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HOUSING LEGISLATION OF 1960

HEARINGS
BEFORE A
SUBCOMMITTEE OF THE
COMMITTEE ON BANKING AND CURRENCY
UNITED STATES SENATE
EIGHTY-SIXTH CONGRESS
SECOND SESSION
ON
VARIOUS BILLS TO AMEND THE
FEDERAL HOUSING LAWS

MAY 9, 10, 11, 12, 16, 17, 18, 19, 20, 23, 24, 25, AND 27, 1960

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HOUSING LEGISLATION OF 1960

MONDAY, MAY 9, 1960

U.S. SENATE,
COMMITTEE ON BANKING AND CURRENCY,
SUBCOMMITTEE ON HOUSING,
Washington, D.C.

The subcommittee met, pursuant to call of the chairman, in room 5302, New Senate Office Building, at 10:05 a.m., Senator John Sparkman (chairman of the subcommittee) presiding.

Present: Senators Sparkman, Clark, Williams, Muskie, Bush, and Beall.

Senator SPARKMAN. Let the subcommittee come to order.

Senator Williams is expected to be here. Senator Fulbright is presiding over a meeting of the Foreign Relations Committee. He will be unable to be here. Senator Douglas is out of the city. So we have just about the attendance now that we will have, with the exception of Senator Capehart and Senator Williams, whom we expect a little later.

May I say for the information of the audience: You, of course, see these motion picture machines running. Maybe I ought not say this, but at one time I remember they were taking motion pictures of our committee and members of the committee were talking, and they cautioned us to be careful what we were talking about because there would be lipreaders in the audience, even though they were silent movies.

However, I am going to explain just what these movies being taken today are.

The McGraw-Hill Co. is producing a series of films to be coordinated with a textbook for use by senior high school students in a course on the problems of democracy. One of the films will be entitled "A Law Is Made," and the McGraw-Hill Co. has chosen the Housing Act of 1959 as the subject matter for the film. The script of this film concludes with the beginning of the 1960 hearings on housing legislation. Representatives of the McGraw-Hill Co. have been given permission to take motion pictures during the hearing today.

Let me make a brief opening statement.

In February of this year, the subcommittee held a hearing upon the status of the several housing programs at that time. There were bills pending before the subcommittee then, and many bills have been introduced subsequently. Hearings beginning today are for the primary purpose of obtaining testimony on the following bills: S. 467, S. 914, S. 1342, S. 1680, S. 1955, S. 2911, S. 2912, S. 2950, S. 3042, S. 3148, S. 3226, S. 3276, S. 3278, S. 3282, S. 3291, S. 3292, S. 3379, S. 3458, S. 3498, S. 3499, S. 3500, S. 3502, S. 3504, S. 3509, S. 3512, S. 3541, S.

3586, S. 3595, and also on H.R. 10213. That last is the bill that has been just recently passed by the House of Representatives.

For the first time in many years, the administration has not requested the enactment of general housing legislation. Of the bills before us, the only administration bills are: (1) S. 3500, which would make the FHA home improvement program permanent, (2) S. 3498, which would permit appropriation acts to increase the public facility loan fund, (3) S. 3499, which would permit appropriation acts to increase funds for the special assistance functions of the Federal National Mortgage Association, and (4) S. 3504, which would remove the limitation upon the general insurance authorization of the Federal Housing Administration. While legislative action on these four subjects is essential, these proposals do not, in my opinion, by any means represent a comprehensive concern for the many things which must be done to improve housing conditions in the Nation. Perhaps it is for this reason that there are so many other bills pending before the subcommittee.

I was disappointed to read the President's message of May 3, in which he requested legislative action on some 20-odd subjects, and to find that he had only one recommendation concerning housing. The President recommended that we abandon a program of loans for college dormitories which has worked successfully since 1950, and undertake a new program which is unanimously opposed by every association of higher educational institutions that has ever appeared before this subcommittee, and, as must be known to all, has no chance of enactment.

In spite of the lack of Presidential interest in solving the housing problems of the Nation, I am hopeful that this subcommittee can produce legislation which is necessary in the public interest and which is consistent with the capacity of the most prosperous Nation in the history of Western civilization.

Today we will hear the views of the Administrator of the Housing and Home Finance Agency, and the heads of his constituent agencies. Mr. Mason and his associates have always been helpful to the subcommittee and I know that we will be attentive to their testimony. In addition to recommendations concerning the specific proposals before us, I am hopeful that these witnesses will furnish information about the present status of the several programs administered by the HHFA.

I am particularly interested in the current condition of the FHA general insurance authorization. This is a subject which was discussed in the hearing last February. At that time, Commissioner Zimmerman indicated some doubt about the adequacy of the general insurance authorization.

At this time, I submit for the record the bills to be considered, digests of these bills, and agency reports on them which have been received to date. If, during the course of these hearings, other bills and reports are received, they will be inserted at this point in the record.

(The bills, digests, and reports referred to follow:)

[S. 467, 86th Cong., 1st sess.]

MR. CHAVEZ

A BILL To amend title II of the Housing Amendments of 1955 (relating to public facility loans) to authorize additional financial assistance in connection with public projects made necessary by certain activities related to the national defense

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) the first sentence of section 203 (a) of the Housing Amendments of 1955 is amended by striking out "\$100,000,000, notes and other obligations", and inserting in lieu thereof the following: "\$200,000,000, notes and other obligations, of which not to exceed \$100,000,000 shall be issued to finance activities under section 206 of this title".

(b) Section 203 (b) of the Housing Amendments of 1955 is amended to read as follows:

"(b) Funds borrowed under this section (1) for the purposes of section 202, and any proceeds therefrom, shall constitute a revolving fund which may be used by the Administrator in the exercise of his functions under section 202, and (2) for the purposes of section 206, and any proceeds therefrom, shall constitute a revolving fund which may be used by the Administrator in the exercise of his functions under section 206."

SEC. 2. The second sentence of section 204 of the Housing Amendments of 1955 is amended to read as follows: "Funds obtained or held by the Administrator in connection with the performance of his functions (1) under section 202 shall be available for administrative expenses of the Administrator in connection with the performance of his functions under section 202, and (2) under section 206 shall be available for administrative expenses of the Administrator in connection with the performance of his functions under section 206."

SEC. 3. Title II of the Housing Amendments of 1955 is amended by adding at the end thereof the following new section:

"FEDERALLY IMPACTED AREAS

"SEC. 206. (a) In furtherance of the purposes of this title, the Administrator, acting through the Community Facilities Administration, may make loans and/or grants to any municipality or political subdivision of a State (including any public agency or instrumentality thereof) to finance the construction of specific public projects (under State or municipal law) in any federally impacted area. As used in this section, the term 'federally impacted area' means a locality which has sustained a substantial and rapid increase in population as a result of activities of the Atomic Energy Commission or any license of the Atomic Energy Commission.

"(b) The powers granted in subsection (a) of this section shall be subject to the following restrictions and limitations:

"(1) No financial assistance shall be granted under this section unless the Administrator shall determine (A) that the project for which assistance is requested under this section is necessary as a result of the locality, in which such project is proposed to be constructed, becoming a federally impacted area, and (B) that such project cannot be undertaken without an unusual and excessive increase in the tax burden or debt of such locality, if assistance is not provided under this section.

"(2) Loans made under this section shall bear interest at such rates, not in excess of 4 per centum, and have such maturity dates, as the Administrator shall determine. The interest rate and maturity date for any particular loan under this section shall be fixed by the Administrator with due regard to the ability of the affected locality to repay such loan from tax revenues. The amount of any such loan shall be fixed with due regard to the debt limit, if any, of the locality incurring the obligation.

"(3) Grants, defraying such part of the cost of any project as the Administrator shall determine, may be made under this section if the Administrator determines that such assistance is necessary to the construction of such project, giving due consideration to the ability of the affected locality to finance such project without such assistance. Nothing herein shall be construed to prohibit the making of grants sufficient to pay the full cost of constructing any project if the Administrator shall determine that such project would not be constructed without such assistance, and that such project is of particular importance from a national defense standpoint."

S. 467

DIGEST OF BILL

Amends title II of the Housing Act of 1955 (public facility loan program) to add a \$100 million revolving fund with which to make loans and grants to local governments to assist in financing public works in federally impacted areas (defined as, "a locality which has sustained a substantial and rapid increase in population as a result of activities of the Atomic Energy Commission or any licensee of the AEC.")

HOUSING AND HOME FINANCE AGENCY,
OFFICE OF THE ADMINISTRATOR,
Washington, D.C., March 6, 1959.

Re S. 467, 86th Congress.

HON. A. WILLIS ROBERTSON,
*Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: This is in further reply to the January 20 letter from your committee requesting the views of this Agency on S. 467, a bill to amend title II of the Housing Amendments of 1955 (relating to public facility loans) to authorize additional financial assistance in connection with public projects made necessary by certain activities related to the national defense.

On March 14, 1957, we provided you with our views on an identical bill in the 85th Congress. A copy of that report is enclosed. We find upon review that it still represents the views of this Agency on the proposed legislation.

Sincerely yours,

NORMAN P. MASON, *Administrator.*

HOUSING AND HOME FINANCE AGENCY,
OFFICE OF THE ADMINISTRATOR,
Washington, D.C., March 14, 1957.

Re S. 467, 85th Congress.

HON. J. W. FULBRIGHT,
*Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: This is in further reply to your letter of January 15, requesting the views of the Housing Agency with regard to S. 467, a bill to amend title II of the Housing Amendments of 1955 (relating to public facility loans) to authorize additional financial assistance in connection with public projects made necessary by certain activities related to the national defense.

The bill would amend title II of the Housing Amendments of 1955 which authorizes this Agency's public facility loan program. The Housing Administrator's authority under that title to borrow from the Treasury would be increased by \$100 million in obligations outstanding at any one time, and the additional funds would be earmarked, under a proposed new section of title II, for loans and grants to municipalities and other local public agencies for the provision of public facilities in areas which have sustained a substantial and rapid increase in population as a result of activities of the Atomic Energy Commission or any licensee of the Commission.

The proposed special aid program for AEC-affected areas would not be subject to the present requirements of title II that a priority be given to applications from localities of less than 10,000 population for such basic public works as water and sewer lines and water and sewage-treatment plants. This change, along with the increased authorization, is apparently intended to make the special program freely available for a greater variety of public facilities in communities, regardless of their population, which have grown rapidly as a result of AEC activities.

In addition, the Federal aid terms proposed for AEC-affected areas would be very much more liberal than those now authorized in the public facility loan program. Thus, in the proposed program, the interest rate would be limited by law to 4 percent; the present 40-year maximum maturity on loans would not be applicable; interest rates, as well as loan maturities, would be required to be fixed partly on the basis of ability to repay; Federal grants would be authorized as a supplement to loans; and, where the Administrator finds that a project which

is of particular importance to national defense would not otherwise be provided, a Federal grant could be made equal to the full cost of the local public facility.

The Housing Agency has no information which would support the need for the increased loan program and the grants proposed by S. 467. It may be that on the basis of information available to the Atomic Energy Commission or particular communities some amendments to title II of the Housing Amendments of 1955 should be developed in order to channel additional public facility loan assistance to AEC-affected areas, as is now done for smaller communities. Similarly, there may be special needs in areas affected by activities essential to programs of the military departments and the Office of Defense Mobilization as well as of the AEC. However, this legislation is not primarily addressed to these problems. In addition, there are a number of objections to the terms of aid which would be authorized by the bill.

The present statutory maximum maturity of 40 years is as long as would seem warranted. It is substantially longer than private lenders usually are willing to allow, even for localities with established high credit rating. Flexible interest rates kept generally in line with changing money market conditions, as now provided in the public facility loan program, also would be preferable to a fixed 4-percent maximum.

Another objection to the loan terms proposed by the bill arises from the provision that the interest rate and maturity shall be fixed with regard to the ability of the locality to make repayment of the loan from tax revenues. Expected income from assessments and other charges should be considered in this type of loan as well as tax revenues. Also, while it is often helpful and sound to adjust loan maturities to ability to make periodic payments, it appears clearly undesirable to reduce the interest rate in order to compensate for inability to repay.

