

Memorandum

U.S. DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT

TO: John B. Clinton, Director
Office of Program Policy
& Management, KP

DATE: April 17, 1981

IN REPLY REFER TO:

FROM: Jack A. Underhill, Program Policy Division, KPP

SUBJECT: Title X and Title VII

Attached is a report on the subject of the relationship between Title X and Title VII. The summary of the main differences are as follows:

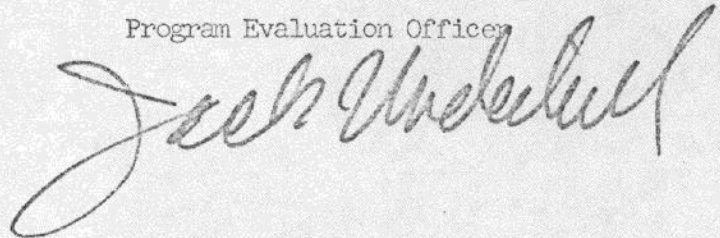
ITEM	TITLE X	TITLE VII
<u>Financial Instrument</u>	Mortgage guarantee; conventional market.	Debenture guarantee, Fed. Financing Bank.
<u>Current Interest Rates</u>	17%	13.695% (April 16, 1981)
<u>Mortgage Maturity</u>	Normally 10 years, less.	Typically 20 years.
<u>Mortgage Ceiling</u>	None (but limited by selection of small projects).	\$50 million.
<u>Type of Projects</u>	New communities and residential subdivisions.	New communities only.
<u>Guarantee Limit</u>	Lesser of: (1) 80%, "as is" value, plus 90% development costs; (2) 85% of after develop- ment value; or (3) Development cost, plus acquisition cost, plus 50% of increment to "as is" value.	80% of "as is" plus 90% of costs.
<u>Equity</u>	Implied by above formula.	4 to one debt to equity ratio; half in hard equity.
<u>Other Financial Support</u>	None.	Grants and section 8 set-aside.

ITEM	TITLE X	TITLE VII
<u>Eligible Costs</u>	Same as Title VII, except excludes interest costs for completed infrastructure.	
<u>Amortization</u>	Normal mortgage amortization or payment of 110% of mortgage value of lot as sold.	Interest only until bond becomes due; a payment from accumulated sinking fund.
<u>Phasing</u>	Land acquisition for 10 years; development costs in two or three year increments only.	Entire project initially funded in theory; in practice, successive guarantees.
<u>Size</u>	Only 8 projects over 1000 units; 24 less than 200 units; 9 from 201 to 500; 3 from 501 to 1000 units.	All exceed all but one Title X maximum size.
<u>Income Mix</u>	Must include either low or moderate. Moderate means 203(b). No requirement for subsidized housing.	Must include substantial amount of low and moderate. All projects have assisted housing.
<u>Mix by Housing Type</u>	Typically single family only; average 2.9 units per acre; multi-family development costs not covered.	Mix by housing type required. Net residential density 5.7 units per acre.
<u>Environmental Impact Statement</u>	Only for projects of 500 units or more in small areas; 2500 in larger areas.	Required of all project approvals, terminations, plan changes and every five years.
<u>Administration</u>	Processed by area and field offices SAMA letter concurred in by mortgage credit branch. No separate organization in Housing.	Separate corporation; central processing; field support.
<u>Actuary Record</u>	Very good; only four defaults on 47 projects. \$137 million in guarantees approved. 29 loans paid off as of July 1980.	Poor record. Most projects have either defaulted or are behind in payments.

ITEM	TITLE X	TITLE VII
<u>Social Goals</u>	None to speak of. No different than normal suburban development.	23% low and moderate housing; successful racial integration; good facilities.
<u>Environmental Goals</u>	None to speak of. Density and planning no better than normal.	Environmental innovations; high amenities; large amount of open space; award winning design; energy conservation with balance of jobs and housing and compactness.
<u>Conclusion</u>	Should be administered with more ambitious goals in mind. No "reason for being" in current form.	Use smaller projects and phased development to reduce risk.

Attachment

Program Evaluation Officer

A large, stylized handwritten signature in dark ink, appearing to read "Jacob Underhill". The signature is written over the printed name "Jacob Underhill" and extends across the right side of the page.