098197

COMMUNITY AND ECONOMIC
DEVELOPMENT DIVISION

AUG 25 1976

B-114860

The Honorable John V. Tunney
United States Senate

Dear Senator Tunney:

In accordance with your May 14, 1976, request, and later agreements reached with your office, enclosed is a historical summary of the efforts made by our Office, the Congress, and various other governmental and nongovernmental organizations to enhance the efficiency of certain housing programs the Federal Government administers by consolidating functions related to housing and improving coordination among agencies. This summary centers on the housing activities of the Department of Housing and Urban Development; the Veterans Administration; and the Farmers Home Administration, Department of Agriculture.

The Federal Government's role in housing has developed incrementally over many years. Each Federal program is based on specific public laws enacted by the Congress in response to public concern about specific housing problems. The diversity of the Federal Government's interests in housing places some limits on the extent to which its role can be simplified. The summary focuses on those areas of interagency duplication, lack of coordination, and inconsistency of policies and procedures, which have been identified as problems in past examinations and published reports as well as on the outcomes of various recommendations which have been made from time to time to reduce or eliminate such problems.

Relatively few of the legislative or executive recommendations for consolidation or improved coordination of the three agencies' housing activities have been implemented and none of the proposed functional consolidations has taken place. In many cases, the agencies have not agreed with the recommendations made by our Office and others and have argued

CED-76-142

703513 098197

BEST DOCUMENT AVAILABLE

that their missions, clienteles, and congressional mandates are sufficiently unique to justify maintenance of separate programs and procedures.

The enclosure also includes a brief discussion of some of the program and technical areas in which the three agencies are presently cooperating and coordinating their efforts as well as a discussion of certain areas in which they have not agreed on important matters.

Sincerely yours,

Henry Eschwege

Henry Eschwege
Director

Enclosure

BEST DOCUMENT AVAILABLE

HISTORICAL SUMMARY OF MAJOR EFFORTS TO CONSOLIDATE FUNCTIONS RELATING TO HOUSING AND TO IMPROVE COORDINATION AMONG AGENCIES

THE SERVICEMEN'S READJUSTMENT ACT OF 1944 (Public Law 78-346, 38 U.S.C. 1800)

The legislative history of this act, which established the Veterans Administration's (VA's) home loan guaranty program, indicates that the Congress was somewhat concerned about the possibility of duplicating in VA the types of activities already performed by other agencies. Senate Report No. 755 on S.1767, 78th Cong., 2d Sess. commented that:

> "It is contemplated that under the general supervision of the Administrator of Veterans' Affairs all suitable governmental agencies both Federal and State will be employed. No one has any idea of putting the Administrator in the business of education or agriculture or housing * * *."

Section 505(a) of the act, as originally enacted into law, provided that:

> "The Administrator shall designate such agency or agencies, if any, as he finds equipped to determine whether the guaranty of loan should be approved under this title."

Nothwithstanding this language, present and former VA officials told us that from the inception of the VA housing program inspection, appraisal, loan guaranty, and other related housing functions have been performed by or directed from within VA. These individuals said that in 1945 and 1946 when VA was putting together its loan guaranty program and looking for agencies willing and able to perform these functions, it was unable to find one both equipped to do the job and interested in doing it. An official of the Federal Housing Administration (FHA), which was seen as the likeliest candidate, said that FHA had more than enough activity of its own with the postwar boom in housing and did not want to get involved in, and expand its staff to accommodate, what was then seen as a short-term program.

BEST DOCUMENT AVAILABLE

REPORT BY THE PRESIDENT'S ADVISORY COMMITTEE ON GOVERNMENT HOUSING POLICIES AND PROGRAMS

A 1953 report issued by the President's Advisory Committee on Government Housing Policies and Programs contained a recommendation that the President direct the Housing and Home Finance Agency (HHFA), VA, and FHA to work out an interagency agreement under which VA would contract with FHA to do the technical functions of processing veterans' home loan applications under the VA home loan guaranty program.[1] The intent of the recommendation, according to the report, was to have one agency of the Federal Government charged with administering the housing functions of market analysis, land planning requirements, valuation and appraisal, minimum property and construction standards, and property inspection.