The grant provisions are likewise open to a number of serious objections. The Housing Agency has no information indicating a need for the proposed grants. However, if such provisions were to be enacted, the legislation should provide satisfactory criteria for determining when a grant is to be given and its size. Under the bill, grants up to 100 percent of the full cost of the facility could be made under extremely general criteria. The grant provisions also appear to us to be an inappropriate feature of a revolving borrowing authorization. Nonrepayable expenditures are more appropriately made from prior appropriated funds or by means of contract authority funded from later appropriations.

We have not attempted in this letter to comment on possible improvements to detailed provisions of the bill.

Sincerely yours,

NORMAN P. MASON, *Administrator.*

TREASURY DEPARTMENT,
July 13, 1959.

HON. A. WILLIS ROBERTSON,
*Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.*

MY DEAR MR. CHAIRMAN: Reference is made to your request for the views of this Department on S. 467, to amend title II of the Housing Amendments of 1955 (relating to public facility loans) to authorize additional financial assistance in connection with public projects made necessary by certain activities related to the national defense.

The bill would increase by \$100 million the amount that the Housing and Home Finance Administrator could borrow from the Treasury for the purpose of making public facility loans under title II of the Housing Amendments of 1955. The \$100 million increase would be made available for loans for public projects in localities which have sustained a substantial and rapid increase in population as a result of the activities of the Atomic Energy Commission or its licensees. The bill would also authorize grants to defray the costs of such projects in such localities.

No provision has been made in the President's budget program for either the expansion of the public facility loan program or the grants that would be authorized by the bill. Consequently, the Department would not favor its enactment.

The Department has been advised by the Bureau of the Budget that there is no objection to the submission of this report to your committee.

Very truly yours,

LAURENCE B. ROBBINS,
Acting Secretary of the Treasury.

ATOMIC ENERGY COMMISSION,
Washington, D.C., July 13, 1959.

HON. J. W. FULBRIGHT,
*Chairman, Committee on Banking and Currency,
U.S. Senate.*

DEAR SENATOR FULBRIGHT: I refer to your letter of January 20, 1959, requesting the comments of this Commission on S. 467, a bill to amend title II of the housing amendments of 1955.

As we understand the bill it would authorize the Housing and Home Finance Administrator to make loans or grants to a municipality or a political subdivision of a State to finance the construction of specific public projects in a locality which has sustained a substantial and rapid increase in population as a result of activities of the Atomic Energy Commission or any licensee of the Commission. The bill would provide for \$100 million of notes or obligations to finance activities under the foregoing authority.

This Commission has in general sought to look to the programs of other Federal agencies to provide needed community facilities assistance to areas which may be impacted by activities of the Commission or its contractors. It understands that at the present time the Housing and Home Finance Administrator has certain authority to make loans to assist communities in the acquisition of public facilities. Several communities in the uranium milling areas of the West have been affected by an influx of population resulting from atomic energy activities. However, we are not aware of any situation where existing financing facilities are likely to prove inadequate.

Apart from uranium milling, the Commission is not aware of any activities of its licensees which have had significant impact on local communities. Presently licensed activities generally involve the use of radioactive isotopes or the installation of research reactors which either form an incidental part of existing activities of the licensees or result in relatively small employment. It is anticipated, of course, that in the future large privately owned power reactors will be licensed under the Atomic Energy Act; such reactors are, however, expected to be located fairly near large population centers and would not be expected to have a large number of operating employees.

The Commission believes, moreover, that there is a serious question of policy whether the activities of such licensees should be deemed to constitute a Federal impact which would justify special Federal assistance to local communities, any more than the activities of licensees under the Federal Power Act or the Federal Communications Act or holders of certificates of convenience and necessity under the various Federal Transportation Acts constitute such an activity. In general, the Commission's licensees would consist of organizations engaged in normal business activities such as electric power generation, food treatments, transportation, manufacture and sale of pharmaceuticals, and the like, or in normal research, educational and medical activities, which require a license from the Atomic Energy Commission because they are conducted through the use of atomic energy rather than by other means. In anticipation of the likelihood that atomic energy will eventually find uses in a major part of the economic and scientific life of the United States, we believe serious consideration should be given to the wisdom of establishing a precedent by which activities of such licensees would create a basis for special Federal assistance to communities affected by those activities.

The Bureau of the Budget has advised that it has no objection to the transmission of this report and that it recommends against enactment of S. 467.

Sincerely yours,

R. E. HOLLINGSWORTH,
Acting General Manager.

[S. 914, 86th Cong., 1st sess.]

MR. LANGER

A BILL To amend section 404(b) of the Housing Act of 1950

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That clause (1) of section 404(b) of the Housing Act of 1950 is amended to read as follows: "(1) any educational institution which offers at least a two-year program acceptable for full credit toward a baccalaureate degree or is supervised by and under the jurisdiction of a State board of higher education, including any public educational institution, or any private educational institution no part of the net earnings of which inures to the benefit of any private shareholder or individual."

S. 914

DIGEST OF BILL

Amends the college housing loan program so that the definition of an educational institution qualifying for a loan would include institutions "supervised by and under the jurisdiction of a State board of higher education." Under existing law, an institution must be able to grant degrees or offer at least a 2-year program "acceptable for full credit toward a baccalaureate degree."

HOUSING AND HOME FINANCE AGENCY,
OFFICE OF THE ADMINISTRATOR,
Washington, D.C., May 14, 1959.

Re S. 914, 86th Congress.

Hon. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in further reply to the letter of February 5 from your committee requesting the views of this Agency on S. 914, a bill to amend section 404(b) of the Housing Act of 1950.

This bill would amend the definition of an educational institution qualifying for college housing loans under title IV of that act to include one "supervised by and under the jurisdiction of a State board of higher education." Under the present law, in addition to degree-granting institutions, a school may qualify if it offers at least a 2-year program "acceptable for full credit toward a baccalaureate degree."

We understand that S. 914 was introduced by Senator Langer to meet the type of problem faced several years ago by the North Dakota State School of Science in applying for assistance under the college housing program. Although the bulk of its students were taking courses beyond the high-school level, they were not then studying under programs "acceptable for full credit toward a baccalaureate degree." Accordingly, the school withdrew its application.

We understand that changes in enrollment at the school have now removed that disqualification and that a reapplication would now be accepted. We know of no other institution that desires assistance under the program that would be made eligible by this amendment. It would therefore appear to be no longer needed.

If your committee does recommend its enactment, however, we would suggest the insertion of the following phrase in line 6 after the word "or": "which provides at least a two year educational program beyond the high-school level and". This change would merely make it clear that the proposed extension of eligibility is intended to be limited to institutions of higher learning.

We have been informed by the Bureau of the Budget that this report is without objection insofar as the Bureau is concerned.

Sincerely yours,

NORMAN P. MASON, *Administrator*.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,
May 6, 1960.

HON. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate,
Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to your requests of February 5, 1959, January 27, 1960, January 27, 1960, and February 2, 1960, for reports, respectively, on S. 914, a bill to amend section 404(b) of the Housing Act of 1950; S. 2911, a bill to amend the Housing Act of 1950 to authorize additional loans for college housing, and for other purposes; S. 2912, a bill to amend the Housing Act of 1950 with respect to the amount of loans permitted to be made in any State, and S. 2950, a bill to increase the borrowing authority of the Housing and Home Finance Agency for college housing loans.

Both S. 2911 and S. 2950 would amend section 401(d) of the Housing Act of 1950 to increase the amount of the college housing loans authorized to be outstanding. The present ceiling on the amount of college housing loans outstanding is \$1.175 billion and this amount has been virtually exhausted. The Housing and Home Finance Agency is still receiving loan applications from institutions of higher education, but these applications are not being processed.

This Department has recommended enactment of legislation to authorize a new college facilities construction program which would provide Federal financial assistance for the construction of urgently needed college facilities, both academic and housing facilities. This legislation proposal is embodied in S. 1017, now before the Senate Committee on Labor and Public Welfare for consideration. S. 1017 would authorize a 5-year program of Federal guarantees of taxable obligations issued by colleges and universities and Federal debt retirement assistance for both taxable and tax-exempt obligations issued to construct both academic and housing facilities. Enactment of S. 1017 would obviate the occasion for any increase in the loan authorizations under the existing college housing loan program and extend Federal assistance on a sounder and more effective basis. Accordingly, we are opposed to any further increases in the loan ceilings now provided under section 401(d) of the Housing Act of 1950 and we urge instead that S. 1017 be enacted.

S. 914 would amend the definition of "educational institution" contained in section 404(b)(1) of the Housing Act of 1950 by inserting the phrase "or is supervised by and under the jurisdiction of a State board of higher education." The effect of this would be to modify, in the case of certain public institutions, the requirement that an institution (to be eligible for a college housing loan) offer at least a 2-year program acceptable for full credit toward a baccalaureate degree, so that 2-year public institutions which are a part of the State university system and offer only terminal courses would be eligible. We would agree that the definition of "educational institution" for the purposes of this and similar acts should be broadened to include technical institutes and other 2-year institutions offering post-high-school courses leading to an associate degree. Accordingly, the definition set forth in S. 1017, section 4(b), would include both public and private nonprofit institutions of this kind, which are defined as "any educational institution which (a) admits as regular students only persons having a certificate of graduation from a secondary school, or the recognized equivalent of such certificate, (b) offers at least a 2-year educational program, and (c) is a public educational institution, or is a private educational institution no part of the net earnings of which inures to the benefit of any private shareholder or individual."

We prefer the definition quoted above, as it provides for equal treatment of both public and private institutions and more clearly identifies the type of 2-year institutions to be made eligible. Accordingly, we would not favor the language contained in the instant bill S. 914.

S. 2912 would amend section 403 of the Housing Act of 1950 to increase from 10 to 12½ percent the limitation on housing loans to be made to an educational institution in any one State. If the existing college housing loan program were to be continued with an increased loan authorization, we would favor this amendment because 12½ percent more nearly represents the percentage of total college attendance in the institutions of both New York and California (which together have 22 percent of the total college attendance of the Nation). Also, construction costs for educational facilities in these two States are above the national average and, therefore, more funds are required to construct a given amount of space.

The Bureau of the Budget advises that it perceives no objection to the submission of this report to your committee and that enactment of S. 2911 and S. 2950 would not be in accord with the President's program.

Sincerely yours,

ROBERT A. FORSYTHE,
Acting Secretary.

[S. 1342, 86th Cong., 1st sess.]

MR. JAVITS (for himself and Mr. CLARK)

A BILL To create a Federal Limited Profit Mortgage Corporation to assist in the provision of housing for moderate-income families and for elderly persons

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

FINDINGS

SECTION 1. (a) While the Congress, in the declaration of national housing policy set forth in the Housing Act of 1949, established the goal of a decent home and a suitable living environment for every American family, experience has demonstrated that this goal is not being met or even approached for the millions of American families whose incomes are too high for admission to low-rent public housing but too low to afford the range of sales prices and rents required for satisfactory new private housing being produced under the existing Federal programs of assistance to private enterprise in housing. Therefore, to further implement the declaration of national housing policy, and consistent with the provision thereof that governmental assistance shall be utilized where feasible to enable private enterprise to serve more of the total housing need, the Congress hereby determines that there is an urgent need for a supplementary system of housing finance to enable private enterprise to provide homes of sound standards of design and construction for families of moderate income and for elderly persons.

(b) The Congress further determines that there are means available to State and local governments to further assist private enterprise to meet this need at little or no direct cost to such governments by (1) granting exemptions, in whole or in part, from taxation on the increased value of real property, (2) assisting in the assembling of sites through the use of the power of condemnation and eminent domain, and (3) promoting the use of sites, cleared under the slum clearance and urban renewal provisions of the Housing Act of 1949, for such housing. While not making such assistance mandatory, it is the sense of the Congress that such assistance should be given to housing constructed under this Act.

