2004*.

(b) EXCEPTION.—Notwithstanding the repeal under subsection (a), the provisions of subtitle A (as in effect immediately before such repeal) shall apply with respect to projects and programs for which binding commitments have been entered into under this Act before October 1, [2001] *2004*.

(c) TERMINATION OF DIRECTOR AND OFFICE.—The Office of Multifamily Housing Assistance Restructuring and the position of Director of such Office shall terminate [upon September 30, 2001] *at the end of September 30, 2004*.

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