The advantages cited by the advisory committee as inherent in the recommendation concerned promoting economy and efficiency (i.e., eliminating the added costs of dealing with two agencies) and making more homes available to veterans at lower costs in the long run. However, the recommendation was not adopted.

VA officials cited the limited duration of World War II veteran eligibility and the fact that this eligibility was nearing expiration as one of the prime motives behind the advisory committee's recommendation. VA and the Department of Housing and Urban Development (HUD) officials cited the new crop of veterans created by the Korean war as well as strong opposition to the proposed consolidation on the part of veterans' groups and veterans' lobbies in the Congress as the principal reasons for the failure of the recommendation to be implemented.

LEGISLATION PROPOSING THE ESTABLISHMENT OF A VETERANS HOUSING PROGRAM IN FHA

In 1957 the interest rate ceiling imposed on loans guaranteed under the VA loan program was having an adverse effect on the program's housing activities. Because of this and because congressional committees which had jurisdiction

[1] Before 1965 FHA and HHFA existed as separate agencies. FHA was concerned primarily with loan insurance, while HHFA administered grants of money to State and local governments. In 1965 these two agencies and others were combined to become the Department of Housing and Urban Development.

BEST DOCUMENT AVAILABLE

were reluctant to raise the allowable VA interest rate, the House Committee on Banking and Currency proposed legislation providing for establishing a veterans preference loan insurance program in FHA. The VA loan guaranty program would not have been terminated or abolished under this proposed legislation; however, the higher interest rate permitted under the proposed FHA veterans preference loan insurance program may have reduced further the VA program's already diminished activity.

In testimony before the Subcommittee on Housing, House Committee on Banking and Currency, in March 1957, VA officials strongly opposed the creation of a veterans preference home loan program in FHA on the grounds that it would result in a substantial dilution of other veteran benefits and protections. They added that the charges of substantial added costs imposed on builders as a result of parallel activities performed by both FHA and VA are relatively minimal when considering the marketing and other advantages to the builder.

The Committee on Banking and Currency report on the Housing Act of 1957 (H.R. 6659) retained the proposed veterans loan preference program. However, the Housing Act of 1957, as approved by the Congress on July 12, 1957, did not include the veterans preference feature. Officials of both VA and HUD again cited opposition from veterans' groups and supporters of veterans' programs in the Congress for the failure of this proposed program to be enacted.

COMMENTS ON CONSOLIDATION BY THE ADMINISTRATION

On June 21, 1961, at hearings before the Subcommittee on Reorganization and International Organizations, Senate Committee on Government Operations, on bills to establish a Department of Housing and Urban Affairs, Mr. David E. Bell, Director of the then Bureau of the Budget[1] (BOB) was asked by Senator Karl Mundt whether the Administration was proposing to transfer VA's housing functions to the proposed Department of Housing and Urban Affairs. Mr. Bell replied:

> "This is a matter, as you know, which has been considered frequently in recent years and the Administration's position remains the same as it has been; namely, that the

[1]Now the Office of Management and Budget.

BEST DOCUMENT AVAILABLE

housing functions now performed by the Veterans' Administration should stay in the VA. Those functions are probably phasing out as you know, but there is no thought of moving them as long as they exist."

In April 1965 at hearings before a subcommittee of the House Committee on Government Operations to consider the proposed establishment of a Department of Housing and Urban Development, a BOB official was asked to comment on the housing functions which would be grouped together in the proposed agency. The official said the Administration was not proposing to transfer any housing or urban development programs of other agencies into the new agency. The proposal, he said, was limited to departmental status for HHFA with its present programs and responsibilities. When asked whether BOB contemplated that in the future other functions might be transferred to HUD, the official said:

"* * * this matter has been reviewed, and it is our present view that this would not be required or appropriate in terms of functions which are related to housing but lie outside the present Housing and Home Finance Agency."