PURPOSE

Sec. 2. The purpose of this Act is to provide satisfactory housing in well-planned, integrated residential neighborhoods for families of moderate income and elderly persons whose needs are not now being served through existing programs of assistance to private and public enterprise, and to accomplish this purpose, this Act makes financial assistance available to eligible borrowers for the provision of housing of sound design and construction which will promote such economies as will be fully reflected in reduced rents or charges.

CREATION AND POWERS OF FEDERAL LIMITED PROFIT MORTGAGE CORPORATION

Sec. 3. (a) To effectuate the purpose of this Act, there is hereby created a body corporate to be known as the "Federal Limited Profit Mortgage Corporation" (hereinafter referred to as the "Corporation") with authority, as herein provided, to make and service loans, issue obligations in such amounts, at such times, and on such terms as the Corporation may determine, and to exercise the other powers and duties prescribed in this Act. In the performance of, and with respect to, the functions, powers, and duties vested in it by this Act, the Corporation, notwithstanding the provisions of any other law, may—

- (1) adopt and use a corporate seal;
- (2) sue or be sued in any Federal, State, or local court of competent jurisdiction;

(3) enter into contracts with regard to section 3709 of the Revised Statutes and make advance, progress, or other payments with respect to such contracts without regard to the provisions of section 3648 of the Revised Statutes, and include in any contract or instrument made pursuant to this Act such other provisions as the Corporation deems necessary to assure that the purposes of this Act will be achieved;

(4) foreclose on any property or take any action to protect or enforce any right conferred upon it by any law, contract, or other agreement, and bid for and purchase at any foreclosure or any other sale any project or part hereof in connection with which it has made a loan pursuant to this Act;

(5) pay all expenses or charges in connection with, and deal with, complete, reconstruct, improve, rent, manage, make contracts for the management of, or establish suitable agencies for the management of, or sell for cash or credit, or lease in its discretion, in whole or in part, any project acquired pursuant to this Act and to pursue to final collection by way of compromise or otherwise all claims acquired by, or assigned or transferred to, it in connection with the acquisition or disposal of any housing project pursuant to this Act, notwithstanding any other provisions of law relating to the acquisition, handling, or disposal of real or personal property: *Provided*, That any such acquisition of real property shall not deprive the State or any political subdivision thereof of its civil or criminal jurisdiction in and over such property or impair the civil rights under State or local laws of the inhabitants on such property;

(6) acquire, hold, sell, or exchange at public or private sale, or lease, or otherwise dispose of, real or personal property, and sell or exchange any securities or obligations;

(7) obtain insurance against loss in connection with property and other assets held;

(8) subject to the specific limitations in this Act, consent to the modification, with respect to rate of interest, time of payment of any installment of principal or interest, security, or any other term, of any contract or agreement to which it is a party or which has been transferred to it pursuant to this Act;

(9) utilize and act through, with regard to section 3709 of the Revised Statutes, any Federal, State, or local public agency or instrumentality, or nonprofit agency or organization, with the consent of the agency or organization concerned, and contract with any such agency, instrumentality, or organization for the furnishing of any services or facilities; and may make advance, progress, or other payments with respect to such contracts without regard to the provisions of section 3648 of the Revised Statutes;

(10) enter into contracts with any Federal Housing Administration approved mortgagee to service loans made by such institutions;

(11) have succession in its corporate name; and

(12) do all things which are necessary or incidental to the proper management of its affairs and the proper conduct of its business.

(b) Except as provided in provisions of law relating specifically to mixed-ownership Government corporations, the Corporation may determine the necessity for and the character of its obligations and expenditures and the manner in which they shall be incurred, allowed, and accounted for. The business of the Corporation shall not be considered official business of the United States within the meaning of any statute permitting the free use of the United States mails.

BOARD OF DIRECTORS

SEC. 4. (a) The management of the Corporation shall be vested in a Board of Directors (hereinafter referred to as the "Board") consisting of five persons, one of whom shall be the Housing and Home Finance Administrator as Chairman of the Board, and four of whom shall be appointed by the Administrator from among the officers or employees of the Corporation, of the immediate office of the Administrator, or (with the consent of the head of such department or agency) of any other department or agency of the Federal Government. The Board shall meet at the call of its Chairman, who shall require it to meet not less than once each month. Within the limitations of law, the Board shall determine the general policies which shall govern the operations of the Corporation. The Board shall select and effect the appointment of a qualified person to fill the office of President of the Corporation. The basic rate of compensation

of the position of President of the Corporation shall be the same as the basic rate of compensation established for the heads of the constituent agencies of the Housing and Home Finance Agency. The Board shall select, employ, appoint, and fix the compensation of such other officers and employees as may be necessary to carry out the duties of the Corporation, without regard to the provisions of law applicable to the employment, compensation, leave, or expenses of officers and employees of the United States; except that the rates of basic compensation of such officers and employees shall be comparable to those established for officers and employees under the Classification Act of 1949, as amended. The members of the Board, as such, shall not receive compensation for their services.

(b) The Board shall supervise the Corporation, shall perform the other duties prescribed herein, and shall have the power to adopt, amend, and require the observance of such rules, regulations, and orders as shall be necessary from time to time for carrying out the purposes of this Act and for coordinating the activities of the Corporation with the housing functions and activities administered within the Housing and Home Finance Agency, or any of its constituent agencies, and with the general economic and fiscal policies of the Government, and in carrying out these responsibilities the Board shall consult with the Advisory Committee, established under subsection (C) of this section. In the performance of, and with respect to, the functions, powers, and duties vested in it by this Act, the Board, notwithstanding the provisions of any other law, may exercise any of the powers enumerated in the second sentence of section 3(a) of this Act and shall—

(1) estimate the need for housing for moderate-income families and elderly persons in each housing market area of the country and allocate and reallocate to each area its appropriate share of the loan funds authorized by this Act;

(2) delegate, in its discretion, any of the functions, powers, and duties vested in it by this Act to any officers or employees under its direction and supervision;

(3) take such steps as it deems necessary and desirable to assure that the benefits of this program are not dissipated through speculative devices, to assure that the organization of any corporate borrower and its proposed methods of operation are such as will avoid its use for speculative purposes or the payment of excessive fees, salaries, or charges in connection with any housing project, and to encourage borrowers to adopt methods by which occupants of dwellings may be permitted to reduce their rentals or other occupancy charges by occupant maintenance and repair or other means of self-help and methods whereby they may acquire (subject to the right of a cooperative to repurchase) ownership of their individual dwellings where such dwellings are free standing;

(4) prepare annually and submit a budget program as provided for wholly owned Government corporations by the Government Corporation Control Act, as amended;

(5) maintain an integral set of accounts which shall be audited annually by the General Accounting Office in accordance with the principles and procedures applicable to commercial transaction as provided by the Government Corporation Control Act, as amended, and no other audit shall be required: *Provided*, That such financial transactions of the Corporation as the making of advances of funds and vouchers approved by the Board in connection with such financial transactions shall be final and conclusive upon all officers of the Government; and

(6) make an annual report to the President, for transmission to the Congress, to be submitted as soon as practicable following the close of the year for which such report is made.

(c) (1) An advisory committee shall be appointed by the Board to consist of seven members. In appointing such members the Board shall seek to obtain persons whose knowledge and experience in one or more of the fields of State or local government, the building of rental and cooperative housing projects, or the promotion or development of such projects, would be of assistance in the administration of the program authorized by this Act. From the members appointed to such committee the Board shall designate a chairman. The committee shall meet on the call of the Board which shall be not less than twice during each calendar year.

(2) Members of the advisory committee shall be entitled to receive compensation at a rate to be fixed by the Board, but not exceeding \$50 per diem, and

shall be entitled to receive an allowance for actual and necessary traveling and subsistence expenses, while attending meetings of the committee or otherwise serving at the request of the Board.

CAPITAL STOCK

SEC. 5. (a) The Corporation may issue capital stock from time to time which shall be subscribed for by the Secretary of the Treasury on behalf of the United States, and payments for such subscriptions shall be subject to call in whole or in part by the Corporation: *Provided*, That the total amount of such stock subscribed for and held by the Secretary of the Treasury at any time shall not exceed \$100,000,000. Stock held by the Secretary of the Treasury shall be entitled to cumulative dividends for each year equal to a return on the average amount, at par, of such stock outstanding during such fiscal year at a rate determined by the Secretary of the Treasury, taking into consideration the probable term of the stock investment and the current average rate on outstanding marketable obligations of the United States as of the last day of the sixth month of such fiscal year. The Corporation shall issue to the Secretary of the Treasury receipts for payments by him for or on account of such stock, and such receipts shall be evidence of the stock ownership of the United States. There are hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, the amounts necessary to enable the Secretary of the Treasury to make payments on such stock when called. Such stock or any part thereof may be retired at any time by the Corporation.

(b) The asset of the Corporation, upon any liquidation, shall be used to retire all outstanding stock at par, to pay any accrued dividends, and to retire, pay, or settle all outstanding obligations. Any residue shall be covered into the Treasury as miscellaneous receipts.

MORTGAGE LOANS

SEC. 6. (a) To assist the production of housing of sound standards of design, construction, livability, and size for adequate family life available for families of moderate income, and for elderly persons, the Corporation, upon application of an eligible borrower (as herein defined) and subject to the terms and conditions of this Act, may make a mortgage loan (including advances during the development of the housing project) to such borrower, or enter into commitments to purchase or repurchase loans to finance the development of a housing project to be undertaken by such borrower. No such loan shall be made unless—

(1) The Corporation shall have determined that—

(A) the borrower is an eligible borrower of the character described in section 11(b) hereof and that, in the case of a nonprofit cooperative ownership housing corporation, the membership thereof is comprised predominantly of families of moderate income, or elderly persons (or both) or that, in the case of a borrower other than a nonprofit cooperative ownership housing corporation, the dwellings in such housing project are to be made available to families of moderate income or elderly persons;

(B) the proposed housing project will meet a need for housing of families of moderate income or elderly persons;

(C) the location and physical planning of the housing project will afford reasonable assurance as to the stability of the neighborhood, and the dwellings in the housing project will meet sound standards of design, construction, livability, and size for adequate family life or for elderly persons; and

(D) the housing project will not be of elaborate or extravagant design or construction, and such design and construction and the proposed methods of construction and of operation and maintenance are such as will promote such economies as are contemplated to be achieved through the nonprofit character of the borrower, increased efficiency in production through the use of new or improved materials and techniques and methods of construction or otherwise, increased efficiency in operation and management, minimum necessary operating services, occupant maintenance, or otherwise; and

(2) the borrower shall have agreed with the Corporation—

(A) not to incur or pay any excessive fees, salaries, or charges in connection with the housing project;

(B) to establish an initial schedule of rents or charges for the dwellings in the housing project which will permit such dwellings to be made available for families of moderate income, or for elderly persons, and such initial schedule of rents or charges and all revisions thereof shall be subject to the prior approval of the Corporation: *Provided*, That the Corporation shall not approve any initial schedule of rents or charges unless the Board has certified (i) that such rents or charges will permit the dwellings to be made available for families of moderate income or for elderly persons, and (ii) that such schedule is consistent, insofar as applicable, with the requirements of paragraph (2)(E) of this section, and reflects any savings derived by the borrower under any tax exemption which may have been obtained by such borrower in accordance with the proviso to section 13 of this Act;

(C) to give preference in the selection of tenants for the housing project (as among eligible applicants) first, to families displaced by public clearance or enforcement action; second, to families living in substandard homes; and, third, to families living in overcrowded homes, veterans to have preference in each category: *Provided*, That in respect to dwelling units specifically designed and designated for elderly persons, such persons shall have a preference for the tenancy of such housing, without regard to the foregoing preferences;

(D) to maintain the housing project, including all equipment therein, and all appurtenances thereto, in good condition throughout the life of the mortgage loan, and to establish and maintain adequate reserves for repairs, maintenance, and replacements necessary to so maintain such housing project;

(E) to pay dividends, if the borrower is a corporation of the character described in clause (2)(i) of section 11(b) of this Act, at a rate which is not in excess of 6 per centum per annum: *Provided*, That if in any year the Corporation is unable to pay dividends at the rate agreed to hereunder, dividends may be paid out of surplus earned in any subsequent year at a rate in excess of that agreed to but only to the extent necessary to give stockholders a return on their investment (not including any allowance for interest) equal to that which they would have received if dividends had been paid consecutively at the approved rate; and

(F) to comply with such other terms and conditions as the Corporation finds, prior to the mortgage loan, are necessary or desirable to carry out the purposes of this Act; and

(3) in the case of a cooperative ownership housing corporation, the members at the time of making application for the mortgage loan are equal to at least 30 per centum of the number of members proposed to be served by such housing project: *Provided*, That, prior to the receipt of any proceeds of such mortgage loan, the members of such cooperative borrower shall be equal to at least 80 per centum of the number of members proposed to be served by such housing project.

