Leonard Gordon, Director
Application Review Division
Office of New Communities Development
Room 7132
Department of Housing and Urban Development
Washington, D. C. 20410

Dear Leonard:

Enclosed are five sets of the next installment of the New Communities Handbook. This installment consists of Section 2-9 (Negotiation of Project Agreement); Section 2-10 (Negotiation of Trust Indenture); and Section 2-11 (Sale and Issuance of Debt Obligations).

The master from which these sections have been prepared is also enclosed, but since only insignificant portions of the HUD draft survive in these sections, I recommend that the full text be reviewed as new material.

Because of the pervasive influence of legal considerations on the subject matter of these sections, you may wish to invite comments from the Office of General Counsel.

In drafting the description of securities offerings contained in Section 2-11, I ignored legislation pending in Congress which would establish a Federal Financing Bank. If such legislation is enacted before adjournment of the current session, major substantive revision of Section 2-11 will undoubtedly be required. On the assumption that enactment is imminent, you may wish to obtain definitive answers to the following questions:

Will it be government policy that all obligations guaranteed under Title VII must be purchased by the FFB?

If there remains an area of discretion, who determines (i) whether the FFB will purchase the obligations in any particular case and (ii) if such determination is negative, what alternative form the sale of obligations will take? Candidates for the exercise of this discretion are the FFB, the NCDC or the developer.
Will the FFB also assume responsibility for interest loan disbursements under Title VII?

When will the FFB be in effective operation?

When will procedures of the FFB be available for review in draft form?

After your review of the enclosed drafts has been completed, I look forward to a meeting at your convenience for discussion purposes.

Sincerely,

[Signature]

William Nicoson

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Enclosures