Concerning the VA loan guaranty program, the Bureau of the Budget official stated that:

"* * * the veterans housing program has been so closely related to the veterans programs generally dealing with individuals who are receiving other benefits, that we do not see this as something which should be shifted."

OUR RECOMMENDATION THAT THE APPRAISAL FUNCTIONS OF VA AND FHA BE CONSOLIDATED

At the request of Congressman Joe Kilgore, we issued a report in April 1963 which concluded that there are sound reasons for consolidating the appraisal functions of VA and FHA into one agency, FHA. We pointed out that duplication of appraisals occurred principally in the case of proposed construction and concluded that elimination of this duplication could save the Government about $500,000 annually.

Both VA and FHA disagreed with our recommendation. The Administrator of Veterans Affairs expressed the view that a consolidation of the appraisal function was neither practicable nor desirable. It would, he argued, accomplish little, if any, reduction in the cost or time required to make appraisals;

BEST DOCUMENT AVAILABLE

it would give considerable influence to one agency of the Government over property values generally; and it would not eliminate the differing valuations obtained since the different appraisal criteria of the two agencies would continue in effect.

The Commissioner of FHA commented that the performance of VA appraisal work by FHA appraisers could result in some confusion of concepts by the appraisers and noted that if FHA were to use VA fee appraisers there would be administrative complications in the fee arrangements arising from restrictions in annual appropriations acts for FHA. The Commissioner concluded that any broad approach which would establish a single appraisal channel for both purposes would probably require legislative action.

Notwithstanding the agencies' doubts and reservations, we believed that mutually agreeable procedures could be established under which VA appraisal objectives could be accomplished by FHA appraisers and that the consolidation of functions would result in substantial savings to the Government. In view of the opposition of VA and the various doubts FHA expressed, however, we concluded that an administrative agreement to achieve a consolidation of functions was not probable and that congressional consideration and action would be required if such a consolidation were to be accomplished.

A former high ranking official of both VA and FHA informed us that a number of proposals were made in the 1950s and 1960s aimed at consolidating various VA and FHA functions, including appraisals. He said such proposals received support from certain elements of the mortgage banking community and the homebuilding industry. These groups had some support and influence in the Congress but were opposed by others who strongly resisted all attempts to fragment VA or break off and consolidate certain of its activities with those of other agencies. He added that the support for transfer of activities from VA to FHA that existed in previous years does not exist today because, in his view, the VA program is perceived to be working well and the industry is generally satisfied with it, whereas the contrary has been true of HUD in recent years.

BEST DOCUMENT AVAILABLE

OUR RECOMMENDATION THAT THE MANAGEMENT AND DISPOSITION OF VA AND FHA ACQUIRED PROPERTIES BE CONSOLIDATED

On May 31, 1967, we issued a report entitled "Savings Possible by Consolidating Management of Acquired Residential Properties" (B-156010) which concluded that improved effectiveness, economy, and efficiency could be achieved if management and disposition of VA and FHA properties acquired as a result of default and foreclosure were consolidated in one agency. We pointed out that such a consolidation would make possible savings in administrative costs (staffing), contract costs (repairs, property management, sale brokerage fees), and also make for simpler and more uniform procedures and terms in dealings with brokers and potential buyers. We recommended HUD (FHA) as the appropriate agency in which to consolidate these activities.

In its comments on our findings and recommendations, FHA generally agreed that such consolidation was feasible, while, at the same time, pointing out that:

> "* * * there are many legislative, administrative, fiscal, and accounting problems to be resolved before an effective consolidation could be implemented or before the savings to result from a consolidation could be estimated."

VA, in its comments, took the position that we had not sufficiently considered overall differences in the organizational structures of VA and FHA or differences in organizational missions which relate closely to the management and disposition of acquired properties. VA cited past executive branch support for maintenance of the independence and integrity of the VA housing program, among other things, and argued the desirability and essentiality of continued VA administration of all integral elements of the VA program.

As a result of our report, BOB employed a management consulting firm to examine in greater depth the factors which would affect and be affected by a consolidation, such as we proposed.