(b) The mortgage loan shall involve a principal obligation in an amount (1) not exceeding 90 per centum of the development cost (as herein defined) of the housing project as determined by the Corporation, and (2) not exceeding 90 per centum of such amount as the Corporation shall have determined to be the maximum within which the project must be constructed in order that it may be made available for families of moderate income at rentals or charges within their means. No loan shall be made unless the mortgagor has agreed to certify the cost in the manner provided by section 227 of the National Housing Act for Federal Housing Administration mortgage insurance.

(c) If a mortgage loan made under this Act to any eligible borrower involves a principal obligation which is less than that authorized under subsection (b) of this section, and the borrower proposes to raise additional funds through sources other than the Corporation to be secured through insured or guaranteed mortgages, debentures, bonds, or otherwise, the total mortgage loan and such other borrowing shall not exceed in the aggregate the maximum principal obligation authorized under subsection (b), and the rights of the Corporation under any such mortgage loan shall not be subordinate to the rights of any other

creditor supplying such additional funds. The provisions of this Act shall apply to any project financed in whole or in part by the Corporation.

(d) The mortgage loan shall provide for complete amortization within a period of fifty years by periodic payments upon such terms, including a program providing for level payments of principal and interest, as the Corporation shall prescribe, and shall bear interest, on the amount of the principal obligation of such mortgage loan outstanding at any time, at a fixed rate, based on the cost to the Corporation of capital investment and borrowings from the private market, plus one-half of 1 per centum to compensate the Corporation for its estimated overhead and administrative expenses in connection with such loan and for proportionate payments to required reserves. In the event of the refinancing of the loan (within such period as the Corporation shall prescribe), if the cost to the Corporation of capital investment and borrowings from the private market makes necessary an increase in the rate of interest which, pursuant to this subsection, the Corporation is required to charge on the mortgage loan, the amortization period may be extended to a date not later than sixty years after the date of the original mortgage: *Provided*, That no such extension shall be made unless the Corporation determines that the increase otherwise resulting in the rents or charges for the dwellings in the housing project would adversely affect the stability of such housing project. The mortgage loan may, in the discretion of the Corporation, include provision for the deferment of payments of principal and interest thereunder: *Provided*, That such deferments shall not in the aggregate result in an extension of the maturity of the mortgage for a period of more than three years nor shall any such deferments result in an extension of the maturity of the mortgage for more than three years beyond the mortgage maturity otherwise authorized herein.

(e) Subject to the provisions of this section, the mortgage loan shall be in such form, contain such provision as to security, repayment, and redemption, and be subject to such other terms and conditions as the Corporation may determine: *Provided*, That in the case of a borrower of the character described in section 11(b)(1), the mortgage loan shall contain provisions requiring that such borrower have, to the extent permitted by State and local law, a priority for the purchase of the interest of each of its members in the dwelling of such member in the event of sale of such interest.

(f) The borrower may, with the consent of the Corporation, pledge the contract or commitment of the Corporation to make a mortgage loan hereunder as security for a loan of construction funds from other sources.

(g) The Corporation may charge to the borrower (in addition to any interest charges) an amount not exceeding one-half of 1 per centum of the principal amount of the mortgage loan for inspection and other services during the construction of any housing project. If the borrower proposes to raise additional funds through sources other than the Corporation to be secured through insured or guaranteed mortgages, debentures, bonds, or otherwise, the inspection charge herein authorized shall be computed on the total amount borrowed from the Corporation and such other sources for the construction of such project. Such service charges may be included as a part of the development cost of the project and may be payable from the proceeds of any mortgage loan or advances thereon.

OBLIGATIONS OF CORPORATION

SEC. 7. (a) The Corporation is authorized to issue and have outstanding on and after July 1, 1959, notes or other obligations in an aggregate annual amount not to exceed \$500,000,000 except that with the approval of the President such aggregate annual amount may be increased at any time or times on or after July 1, 1960, by additional amounts aggregating not more than \$1,500,000,000 upon a determination by the President, taking into account the general effect of any such increase upon conditions in the building industry and upon the national economy, that such increase is in the public interest: *Provided*, That the aggregate amount outstanding at any one time shall not exceed the unpaid principal of mortgage loans contracted for or held by it under this Act (without regard to amounts of prior advances on such loans), plus the value (as determined by the Corporation) of any acquired properties, the amount of its cash on hand and on deposit, and the amount of its investments authorized herein: *Provided further*, That the interest on obligations issued by the Corporation under this section shall not exceed a rate of 4 per centum per annum.

(b) The failure of the Corporation to make any payment due under or provided to be paid by the terms of any note or other obligation issued by the

Corporation pursuant to subsection (a) of this section shall be considered a default under such note or other obligation, and, if such default continues for a period of thirty days, the holder of such note or obligation shall be entitled to receive debentures (in principal amount equal to the unpaid principal of the defaulted note or other obligation of the Corporation plus any interest due and unpaid on such note or other obligation), as hereinafter provided, upon assignment, transfer, and delivery to the Corporation, within a period and in accordance with rules and regulations to be prescribed by the Corporation, of the note or other obligation in default. Debentures issued under this subsection shall be executed in the name of the Corporation as obligor, shall be signed by the Chairman of the Board by either his written or engraved signature, and shall be negotiable. Such debentures shall bear interest at a rate determined by the Corporation, with the approval of the Secretary of the Treasury, at the time the defaulted note or other obligation of the Corporation was issued, but not to exceed the rate of interest applicable to the default note or other obligation, or the going Federal rate, whichever is the lower, payable semiannually on the 1st day of January and on the 1st day of July of each year, and shall mature three years after the 1st day of July following the maturity date of the defaulted note or other obligation of the Corporation in exchange for which such debentures were issued. Such debentures shall be paid out of the Insurance Fund or out of any funds of the Corporation which shall be primarily liable therefor, and shall be fully and unconditionally guaranteed as to principal and interest by the United States, and such guaranty shall be expressed on the face of the debenture. In the event the Corporation fails to pay upon demand when due, the principal of, or interest on, any debenture so guaranteed, the Secretary of the Treasury shall pay to the holder or holders the amount thereof which is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, and thereupon, to the extent of the amount so paid, the Secretary of the Treasury shall succeed to all the rights of the holder or holders of such debentures. Debentures issued under this subsection (b) shall be in such form and denominations in multiples of \$50, shall be subject to such terms and conditions, and shall include such provisions for redemption, if any, as may be prescribed by the Corporation, with the approval of the Secretary of the Treasury, and may be in coupon or registered form, and shall not be subject to the limitations prescribed by subsection (a) of this section. Any difference between the amount of debentures to which the holder of the defaulted note or other obligation of the Corporation is entitled under this subsection (b) and the aggregate principal amount of the debentures issued, not to exceed \$50, shall be adjusted by the payment of cash by the Corporation. The Corporation may, with the approval of the Secretary of the Treasury, purchase in the open market debentures issued under the provisions of this subsection (b). Such purchases shall be made at a price which will provide an investment yield of not less than the yield obtainable from other investments authorized by this Act. Debentures so purchased shall be canceled and not reissued.

RESERVES, DIVIDENDS, AND INVESTMENT OF FUNDS

SEC. 8. The Corporation shall carry to a specific reserve account for losses, to be known as the Insurance Fund, semiannually from interest receipts on mortgage loans amounts equal to one-fourth of 1 per centum per annum of the then outstanding balance of such mortgage loans. The Corporation shall make such chargeoffs on account of depreciation or impairment of its assets as the Board shall require from time to time. In addition to the Insurance Fund reserve account for losses, the Board shall require the establishment and maintenance of, and the Corporation shall establish and maintain, such reserve or reserves as it deems necessary. No dividend shall be paid except out of net earnings remaining after all reserves and chargeoffs required under this Act have been provided for, and then only with the approval of the Board. Such reserves, including the Insurance Fund, and all other funds of the Corporation not invested in mortgage loans or operating facilities, shall be kept in cash or on deposit or invested in bonds or other obligations of, or guaranteed as to principal and interest by, the United States.

PRIORITY ACCORDED TO APPLICATIONS

SEC. 9. In the processing of applications for financial assistance under this Act the Corporation shall give priority to applications with respect to projects which will receive assistance from a State or local government in one or more of the ways specified in section 1 (b) of this Act.

DEFINITIONS

SEC. 10. As used in this Act, the following terms shall have the meanings, respectively, ascribed to them below, and unless the context clearly indicates otherwise, shall include the plural as well as the singular number:

(a) "Families of moderate income" means families, or individuals, whose incomes preclude them from purchasing or renting conventionally financed new housing with total monthly housing expenditures of 20 per centum of their normal stable income as defined by the Federal Housing Administration.

(b) "Eligible borrower" or "borrower" shall mean (1) any private or public nonprofit organization (including cooperative ownership housing corporations), or (2) any private corporation, borrowing directly on a commitment from the Corporation and authorized to provide dwellings (i) the occupancy of which is to be permitted in consideration of agreed charges, or (ii) for sale to an organization of the character described in clause (1) of this paragraph.

(c) The term "corporation" (except when used to designate the Corporation created by section 3 hereof) shall mean either "corporation" or "trust" and references to members of such corporations shall with respect to trusts mean the beneficiaries thereof.

(d) "Housing project" shall mean a project (including all property, real and personal, contracts, rights, and choses in action acquired, owned, or held by a borrower in connection therewith) of a borrower designed and used primarily for the purpose of providing dwellings: *Provided*, That nothing in this Act shall be construed as prohibiting the inclusion in a housing project of such stores, offices, or other commercial facilities, recreational or community facilities, or other nondwelling facilities as are necessary appurtenances to such housing project.

(e) "Development cost" shall mean (1) the amount of the reasonable costs incurred by the borrower in, and necessary for, carrying out all works and undertakings for the development of a housing project and shall include the cost of all necessary surveys, plans and specifications, architectural, engineering, or other special services, land acquisition, site preparation, construction and equipment, interest incurred during the development of the housing project up to the time of completion, initial working capital for the administration of the housing project, necessary expenses (including any initial operating deficit) in connection with the initial occupancy of the housing project, and the cost of such other items as the Corporation shall determine to be necessary for the development of the housing project, or (2) the cost, as approved by the Corporation, incurred by the borrower in, and necessary for the acquisition of, a housing project developed with a loan made under this Act. For the purposes of this subsection, the Corporation shall consider in determining the reasonable cost of land acquisition the effect of local assistance for assembling and clearing the site and securing title thereto as provided in section 1 (b) of this Act.

(f) "Mortgage" or "mortgage loan" shall mean a first mortgage on real estate, in fee simple, or on a leasehold (1) under a lease for not less than ninety-nine years which is renewable or (2) under a lease having a period of not less than seventy-five years to run from the date the mortgage was executed; and the term "first mortgage" shall mean such classes of first liens as are commonly given to secure advances on, or the unpaid purchase price of, real estate, under the laws of the State in which the real estate is located, together with the credit instruments, if any, secured thereby.

(g) The term "veteran" shall mean a person who has served in the active military or naval service of the United States at any time (i) on or after September 16, 1940, and prior to July 26, 1947, (ii) on or after April 6, 1917, and prior to November 11, 1918, or (iii) on or after June 25, 1950, and prior to February 1, 1955, and who shall have been discharged or released therefrom under conditions other than dishonorable.

(h) The term "going Federal rate" shall mean the annual rate of interest (or, if there shall be two or more such rates of interest, the highest thereof) specified in the most recently issued bonds of the Federal Government having a maturity of ten years or more.

(i) "State" shall mean the several States, the District of Columbia, and the Territories, dependencies, and possessions of the United States.

(j) The term "elderly persons" means a person sixty years of age or over or a family the head of which or his spouse is sixty years of age or over.

AMENDMENTS OF OTHER ACTS

SEC. 11. (a) The sixth sentence of paragraph Seventh of section 5136 of the Revised Statutes, as amended (12 U.S.C. 24), is amended by inserting before the comma after the words "or obligations of the Federal National Mortgage Association" the following: "; or notes, debentures, or other obligations of the Federal Limited Profit Mortgage Corporation".

(b) Section 5200 of the Revised Statutes, as amended (12 U.S.C. 84), is amended by adding at the end thereof the following:

"(12) Notes, obligations, and debentures of the Federal Limited Profit Mortgage Corporation shall not be subject to any limitation based upon such capital and surplus."

(c) Section 201 of the Government Corporation Control Act (31 U.S.C. 856) is hereby amended by striking out the words "and (4) Federal Deposit Insurance Corporation" and inserting in lieu thereof "(4) Federal Deposit Insurance Corporation, and (5) Federal Limited Profit Mortgage Corporation".

TAXES

SEC. 12. All real property and tangible personal property of the Corporation shall be subject to State, county, municipal, or local taxation to the same extent according to its value as other similar property is taxed, and any real property shall be subject to special assessments for local improvements: *Provided*, That nothing contained herein shall be construed to prohibit any eligible borrower from contracting with any State, or political subdivision thereof, for the purpose of obtaining a complete or partial exemption from any taxation or assessments otherwise authorized by this section. Except as to such taxation of real property and tangible personal property, the Corporation, including but not limited to its franchise, capital, reserves, surplus, income, assets, and other property, shall be exempt from all taxation now or hereafter imposed by the United States or by any State, county, municipality, or local taxing authority. All notes, debentures, and other obligations of the Corporation shall be exempt, both as to principal and interest, from all taxation imposed by the United States, or any State, county, municipality, or local taxing authority.

PROTECTION OF LABOR STANDARDS

SEC. 13. In order to protect labor standards—

(a) any contract for a loan pursuant to this Act shall contain a provision requiring: (1) that not less than the salaries prevailing in the locality, as determined or adopted (subsequent to a determination under applicable State or local law) by the Corporation, shall be paid to all architects, technical engineers, draftsmen, and technicians employed in the development, and to all maintenance laborers and mechanics employed in the administration, of the housing project involved; (2) that not less than the wages prevailing in the locality, as predetermined by the Secretary of Labor pursuant to the Davis-Bacon Act (49 Stat. 1011), shall be paid to all laborers and mechanics employed in the development of the housing project involved; and (3) that certifications as to compliance with the provisions of this subsection be made prior to the making of any payment under such contract;

(b) the provisions of section 874 of title 18, United States Code, and of section 2 of the Act of June 13, 1934, as amended (40 U.S.C. 276c), shall apply to any housing project financed in whole or in part with funds made available pursuant to this Act;

(c) any contractor engaged on any housing project financed in whole or in part with funds made available pursuant to this Act shall report monthly to the Secretary of Labor, and shall cause all subcontractors to report in like manner, within five days after the close of each month and on forms to be furnished by the United States Department of Labor, as to the number of persons on their respective payrolls on the particular housing project, the aggregate amount of such payrolls, the total man-hours worked and itemized expenditures for materials. Any such contractor shall furnish to the Department of Labor the names and addresses of all subcontractors on the work at the earliest date practicable.

PENALTIES

SEC. 14. (a) Any person who induces or influences a borrower hereunder to purchase or acquire property or to enter into any contract, in connection with any housing project to be financed, in whole or in part, with a loan made under this Act, and willfully fails to disclose any interest, legal or equitable, which he has in such property or such contract, or any special benefit which he expects to receive as a result of such contract, shall be fined not more than \$5,000, or imprisoned for not more than one year, or both.

(b) No individual, association, partnership, or corporation (except the Corporation established under this Act) shall hereafter use the words "Federal limited profit mortgage corporation", or any combination of words which might reasonably lead to confuse with the Federal Limited Profit Mortgage Corporation as the name or a part thereof under which he or it shall do business. Any such use shall constitute a misdemeanor and shall be punishable by a fine not exceeding \$1,000.

(c) Whoever, for the purpose of obtaining any loan under this Act, or any extension or renewal thereof or the acceptance, release, or substitution of security therefor, or for the purpose of influencing in any way the action of the Corporation under this Act, makes any statement, knowing it to be false, shall be punished by a fine of not more than \$5,000, or by imprisonment for not more than one year, or both.

(d) Whoever (1) falsely makes, forges, or counterfeits any obligation, in imitation of or purporting to be an obligation issued by the Corporation, or (2) passes, utters, or publishes, or attempts to pass, utter, or publish any false, forged, or counterfeited obligations purporting to have been issued by the Corporation, knowing the same to be false, forged, or counterfeited, or (3) falsely alters any obligation issued or purporting to have been issued by the Corporation, or (4) passes, utters, or publishes, or attempts to pass, utter, or publish, as true, any falsely altered or spurious obligation issued or purporting to have been issued by the Corporation, knowing the same to be falsely altered or spurious, shall be punished by a fine of not more than \$10,000, or by imprisonment for not more than five years, or both.

(e) Whoever, being connected in any capacity with the Corporation, (1) embezzles, abstracts, purloins, or willfully misapplies any moneys, funds, securities, or other things of value, whether belonging to it or pledged, or otherwise entrusted to it, or (2) with intent to defraud the Corporation or any other body, politics or corporate; or any individual, or to deceive any officer, auditor, or examiner of the Corporation, makes a false entry in any book, report, or statement of or to the Corporation, or without being duly authorized draws any order or issues, put forth, or assigns any note, debenture, bond, or other such obligation, or draft, bill of exchange, mortgage, judgment, or decree thereof, shall be punished by a fine of not more than \$10,000, or by imprisonment for not more than 5 years, or both.

(f) All general criminal and penal statutes of the United States relating to public moneys, property, or employees of the United States shall apply to public moneys, property, and employees of the Corporation. No officer or employee of the Corporation shall participate in any matter affecting his personal interests or the interests of any corporation, partnership, or association in which he is directly or indirectly interested.

SHORT TITLE

SEC. 15. This act may be cited as the "Federal Limited Profit Mortgage Corporation Act".

S. 1342

DIGEST OF BILL

Section 1.—Finds that the goal set forth in the declaration of national housing policy (Housing Act of 1949) is not being met for families of moderate income, and that there is an urgent need for supplementary assistance to enable private enterprise to achieve this goal.

Section 2.—Declares the purpose to provide satisfactory housing for families of moderate income and elderly persons whose needs are not now being served through existing housing programs.

Section 3.—Creates a Federal Limited Profit Mortgage Corporation with power to make and service mortgage loans, issue obligations, and to exercise other corporate powers.

Section 4.—Vests the management and administration of the Corporation in a board of five directors appointed by the HHFA Administrator, who would be Chairman. Also permits the Chairman to appoint an advisory committee to assist and advise members of the Board in the management and administration of the Corporation.

Section 5.—Authorizes the Corporation to issue up to \$100 million in capital stock which shall be subscribed by the Treasury.

Section 6.—Permits the Corporation to make direct loans to public or private nonprofit or limited profitmaking corporations. Establishes mortgage terms: (1) maximum maturity 50 years (not to exceed 60 years in certain cases of refinancing); (2) interest rate computed on cost of money to Corporation, plus one-half of 1 percent for administrative expenses; and (3) maximum mortgage may equal 90 percent of development cost of multifamily project and may not exceed 90 percent of such amount as the Corporation shall determine is necessary to make the housing units available for families of moderate income and elderly persons.

Section 7.—Authorizes the Corporation to issue for purchase by the public (on or after July 1, 1959) up to \$500 million in obligations and, with approval of the President, up to \$1.5 billion annually beginning July 1, 1960. Maximum outstanding obligations at any one time cannot exceed the aggregate of all assets of the Corporation. Maximum interest on obligations of the Corporation shall not exceed 4 percent per annum. In the event of default by the Corporation, the obligations would be replaced by debentures fully guaranteed by the United States.

Section 8.—Establishes an insurance fund as a reserve account for losses, equal to one-fourth of 1 percent annually of the outstanding balance of mortgages held by the Corporation.

Section 9.—Gives priority for loans on projects which receive assistance from State or local government in ways specified in section 1 (b).

Section 10.—Defines certain terms, including the following:

“(a) ‘Families of moderate income’ means families, or individuals who cannot purchase or rent conventionally financed new housing with total monthly housing expenditures of 20 percent of their normal stable income as defined by the Federal Housing Administration.

“(b) ‘Eligible borrower’ or ‘borrower’ shall mean (1) any private or public nonprofit organization (including cooperative ownership housing corporations), or (2) any private corporation, borrowing directly on a commitment from the Federal Limited Profit Mortgage Corporation and authorized to provide dwellings (i) the occupancy of which is to be permitted in consideration of agreed charges, or (ii) for sale to an organization of the character described in clause (1) of this paragraph.

* * * * *
“(j) The term ‘elderly person’ means a person 60 years of age or over or a family the head of which or his spouse is 60 years of age or over.”

Section 11.—Amends certain related Federal statutes.

Section 12.—Makes real and tangible personal property subject to State and local taxation. Permits borrower to obtain complete or partial tax exemption from State or political subdivision, and exempts the Corporation franchise, capital reserves, surplus, income, assets, and other property (except real estate and tangible personal property) from Federal, State, and local taxes. Also exempts all obligations issued by the Corporation and interest paid on such obligations from Federal, State, and local taxes.

Section 13.—Provides for certain minimum labor standards on construction assisted by this act, including those of the Davis-Bacon Act.

Section 14.—Provides for certain criminal penalties.

HOUSING AND HOME FINANCE AGENCY,
OFFICE OF THE ADMINISTRATION,
Washington, D.C., September 16, 1959.

Re S. 1342, 86th Congress.

HON. A. WILLIS ROBERTSON,
*Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: This is in further reply to your March 11 letter requesting the views of this Agency on S. 1342, a bill to create a Federal Limited Profit Mortgage Corporation to assist in the provision of housing for moderate income families and for elderly persons.

The bill would establish, under the effective control of this Agency, a Federal Limited Profit Mortgage Corporation with authority to make mortgage loans (1) to nonprofit public or private organizations, including cooperative ownership housing corporations, for housing projects to serve "families of moderate income" and "elderly persons"; (2) to private, profit-motivated corporations renting dwellings to such families, with dividends limited to 6 percent; and (3) to private, profit-motivated corporations providing housing for sale to nonprofit organizations of the type described in (1) above. All rents would be at amounts approved by the Federal Corporation. Priority would be given to projects receiving State or local assistance through tax exemption, the use of eminent domain for site assembly, or the provision of urban renewal area sites.

Loans equal to 90 percent of the approved development cost would be permitted, with maturities of 50 years. The maturity under certain circumstances could be as high as 60 years, with a further moratorium of 3 years being permitted. The interest rate would be "based on the cost to the Corporation of capital investment and borrowings from the private market, plus one-half of 1 percent."