The management consultants' study, issued in January 1968, concluded that improved coordination of the property management and disposition activities of VA and FHA would result in greater savings and benefits than would our proposed consolidation of these functions. The consultants identified

BEST DOCUMENT AVAILABLE

numerous areas where performance could be improved, particularly within FHA, and took the position that efforts to improve operations and bring the two agencies up to parity in efficiency should precede any attempt at consolidation. Consolidating FHA and VA property disposition activities, although feasible, the report said, "would detract from the necessary management emphasis on improving current operations in areas with greatest improvement potential."

As an outgrowth of the consultants' report, BOB, VA, and HUD worked out an interagency agreement for coordination and cooperation which took effect in June 1968. The agreement stated that:

> "It is the intent of FHA and VA to cooperate fully at all levels to establish comparable programs and eliminate disparities in pricing, terms, and repair programs on similar properties acquired by both agencies in the same subdivisions or general areas, and in particular where inventories are increasing because of adverse market conditions."

The agreement further provided for establishing regular contacts between VA and FHA field representatives as well as establishing, at the Washington headquarters level, a joint agency committee which would meet upon request by either agency to consider and resolve differences of opinion and other matters of mutual concern.

Our discussions with VA and FHA officials revealed that relatively few of the objectives of the 1968 interagency agreement and recommendations made in the consultants' report have been achieved. Officials of both agencies informed us that contacts between the two agencies, both at the field and headquarters levels, have been sporadic, infrequent, and not meaningful. The agencies' officials said they continued to maintain that their programs and objectives were substantially different and that the limited contact and cooperation which did take place represented that which was possible and appropriate given the differences in the types and locations of properties with which they dealt. Moreover, officials of both agencies said the differences between the two agencies' acquired property management and disposition programs had grown since 1968 rather than diminished.

A HUD official informed us that it was difficult to make a case for consolidation of these activities today because the programs were not compatible. The basic missions, as well as the program activities, of the two agencies are

BEST DOCUMENT AVAILABLE

moving further and further apart. He said that HUD was dealing more and more with subsidized properties as well as rehabilitating and stabilizing the urban areas, while VA's typical property continued to be an unsubsidized, single family, suburban residential property. The HUD official also said that, in his opinion, the VA property management and disposition program belonged in HUD as did all housing programs operated by the Federal Government, but that there was no way that this or any other VA activity was going to be taken away from VA, given the political realities of the situation. VA officials indicated that they were in substantial agreement with this HUD official's assessment.

1970 COORDINATING EFFORTS BY FmHA, HUD, AND VA

During hearings in 1970 before the Subcommittee on HUD-Independent Agencies, House Committee on Appropriations, a HUD Assistant Secretary was asked to describe HUD's efforts to cooperate and coordinate with both VA and the Farmers Home Administration (FmHA) in trying to meet housing needs. The HUD official explained that VA and HUD cooperated in the acceptance of subdivision analysis, construction inspections and related matters, and trying to coordinate disposition of acquired properties. In the area of assisted housing, he said, HUD cooperated with FmHA in recognizing FmHA's assistance programs which operated in remote or rural areas. He recognized that FmHA operated in smaller towns outside the metropolitan areas where their operating organization was more effective than HUD's. The Assistant Secretary also said that there was no effort in HUD to take over VA's housing program.

REMOVAL OF DELIMITING DATES ON VETERANS HOUSING ENTITLEMENTS

The passage of the Veteran's Housing Act of 1970 (Public Law 91-506) on October 23, 1970, had the effect of removing the delimiting dates on veterans' entitlements to VA housing benefits. Various enactments of law had extended eligibility dates or accorded eligibility to new groups of veterans thereby extending the life of the VA loan guaranty and direct loan programs, but passage of the 1970 act meant that the expired unused entitlement of nearly 9 million World War II and Korean veterans was revived and the entitlement of every eligible veteran would remain until used.

The expiring or self-limiting nature of the VA housing program, with the concomitant expectation of declining activity over time, had frequently been cited as support for consolidation of VA housing functions in HUD or its predecessor agencies. This argument is no longer viable.