The Corporation, which would be wholly federally owned, would be given authority to issue up to \$500 million in obligations annually, on which it could pay a maximum of 4 percent interest. The obligations would be exempt from Federal and State taxation. After July 1, 1960, up to \$1½ billion of borrowing authority could be made available at the option of the President in addition to the annual authorization. Although the Corporation would thus initially obtain loan funds by issuing its obligations in the private market, in the event of default these obligations would be replaced by debentures fully guaranteed by the United States both as to principal and interest. Capital stock of up to \$100 million could be issued by the Corporation and would be subscribed to entirely by the Treasury.

The Housing Agency recommends against the enactment of this bill. It would commit the Federal Government to supplanting the present satisfactory system of FHA-insured or VA-guaranteed private loans with direct public loans, and it would do this for a large segment of the housing market which could readily obtain good housing without the extraordinary aids the bill would provide.

Its liberal direct loan terms are coupled to an unrealistic standard of eligibility for "moderate-income" families. They are defined as those families whose incomes preclude them from obtaining "conventionally financed new housing with total monthly expenditures of 20 percent of their normal stable income." This definition overlooks the manner in which our housing market functions for people of moderate income. New housing each year generally adds less than 3 percent to our stock of existing housing units, and it is inevitable that by far the largest part of our population should live in existing units.

Also, under the bill, only the inability to obtain conventionally financed homes would be considered in determining eligibility, disregarding the availability of housing, both new and old, now being financed through the FHA or the VA. The purchase or the rental of existing housing and of FHA- or VA-financed housing certainly accounts for the great majority of the entire housing market. It seems entirely unrealistic, therefore, to base eligibility for housing under the bill upon inability to purchase or rent new, conventionally financed housing with expenditure of a given percent of income.

The existing FHA programs for assistance to cooperatively owned and rental housing (secs. 207 and 213 of the National Housing Act) could not compete with the longer amortization and the lower interest rate provided those who are eligible under this bill. The interest charges would reflect the subsidy involved in basing the rate on borrowings which are exempt from both Federal and State

taxes. It seems certain, also, that many persons who would otherwise purchase individual houses financed with VA or FHA assistance would take advantage of the very liberal terms under the bill. Indeed, it is likely that the initial borrowing authorization of \$500 million annually and the reserve of \$1½ billion would be only a beginning, in view of the broad segment of the housing market which would probably seek the advantages provided under the bill.

The allocation of the authorized loan funds would present a virtually impossible administrative burden. The Board of Directors of the Corporation would be required to "estimate the need for housing for moderate-income families and elderly persons in each housing market area of the country and allocate and reallocate to each area its appropriate share of the loan funds," presumably in relation to estimated needs. This would require surveys in thousands of market areas throughout the country. Furthermore, the surveys would have to be sufficiently comprehensive to determine first, the cost of new conventionally financed housing in the area; second, the incomes of families in the area in order to see how many cannot obtain such housing within 20 percent of their incomes; and third, the number of elderly people in the area. It would then also be necessary to determine the need for housing in each housing market in the three priority categories specified in the bill: (1) families displaced by public clearance or enforcement action; (2) families living in substandard houses; and (3) families living in overcrowded homes.

It is important to note that these almost insurmountable administrative problems do not arise merely from detailed provisions of the bill but rather from its basic defect, the substitution of direct governmental lending for the normal operations of the private mortgage market.

We have been informed by the Bureau of the Budget that there would be no objection to the submission of this report as the enactment of the legislation would not be in accord with the program of the President.

Sincerely yours,

NORMAN P. MASON, *Administrator.*

TREASURY DEPARTMENT,
August 31, 1959.

HON. A WILLIS ROBERTSON,
*Chairman, Committee on Banking and Currency,
U.S. Senate,
Washington, D.C.*

MY DEAR MR. CHAIRMAN: Reference is made to your request for the views of this Department on S. 1342, to create a Federal Limited Profit Mortgage Corporation to assist in the provision of housing for moderate-income families and for elderly persons.

The Federal Government has made possible the financing of millions of homes for moderate-income families through the FHA and VA insurance and guarantee programs. These programs are still functioning and the administration has recommended legislation authorizing substantial increases in, and liberalizations of, the FHA insurance programs for the future years. In this way, the Federal Government can cooperate effectively with sources of private financing to provide housing for our citizens without adding to their tax burdens.

On the other hand, the potential \$2 billion expenditure for loans under the bill would make the objective of a balanced budget more difficult to attain, and the issuance of obligations pursuant to its provisions would add to the problems of public debt management.

In the circumstances, the Department would be opposed to the enactment of the proposed legislation.

The Department has been advised by the Bureau of the Budget that there is no objection to the submission of this report to your committee and that enactment of S. 1342 would not be in accord with the program of the President.

Very truly yours,

JULIAN B. BAIRD,
Acting Secretary of the Treasury.

U.S. DEPARTMENT OF LABOR,
OFFICE OF THE SECRETARY,
Washington, May 27, 1959.

HON. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate,
Washington, D.C.

DEAR SENATOR ROBERTSON: This is with further reference to your request for our comments on S. 1342, a bill to create a Federal Limited Profit Mortgage Corporation to assist in the provision of housing for moderate-income families and for elderly persons.

The Corporation would be managed by a Board of Directors with the Housing and Home Finance Administrator as chairman. The Corporation would be authorized to issue obligations and make loans initially up to an aggregate of one-half billion dollars with subsequent increases authorized with the approval of the President to one-and-a-half billion dollars. The loans would be available to private or public nonprofit organizations, or to private corporations borrowing to provide dwellings at agreed charges or to sell to a nonprofit organization, for housing for families of moderate income as defined, or persons over 60 years of age. The loans would be for periods up to 50 years and at a rate of interest equal to the cost of money to the Corporation, plus one-half of 1 percent.

We favor sound measures to improve the housing standards of the American people. In general, we believe that measures designed to stimulate private financing of needed housing programs are preferable to direct Federal financing such as proposed in S. 1342. An example is the program provided in the administration's housing recommendations of this year for improved and expanded mortgage insurance for rental housing for the aged. We would prefer, however, to leave specific comment on the desirability and feasibility of the program proposed by this bill, to those agencies directly involved in the financing operations of the Federal housing programs.

One fact of importance to note in considering measures designed to provide housing for the elderly is the lack of any necessary relationship between low income and lack of housing in this age group. Surveys by the Bureau of Labor Statistics of this Department have revealed a very high incidence of homeownership among older and low or retirement income families.

With regard to the labor standards provided in section 13 of S. 1342, we note that provision is made for the payment of wage rates prevailing in the locality, as determined by the Secretary of Labor under the Davis-Bacon Act, to laborers and mechanics employed in the development of the proposed housing projects. There is no provision, however, requiring overtime compensation for these workers. The lack of such a provision is of particular significance because the Federal 8-hour laws apply only to direct Federal construction and would not, therefore, apply to the construction involved. Any such workers should be secured payment of time and one-half for overtime work in excess of 8 hours in a day or 40 hours in a week. The inclusion of a 40-hour weekly limit on work at straight-time pay, consistent with the Fair Labor Standards and Walsh-Healey Public Contracts Acts, would prevent the practice adopted by some contractors under the existing 8-hour laws, of working employees a 56-hour week of 7 8-hour days without overtime compensation.

In addition to the authority given the Secretary by section 2 of the Copeland Act, he should be given authority to coordinate the enforcement of such labor standards, consistent with his authority under Reorganization Plan No. 14 of 1950, with respect to the Davis-Bacon Act and related statutory labor standards.

Draft language to amend section 13 of the bill in all these respects is attached.

The Bureau of the Budget advises that it has no objection to the submission of this report and that the enactment of S. 1342 would not be in accord with the program of the President.

Sincerely yours,

JAMES T. O'CONNELL,
Under Secretary of Labor.

SUGGESTED LANGUAGE FOR AMENDMENT OF S. 1342

Amend section 13 (a) (2) to read as follows :

"SEC. 13. (a) * * *

"(2) that all laborers and mechanics employed by contractors or subcontractors in the performance of construction work assisted with Federal funds under the provisions of this Act shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a-276a-5), and every such employee shall receive compensation at a rate not less than one and one-half times his basic rate of pay for all hours worked in any workweek in excess of eight hours in any workday or forty hours in the workweek, as the case may be ;"

Amend sections 13 (b) and (c) by substituting the following :

"(b) The Secretary of Labor shall have, with respect to the labor standards specified in subsection (a) (2) above, the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (15 F.R. 3176, 64 Stat. 1267, 5 U.S.C. 133z-15), and section 2 of the Act of June 13, 1934, as amended (48 Stat. 948, as amended, 40 U.S.C. 276c)."

BOARD OF GOVERNORS,
OF THE FEDERAL RESERVE SYSTEM,
December 17, 1959.

HON. A. WILLIS ROBERTSON,
Chairman, Banking and Currency Committee,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN : This is in reply to a request for the Board's views on S. 1342, introduced March 9, 1959, a bill relating to a proposed Federal Limited Profit Mortgage Corporation.

The Board is especially concerned by the provisions of S. 1342 that would authorize an increase in the amount of outstanding tax-exempt obligations by as much as "an aggregate annual amount not to exceed \$500 million except that with the approval of the President such aggregate annual amount may be increased at any time or times on or after July 1, 1960, by additional amounts aggregating not more than \$1,500 million * * *."

This is not the time to complicate current fiscal problems further by exempting a substantial volume of new obligations, as the bill would authorize, "both as to principal and interest, from all taxation imposed by the United States, or any State, county, municipality, or local taxing authority." Such a proposal would place generally upward pressures on interest rates in capital markets by offering what would in effect be federally guaranteed tax-exempt obligations to compete with municipal bonds as well as taxable direct obligations of the U.S. Government, not to mention corporate securities issued to finance growth in productive capacity, and various types of mortgages. In our judgment, such an effort to aid moderate income families or the elderly by increasing the volume of tax-exempt securities available to the wealthy is questionable, and would result in a diversion of savings into this type of activity.

Apart from the aspect of tax exemption, the Board also questions the appropriateness of so considerably increasing the contingent liabilities of the Federal Government through a guarantee of the kind proposed in S. 1342.

The Board notes that a number of provisions of the Housing Act of 1959 were designed specifically to offer further assistance toward providing nonprofit moderate-income housing and housing for the elderly, backed by the existing system of FHA mortgage insurance. The Board believes that it would be desirable to observe the effectiveness of these measures before determining whether additional legislation might be needed.

Sincerely yours,

WM. MCC. MARTIN, JR.

VETERANS' ADMINISTRATION,
May 12, 1959.

Hon. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.

DEAR SENATOR ROBERTSON: The following comments are submitted in response to your request for a report by the Veterans' Administration on S. 1342, 86th Congress, a bill to create a Federal Limited Profit Mortgage Corp. to assist in the provision of housing for moderate-income families and for elderly persons.

The purpose of this measure is to make satisfactory housing more available for elderly persons and families whose income makes them ineligible for public housing but is not large enough to meet conventional rentals. To this end a Federal Limited Profit Mortgage Corp. would be created to make long-term, low-interest mortgage loans to nonprofit organizations or private corporations for the production of dwellings of sound standards of design, construction, livability, and size for such elderly persons and moderate-income families.

The Corporation would be managed by a five-man Board of Directors with the Housing and Home Finance Administrator serving as chairman. Rentals in housing projects constructed with financing under the bill would be subject to approval by the Corporation. The Corporation would raise funds for its operations through limited stock subscriptions by the Secretary of the Treasury and borrowing in the private market on its own obligations, which would be substantially backed by the Government.

The bill requires that in the selection of tenants for a housing project designed for those with moderate-income preference shall be given certain classes of veterans. We note that the definition of "veterans" in section 10(g) uses June 25, 1950, as the beginning date of Korean conflict services, whereas June 27, 1950, is generally used in providing special benefits.

Whether or not the assistance for elderly persons and moderate-income families contemplated by the bill should be provided in addition to existing Government housing programs is a question of general Federal policy. The bill would not appear to have any material impact on the veterans' loan assistance programs administered by this agency. Accordingly, we have no specific recommendation to make on the merits of this proposed legislation. We believe a proposal of this type would be of special interest to the Housing and Home Finance Agency from which your committee will doubtless obtain comments.