BEST DOCUMENT AVAILABLE

PRESIDENT'S PROPOSED REORGANIZATION

In 1971 the President proposed a wide-ranging reorganization of executive branch agencies, which, among other things, provided for the creation of a new Department of Community Development. The President's reorganization proposal, like the earlier Ash Council proposal, provided for consolidating HUD and FmHA programs into a new Housing Administration within a Department of Community Development. Although the proposed reorganization did not take effect, it should be noted that VA's housing programs were not included in the proposed Department of Community Development.

OUR RECOMMENDATIONS THAT HUD AND VA ADOPT MEASURES TO REDUCE COSTS OF ACQUIRED DEFAULTED PROPERTIES

In an October 20, 1972, report entitled "Opportunities to Reduce Costs in Acquiring Properties Resulting from Defaults on Home Loans" (B-114860), we concluded that savings could be achieved if HUD and VA adopted certain measures which had been demonstrated to be effective in reducing costs of acquiring defaulted properties. Among the recommendations we made were that VA adopt HUD's policy for paying mortgagees for costs involved in terminating defaulted loans and in conveying the mortgaged properties to VA and that HUD adopt a policy of relying upon title evidence provided by mortgagees for properties acquired as a result of foreclosure rather than requiring mortgagees to purchase additional title evidence. Our position was that in addition to saving costs, adoption of these recommendations could provide for greater uniformity in claim payment policies between the insured and guaranteed home loan programs.

VA objected to adopting HUD's policy for paying mortgagees for loan termination and property conveyance costs because, it argued, its own policies made VA-guaranteed mortgage loans attractive investments and encouraged mortgagees to extend indulgence and forebearance to defaulting mortgagors. VA based its position on what it characterized as the different intent and objectives of the VA program as compared to the HUD mortgage insurance program. VA's claim payment and property acquisition arrangements have been designed, the agency maintained, to make GI loans as attractive an investment as possible. Further, VA said it encouraged holders to extend indulgence and forebearance to defaulting obligees by allowing interest at the contract rate to the date of the foreclosure sale. VA stated its belief that

BEST DOCUMENT AVAILABLE

the GI loan is a benefit to which the veteran is entitled and that VA is entrusted with the responsibility of keeping the veteran in his home, if at all possible.

HUD objected to our recommendation that it adopt VA's policy and discontinue the purchase of title evidence to mortgaged properties acquired by foreclosure. HUD argued that purchase of additional title evidence was necessary because many foreclosures are faulty; title defects, regardless of their nature, are a cloud on the title and could be difficult and expensive to eliminate; and proper foundation for conveying a good and marketable title to the purchaser of an acquired property would be lacking.

HUD and VA officials informed us in July 1976 that they had not modified their policies in these areas and that their reasons for opposing our recommendations remained basically unchanged.

INTERAGENCY COOPERATION--AREAS OF AGREEMENT AND DISAGREEMENT

VA and HUD

According to VA and HUD officials, the two agencies have achieved substantial agreement and coordination in areas relating to proposed single family construction. VA, for example, has adopted HUD's new construction minimum property standards for use in its loan guaranty and direct loan programs. In the area of housing subdivision approval and processing, the two agencies have developed many joint forms as well as coordinated processing instructions and manuals for use by their field office staffs. A builder seeking approval of subdivision plans need, in theory at least, submit to only one agency, and the determinations and compliance inspections that agency makes will be accepted by the other.

However, HUD officials said that reciprocal acceptance of subdivision processing has not worked as intended in recent years because VA has environmental standards which are different from and less stringent than those of HUD. VA officials, on the other hand, said that HUD's standards are too rigorous and are inappropriate for single family construction. VA cites the development of HUD's environmental standards outside of FHA (developed by HUD's Office of Environmental Quality) and their imposition on FHA programs as a classic example of how, in its opinion, FHA has lost control of its destiny and is controlled by decisions made without its input by other groups within HUD.

BEST DOCUMENT AVAILABLE

HUD officials agreed that its environmental standards are widely believed to be among the most rigorous of all Government agencies and expressed the view that, in time, either HUD's standards would have to be relaxed or those of VA, FmHA, and other agencies would have to be tightened.