Advice has been received from the Bureau of the Budget that there would be no objection to the submission of this report to the committee.

Sincerely yours,

SUMNER G. WHITTIER,
Administrator.

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, D.C., April 7, 1959.

Hon. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate.

DEAR MR. CHAIRMAN: Your letter of March 11, 1959, requests that we report on S. 1342 which if enacted would be cited as the "Federal Limited Profit Mortgage Corporation Act." The purpose of the bill is stated in section 2 thereof to be to provide satisfactory housing in well-planned, integrated residential neighborhoods for families of moderate income and elderly persons whose needs are not now being served through existing programs of assistance to private and public enterprise.

The term "families of moderate income" is defined in section 10(a) so that their eligibility for benefits under the bill is dependent on their income. The term "elderly persons" is defined in section 10(j) and pertains only to the age of such persons, there being no limitation as to income. If any limitations on income are intended as to such persons we suggest that the bill be clarified in this respect. Also, we would like to point out that, whereas section 10(j) contains a minimum age requirement of 60 years, the minimum age requirement for elderly persons under the current Housing Act is 65 years, and S. 57, recently passed by the Senate, contains a minimum age requirement of 62 years. We also believe that a more specific definition of "families of moderate income," within the intent of the bill, is needed as a guide in establishing eligibility for occupancy.

To effectuate the purposes of the bill, section 3 thereof provides for the creation of a corporation to be known as the "Federal Limited Profit Mortgage Corporation."

The methods and media to be used to carry out the purposes of the bill are matters primarily for determination by the Congress, and we have no particular information so as to be in a position to say whether a corporation would be more satisfactory in this respect than would the more conventional Government agency or whether the new program might effectively be carried out by one of the housing agencies now in existence. We generally have opposed the creation of new Government corporations unless for the most compelling reasons, because corporate entities for the most part are free from the normal safeguards set up by the Congress to maintain strict control over the conduct of the public business and the expenditure of public funds. Broad powers are vested in the Board of Directors to take action without regard to laws generally applicable to Government departments and agencies, and the expenditures of corporations, although subject to audit, are not subject to disallowance by the General Accounting Office.

Section 11(c) would amend section 201 of the Government Corporation Control Act (31 U.S.C. 856) to include this Corporation within the definition of a mixed-ownership Government corporation. Inasmuch as section 5(a) of the bill provides that the capital stock of the Corporation shall be subscribed to by the Secretary of the Treasury, it would appear that the Corporation would be a wholly owned Government corporation rather than a mixed-ownership Government corporation and more properly for inclusion in section 101 of the Government Corporation Control Act, as amended (31 U.S.C. 846), wherein wholly owned Government corporations are defined. If this change were made there would be no need in the bill for the provisions of section 4(b)(4) since wholly owned Government corporations are required by section 102 of the Government Corporation Control Act to prepare and submit annually a business-type budget.

In any event, there is no need for any special auditing provision such as section 4b(5) and we recommend that this section be deleted. Regardless of whether the Corporation is named in section 101 or section 201 of the Government Corporation Control Act, it would be subject to audit by the General Accounting Office under the provisions of either section 105 or section 202 of the Government Corporation Control Act. If an existing or newly created agency is utilized to carry out the purposes of this bill, it would be subject to our audit authority contained in the Budget and Accounting Act, 1921, and the Budget and Accounting Procedures Act of 1950 under which we can make the type of audit most suited to the activities of the agency involved and in accordance with generally accepted principles of auditing.

Section 3(b) provides that except as provided in provisions of law relating specifically to mixed-ownership Government corporations, the Corporation may determine the necessity for and the character of its obligations and expenditures and the manner in which they shall be incurred, allowed, and accounted for and the proviso to section 4(b)(5) provides that the financial transactions of the Corporation shall be final and conclusive upon all officers of the Government. Since there are various provisions of law relating to mixed-ownership Government corporations of which very few relate specifically to such corporations, we recommend that the word "specifically" in line 14, page 6, of the bill be deleted. Also, if an existing or newly created agency be utilized to carry out the purposes of the bill, we recommend that both section 3(b) and the proviso to section 4(b)(5) be deleted in their entirety. The effect of these provisions would be to preclude the Comptroller General from raising any exceptions to any illegal transaction found in the audit. The authority to raise such exceptions is applicable to most all departments and agencies other than corporations and, in our opinion, serves a very useful purpose.

Section 3(a)(7) provides for the Corporation "to obtain insurance against loss in connection with property and other assets held." It is a general policy of the Government to be a self-insurer and we favor that policy in the absence of very compelling reasons for deviating therefrom.

Section 5(a) authorizes the Corporation to issue capital stock from time to time which shall be subscribed for by the Secretary of the Treasury in an amount not to exceed at any time \$100 million. Section 5(a) also provides for cumulative dividends to be paid to the Secretary of the Treasury equal to a return on the average amount, at par, of such stock outstanding during such fiscal year at a rate determined by the Secretary of the Treasury, taking into consideration the probable term of the stock investment and the current average rate on outstanding marketable obligations of the United States as of the last

day of the sixth month of such fiscal year. We believe that the rate of return on the outstanding capital stock of the Corporation should be a rate equivalent to the annual yield on long-term obligations issued by the Secretary of the Treasury. Furthermore, dividends are usually thought of as a distribution of profits, but, obviously, in this case the dividends are intended merely to reimburse the Treasury for its actual expense. The characterization of these payments as dividends is misleading from a sound financial reporting standpoint. Also, section 6 provides that no dividends shall be paid except out of net earnings remaining after all reserves and chargeoffs have been provided for, and then only with the approval of the Board. It thus would be possible for the Board, through its discretionary authority, to establish reserves, to prevent the payment of any amount as a reimbursement to the Treasury for its costs.

Section 6 of the bill provides that the Corporation, upon application of an eligible borrower, may make a mortgage loan to such borrower, or enter into commitments to purchase or repurchase loans to finance the development of a housing project undertaken by such borrower. As a protection against waste or improper use of the proceeds of the mortgage loan to be provided eligible borrowers under the provisions of this section, we would suggest that a section be added to the bill requiring eligible borrowers to keep records which will enable audits to be made by the Corporation and the General Accounting Office. Such records would also enable the Corporation to see whether the eligible borrowers have complied with the requirements of the act. Under the authority of this section the Corporation would be expected to audit the books of each borrower leaving to the General Accounting Office the right to audit as many recipients each year as determined necessary by the Comptroller General. The following language to accomplish this is suggested for your consideration :

"RECORDS AND AUDIT

"Sec. —. (a) Each recipient of a mortgage loan under section 6 of this Act shall keep such records as the Corporation shall prescribe, including records which fully disclose the amount and the disposition by such recipient of the proceeds of such mortgage loan, the total cost of the housing project in connection with which such loan is made, and the amount and nature of that portion of the cost of the project or undertaking supplied by other sources, and such other records as will facilitate an effective audit.

"(b) The Corporation and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access for the purpose of audit and examination to any books, documents, papers, and records of the eligible borrowers that are pertinent to mortgage loans received under section — of this Act."

In order to provide funds for the Corporation to make mortgage loans to eligible borrowers as provided in section 6, the Corporation is authorized by section 7(a) of the bill to issue and have outstanding on and after July 1, 1959, notes or other obligations in an aggregate annual amount not to exceed \$500 million except with the approval of the President such aggregate annual amount may be increased at any time or times on or after July 1, 1960, by additional amounts aggregating not more than \$1,500 million.

We believe that it is basically undesirable to authorize the Corporation to issue its own obligations to the public for the purpose of obtaining funds to finance the mortgage loans as provided for in the bill.

In our opinion, the financing of Government activities of this character should be by appropriations. If, to obtain needed funds, borrowing from the public is necessary, the Secretary of the Treasury should perform this function under the authority of the Second Liberty Loan Act, as amended. This act provides, among other things, a limitation on the total amount of direct and guaranteed obligations which may be outstanding at any one time. Under the proposed legislation, the borrowing authority of the Corporation would be outside of the public debt ceiling and, as a result, the true financial facts of the Government's debt position would be obscured.

Section 6(a) (1) (D) provides that "the housing project will not be of elaborate or extravagant design or construction." However, the bill does not include any ceiling of costs per unit nor per room. Section 10(a) defines moderate income families as "families, or individuals, whose income preclude them from purchasing or renting conventionally financed new housing with total monthly housing expenditures of 20 per centum of their normal stable income as defined by Federal Housing Administration." We believe that the section 6(a) (1) (D)

does not provide specific assurance that the housing to be constructed will be moderate income housing because no ceilings are placed on construction which for all practical purposes determine the levels of rents or charges.

Section 6(d) provides for maturity of mortgages ranging from 50 years to 63 years. We wish to point out that the maximum term of mortgages insured by the Federal Housing Administration under the current Housing Act is 40 years, and that the lengthening of the terms of the loans tends to increase the risk of the loans.

We also question whether the one-half of 1 percent charge to the borrower as provided by section 6(d) will be adequate to cover administrative costs plus the creation of the reserve for losses. Section 8 of the bill provides that the "Insurance Fund" reserve will be established "from interest receipts on mortgage loans amounts to one-fourth of one per centum per annum of the then outstanding balance of such mortgage loans," and that the Board shall establish such other reserve or reserves as it deems necessary. There thus may be a relatively small amount of funds charged to the borrower to cover administrative expenses.

Although section 6(g) of the bill provides for the Corporation to charge the borrower for inspection and other services during construction of any housing project, it does not require a charge to prospective borrowers for application fees. We suggest that the bill be revised to require the Corporation to charge prospective borrowers a fee to cover its costs of processing applications. The Federal Housing Administration generally charges application and inspection fees.

Section 7 of the bill contemplates that the Corporation's obligations will be issued only to the investing public as there is no authorization for purchase by the Secretary of the Treasury. The Corporation's obligations will not be guaranteed either as to principal or interest by the United States. However, debentures issued to holders of such obligations in case of default by the Corporation will be fully and unconditionally guaranteed as to principal and interest by the United States.

While the Corporation's obligations are not guaranteed as to principal and interest by the United States, they are redeemable, in case of default, by debentures. Such debentures are guaranteed as to principal and interest and are includible in the determination of the public debt limitation.

Despite the fact that the Corporation's obligations (other than debentures) are not guaranteed by the United States, we think that, so far as the investing public is concerned, they would be regarded as obligations of the U.S. Government and, as a practical matter, they actually are obligations of the United States. We do not believe that the fiscal and debt management responsibilities of the Treasury Department should be weakened by authorizing other Government agencies to enter a field which is a normal function of that Department nor that these obligations should be initially created outside the scope of the limitation on the public debt.

Section 10(b) provides that a private corporation may obtain a loan from the Corporation to construct housing for sale to a nonprofit organization. However, the bill does not appear to contain any provision that will prohibit the private corporations from making a profit on the sale. We suggest that the bill be revised to provide that a private corporation should sell this housing to a nonprofit organization at actual cost of such property as certified pursuant to section 227 of the National Housing Act. It is noted that this restriction is placed on private corporations who sell housing to nonprofit corporations pursuant to section 313(a)(3) of the National Housing Act.

We also wish to call your attention to editing errors we noted in the bill.

On page 8, line 20, "(a)" should be changed to "(1)".

On page 12, line 24, page 15, line 22, and page 19, line 11, "Section 11(b)" should be changed to "Section 10(b)."

On page 15, line 2, "Section 13" should be changed to "Section 12."

On page 15, line 24, "Corporation" should be changed to "corporation."

Sincerely yours,

JOSEPH CAMPBELL,
Comptroller General of the United States.

[S. 1680, 86th Cong., 1st sess.]