A second area of disagreement between HUD and VA concerns minimum property standards for existing single family housing. VA does not accept HUD's minimum standards for existing housing because it believes that these standards are too strict and would, if applied, have the effect in many instances of "protecting the veteran right out of the market" by making a house too costly for him to afford or persuading sellers not to sell to veterans.

The third important area of disagreement concerns reciprocal acceptance of appraisals. This has been a point of contention between the two agencies for many years.

At one time the agencies took the position that their respective appraisal practices embodied different purposes and different concepts of valuation, reflecting the differing objectives of the VA loan guaranty and FHA loan insurance programs. VA, in particular, emphasized these differences, maintaining, as did a VA official in 1957 testimony before the Subcommittee on Housing, House Committee on Banking and Currency, that:

> "The primary difficulty stems from the basic differences in the purpose for which the appraisal is made. The FHA is not concerned with the cost of the unit to the purchaser but only with the maximum mortgage amount based on long-term economic value. On the other hand, the VA is responsible for ascertaining that the cost of the unit to the veteran is not in excess of the reasonable value of the property. Thus there is a wide variance in the appraisal philosophies which have presented insurmountable obstacles each time efforts have been made to reach any agreement whereby VA could accept FHA appraisals."

At the present time, however, officials of both agencies admit that there is little difference in the appraisal philosophy and methods or in the practical valuation results the two agencies obtain. Nevertheless, agreement on accepting one another's appraisals has not been achieved.

BEST DOCUMENT AVAILABLE

VA officials told us that the main stumbling block to VA acceptance of FHA appraisals has been FHA's inclusion of closing costs in its total valuation figure (VA does not include these costs in its valuations). FHA officials dispute this view, however, and state that they have repeatedly offered to do whatever VA might suggest to make FHA appraisals acceptable to VA. They added that they even revised FHA form 2800-6, Application for Property Appraisal and Commitment, to break out closing costs from the estimated property value and present them in a separate section of the form. VA presently accepts FHA valuations only on a very limited trial basis in selected VA field offices, and VA officials have given notice to the Congress and to HUD that they are considering discontinuing even this limited acceptance.

VA officials told us that in 1969 HUD unilaterally, and before any BOB involvement in the matter, decided to accept VA appraisals for conversion to FHA commitments even though VA did not agree to reciprocate. A HUD official, however, said that this was not a unilateral decision, rather, BOB directed both HUD and VA to cooperate and coordinate their activities. HUD, he said, complied with this directive, but VA did not and still does not. The HUD official also told us that VA's refusal to accept HUD appraisals on a reciprocal basis had led--in combination with the other points of disagreement described above--to a general deterioration of working relationships between the two agencies. The problem had become so acute, he said, that the Secretary of Housing and Urban Development wrote to the Administrator of Veterans Affairs in March 1976 requesting a meeting of representatives of the two agencies to resolve differences and improve cooperation.

The meeting of VA and HUD officials took place on July 21, 1976. The officials discussed their differences, identified areas for further study, and agreed to meet again.

On the question of appraisal reciprocity, VA officials made clear their view that the veteran buying a home with an FHA commitment conversion tends to pay more for the property by the amount of the closing costs and, therefore, that the limited existing reciprocal arrangement is not in the veterans' best interest and should be terminated. On the question of construction inspections, VA pointed out that it has a serious problem with FHA because many FHA field offices waive the minimum property standards and do so not on an exception basis but consistently and without considering local acceptable standards.

BEST DOCUMENT AVAILABLE

HUD agreed to look into the problem on minimum property standards for new housing as data on alleged FHA deviations compiled by VA become available and to look into VA's contention that HUD's standards for existing housing are too restrictive.

In the area of subdivision processing, VA agreed to drop its exception policy, which permits a developer to process subdivisions without FHA concurrence when he states that he does not intend to sell any houses through FHA financing, provided FHA will agree to accept VA subdivision processing in total, including affirmative marketing and environmental clearance. At present HUD does not accept VA equal opportunity or environmental processing on the grounds that they are not as rigorous as its own.

HUD officials with whom we discussed the problem of appraisal reciprocity, as well as other areas of disagreement between the two agencies, expressed doubt that VA would ever significantly modify its positions regarding cooperation and coordination with HUD. They believe that VA will continue to refuse to accept HUD appraisals because VA believes that accepting HUD appraisals would soon lead to other proposed changes and consolidations which could jeopardize the very existence of a separate VA housing program.

HUD and FmHA

On June 23, 1976, the Secretaries of HUD and the Department of Agriculture concluded a memorandum of understanding to encourage and facilitate the use of HUD's section 8 housing assistance payments program in FmHA's section 515 rural rental housing program. The agreement provides for cooperation and coordination between the two agencies in a number of areas, including agreement by FmHA to adopt HUD minimum property standards for the joint sections 8 and 515 programs; agreement by FmHA to provide interest credit on newly constructed section 515 projects; agreement by HUD to accept FmHA certifications that section 515 project contract rents are reasonable based on the quality, location, amenities, and management and maintenance services to be provided, and do not exceed applicable fair market rents published by HUD for the section 8 program; and agreement by HUD to accept FmHA certifications of compliance with equal opportunity requirements, the National Environmental Policy Act, and various other requirements.

BEST DOCUMENT AVAILABLE

The memorandum of understanding also provides for establishing an interdepartmental task force consisting of headquarters and field office personnel which will convene periodically to review program issues and recommend solutions to assure the effective coordination of the section 8 and 515 programs in areas FmHA serves. Both HUD and FmHA are currently developing program instructions and regulations which take effect after publication in the Federal Register.

As of July 1, 1976, 38 loans had been approved by FmHA for the tandem sections 8 and 515 programs. These loans are for projects which will contain 1,078 assisted housing units.

HUD and FmHA also cooperate and coordinate their activities in the following areas

Flood insurance--Before the Flood Disaster Protection Act of 1973 came into effect, representatives of FmHA met with representatives of VA and HUD on several occasions to discuss implementation of the new authority. FmHA flood insurance regulations, published in early 1974, were based on guidelines published by HUD's Federal Insurance Administration. Since then FmHA has maintained contact with HUD officials and met with them as needed to discuss flood insurance matters.

Credit reports--In 1971 FmHA joined other governmental agencies in obtaining credit reports from credit reporting companies under contract with HUD. Since then, members of FmHA have met regularly with HUD representatives for the preparation and publication of the agency's list of credit reporting companies and to discuss other matters concerning credit reports.

Minimum property standards--In October 1971 FmHA adopted HUD's minimum property standards. Since then, FmHA representatives have met with HUD representatives to discuss matters related to the minimum property standards, such as

--liaison with various offices of HUD,

--solar energy demonstration programs, and

--a task force for drafting minimum property standards for very low income families.

BEST DOCUMENT AVAILABLE

Emergency housing assistance--A memorandum of understanding was concluded in February 1976 between FmHA and HUD's Federal Disaster Assistance Administration which provides for HUD to utilize as temporary housing for victims of major disasters or emergencies declared by the President single and multifamily housing units which FmHA owns.

Areas of eligibility--The Housing and Community Development Act of 1974 (42 U.S.C. 5301) extended the definition of rural areas for FmHA programs to include cities with populations in excess of 10,000 but not more than 20,000, if they are not within a standard metropolitan statistical area and have a serious lack of mortgage credit as determined by the Secretary of Agriculture and Secretary of HUD. Several meetings were held between representatives of the two agencies to prepare a list of eligible cities. A final list was published in the Federal Register of April 14, 1976. Coordination between the two agencies is maintained continuously as cities are added to or deleted from the list.

Real Estate Settlement Procedures Act of 1974--Representatives of FmHA and HUD have met several times during the past year to prepare the regulations and forms necessary to implement this act. The regulations were published in the Federal Register of June 4 and June 10, 1976.

BEST DOCUMENT AVAILABLE