MR. JAVITS

A BILL To amend section 106 of the Housing Act of 1949 with respect to the provision of civil defense shelter facilities in urban renewal areas

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 106 of the Housing Act of 1949 is amended by adding at the end thereof a new subsection as follows:

"(g) (1) Notwithstanding any other provision of this title, an urban renewal project respecting which a contract for a capital grant is executed under this title may include the construction of civil defense shelter facilities, and the acquisition of any real property in the urban renewal area necessary thereto; and such contract shall provide that the capital grant otherwise payable under this title shall be increased by an amount equal to the cost of providing such facilities and that no part of such cost shall be required to be contributed as part of the local grant-in-aid.

"(2) As used in this subsection, the term 'civil defense shelter facilities' means facilities which (1) are designed for the protection of lives or the care of injured or evacuated persons in the event of enemy attack, (2) conform to standards prescribed by the Director of the Office of Civil and Defense Mobilization, and (3) are approved by the Housing and Home Finance Administrator.

"(3) Any contract with a local public agency which was executed under this title before the date of the enactment of this subsection may be amended to provide for increasing the capital grant otherwise payable under such contract in accordance with the provisions of this subsection."

S. 1680

DIGEST OF BILL

Amends section 106 of the Housing Act of 1949 to permit the construction of civil defense shelter facilities in urban renewal areas. Provides that the Federal grant shall be increased by an amount equal to the cost of such shelter facilities and that no part of the cost shall be required to be contributed as a local grant-in-aid.

HOUSING AND HOME FINANCE AGENCY,
OFFICE OF THE ADMINISTRATOR,
Washington, D.C., September 21, 1959.

Re S. 1680, 86th Congress.

HON. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in further reply to your April 17 letter requesting the views of this Agency on S. 1680, a bill to amend section 106 of the Housing Act of 1949 with respect to the provision of civil defense shelter facilities in urban renewal areas. The proposed amendment would allow a local urban renewal agency to include in a project the construction of approved civil defense shelter facilities and would provide 100 percent Federal grants for such facilities.

Enactment of this bill would do substantial harm to the urban renewal program itself, by diverting capital grant funds from its basic purposes. In addition, the proposed program would be contrary to the administration's decision announced by the Federal Civil Defense Administration on May 7, 1958, that although all reasonable encouragement would be given for shelter construction, there will be no massive federally financed shelter construction program. In providing 100-percent Federal grants the bill would also be contrary to the administration policy of encouraging State, local, and individual participation in civilian defense.

Even if there were to be a 100-percent federally financed shelter program, we do not believe that it should be established as an appendage to our program of capital grants for urban renewal projects. The need for shelter facilities is at most only indirectly related to the number and location of urban renewal

areas. If there is to be a Federal program for the construction of shelters, it should be proposed and defended on its own merits and as a separate program, to be used where it would do the most good whether or not this coincides with urban renewal project areas.

In Regional Circular No. 455, I believe that we have already gone as far as is reasonable to support local proposals for shelters in urban renewal projects. That circular, dated January 27, 1959, instructs our regional offices to cooperate fully with the administration policy of encouraging shelter construction, by giving maximum consideration and support to fallout shelter proposals where urban renewal projects are involved. Local public fallout shelters are made eligible to count as local noncash grants-in-aid on the same basis as schools and other public facilities necessary to the development of the project area. In effect this enables localities which are not already providing all of their required one-third contribution through noncash grants-in-aid to construct fallout shelters in urban renewal areas at relatively small net cost to themselves. The fact that localities have shown almost no effective interest in such construction would seem to indicate either that they consider other facilities which are eligible as noncash grants-in-aid to be more important or that they do not feel that fallout shelters are at all essential in connection with their urban renewal projects.

We have been informed by the Bureau of the Budget that this report is without objection insofar as the Bureau is concerned.

Sincerely yours,

NORMAN P. MASON, *Administrator.*

TREASURY DEPARTMENT,
September 17, 1959.

HON. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate,
Washington, D.C.

MY DEAR MR. CHAIRMAN: Reference is made to your request for the views of this Department on S. 1680, to amend section 106 of the Housing Act of 1949 with respect to the provision of civil defense shelter facilities in urban renewal areas.

The proposed legislation would amend title I of the Housing Act of 1949, relating to slum clearance and urban renewal, to provide that urban renewal projects for which capital grant contracts have been executed may include the construction of civil defense shelter facilities and that the capital grants shall be increased by an amount equal to the cost of providing such facilities.

The proposed legislation is not of primary interest to this Department and the Department has no comment to make as to its general merits. However, it is suggested that your committee critically examine the expenditures that would be authorized by the bill to determine whether they are essential when viewed in relation to the objective of maintaining a balanced budget. Also, Federal participation in programs which are more appropriately the primary responsibility of States and localities must be held to a minimum if budget expenditures are to be kept within reasonable limits in the years ahead.

The Department has been advised by the Bureau of the Budget that there is no objection to the submission of this report to your committee.

Very truly yours,

JULIAN B. BAIRD,
Acting Secretary of the Treasury.

DEPARTMENT OF DEFENSE,
May 12, 1960.

HON. J. W. FULBRIGHT,
Chairman, Committee on Banking and Currency,
U.S. Senate.

DEAR MR. CHAIRMAN: Reference is made to your request to the Secretary of Defense for the views of the Department of Defense with respect to S. 1680, 86th Congress, a bill to amend section 106 of the Housing Act of 1949 with respect to the provision of civil defense shelter facilities in urban renewal areas.

The Secretary of Defense has delegated to the Department of the Army the responsibility for expressing the views of the Department of Defense thereon.

This bill would provide for inclusion of construction of civil defense shelter facilities in contracts for urban renewal projects and for increase in capital grants to take care of this added construction.

The Department of the Army on behalf of the Department of Defense has no objection to the enactment of this bill.

The enactment of this legislation will cause no apparent increase in the budgetary requirements for the Department of Defense.

This report has been coordinated within the Department of Defense in accordance with procedures prescribed by the Secretary of Defense.

The Bureau of the Budget advises that there is no objection to the submission of this report.

Sincerely yours,

WILBER M. BRUCKER,
Secretary of the Army.

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF CIVIL AND DEFENSE MOBILIZATION,
Washington, D.C., May 13, 1960.

Hon. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in reply to your request for a report on S. 1680.

The bill would amend section 106 of the Housing Act of 1949 to provide capital grants for the construction of civil defense shelters in urban renewal construction projects financed with the assistance of the Federal Government.

"The National Shelter Policy of the Administration," announced on May 7, 1958, stated:

"The administration has conducted exhaustive studies and tests with respect to protective measures to safeguard our citizens against the effects of nuclear weapons. These several analyses have indicated that there is a great potential for the saving of life by fallout shelters. In the event of nuclear attack on this country, fallout shelters offer the best single nonmilitary defense measure for the protection of the greatest number of our people."

Emphasis in this fallout shelter program, in carrying out the national policy on shelter, is placed upon education of the public: the acceleration of research in the incorporation of fallout shelters in existing and new buildings; and the construction by the Federal Government of a limited number of prototype shelters of various kinds. The policy does not include a massive federally financed shelter-construction program, but leadership and example by the Federal Government through incorporation of fallout shelters in appropriate new Federal buildings designed for civilian use is an integral part of the fallout shelter program. Accordingly, members of my staff have had conferences with the Urban Renewal Administration regarding the construction of fallout shelters in urban renewal projects.

The Urban Renewal Administration makes urban planning grants for "master planning" by local authorities. Such grants are currently running at about \$2 million annually. Following agreement with the Housing and Home Finance Agency, steps are now being taken to encourage and promote planning for shelters under this program. Moreover, the Federal Government provides two forms of aid for urban renewal: (1) temporary project financing and (2) capital grants, which ultimately defray two-thirds of the cost of acquisition, clearance, and redevelopment. Local authorities provide "site improvements," such as roadways, sewers, water, and parks in making up their one-third prorata share. Under the rulings of the Housing and Home Finance Agency and the Urban Renewal Administration, local redevelopment authorities may build fallout shelters and credit their costs to the local share of the project.

The urban renewal program provides adequate authority to carry out the national shelter policy. At the present time, therefore, there is no need for S. 1680. Accordingly, the Office of Civil and Defense Mobilization does not support the proposed bill.

The Bureau of the Budget advises that it has no objection to the submission of this report.

Sincerely,

LEO A. HOEGH.

[S. 1955, 86th Cong., 1st sess.]

MR. FULBRIGHT AND OTHERS

A BILL To expand the public facility loan program of the Community Facilities Administration of the Housing and Home Agency, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Community Facilities Act of 1959".

SEC. 2. Title II, Public Facility Loans, of the Housing Amendments of 1955, is amended to read as follows :

"TITLE II—PUBLIC FACILITY LOANS

"DECLARATION OF POLICY

"SEC. 201. It has been the policy of the Congress to assist, wherever possible, the States and their political subdivisions to provide the services and facilities essential to the health and welfare of the people of the United States. The Congress finds that in many instances municipalities or other political subdivisions of States, which seek to provide essential public works or public facilities, are unable to raise the necessary funds.

"The Congress finds that the immediate construction of these essential public works and public facilities would enhance the health and welfare of the people of the United States and would reduce unemployment and stimulate business activity.

"It is the purpose of this title to authorize the extension of credit to assist in the provision of essential public works or facilities by States, municipalities, or other political subdivisions of States, where such credit is not otherwise available on equally favorable terms or conditions.

"The foregoing declaration of policy and findings apply equally in the case of nonprofit hospitals, and it is likewise the purpose of this title to authorize the extension of credit to assist in the provision of those facilities.

"FEDERAL LOANS

"SEC. 202. (a) The Housing and Home Finance Administrator, acting through the Community Facilities Administration, is authorized to purchase the securities and obligations of, or to make loans (including construction loans) to, States, municipalities, and other political subdivisions of States, public agencies, and instrumentalities of one or more States, municipalities, and political subdivisions of States, and public corporations, boards, and commissions established under the laws of any State, to finance specific public projects under State or municipal law; and to purchase the securities and obligations of, or to make loans to, nonprofit hospitals to finance specific projects. No such purchase or loan shall be made for payment of ordinary governmental or nonproject operating expenses.

"(b) The powers granted in subsection (a) of this section shall be subject to the following restrictions and limitations :

"(1) No financial assistance shall be extended under this section unless the financial assistance applied for is not otherwise available on equally favorable terms and conditions, and all securities and obligations purchased and all loans made under this section shall be of such sound value or so secured as reasonably to assure retirement or repayment, and such loans may be made either directly or in cooperation with banks or other lending institutions through agreements to participate or by the purchase of participations or otherwise.

"(2) No securities or obligations shall be purchased, and no loans shall be made, including renewals or extensions thereof, which have maturity dates in excess of fifty years.

"(3) Interest shall be charged on loans made under this section at a rate determined by the Administrator which shall not be more than the total of one-quarter of 1 per centum per annum added to the rate of interest paid by the Administrator on funds obtained from the Secretary of the Treasury as provided in section 203 of this title. In determining from time to time the rate of interest within the limits provided in this paragraph, the Administrator shall be guided by the then current urgency of the need to encourage and promote essential public works and public facilities and to provide the maximum stimulus to business activity and employment, and by the then current urgency of the need for construction, repair, or improvement of nonprofit hospitals.

"(4) At the request of a municipality or other political subdivision made at the time of its application for financial assistance under this title, the Administrator shall establish with respect to the securities, obligations, or loan involved an amortization schedule which, during an initial period not exceeding the first two years after the assistance is furnished, either (A) requires only the interest payments to be made or (B) provides that no payments of either principal or interest need be made, as the municipality or political subdivision may elect: *Provided, however*, That if the municipality or political subdivision elects to postpone the payment of interest during an initial period of up to two years under clause (B), the interest so postponed shall be paid over the balance of the life of the loan, in addition to the interest regularly accruing during such subsequent period.

"(5) No financial assistance shall be extended under this section for the construction, repair, or improvement of any public or nonprofit hospital involving an increase in the number of beds, or for the construction of any public health center, unless the Surgeon General of the Public Health Service finds, and certifies to the Administrator, that the project is in conformity with the applicable State plan approved under section 623 of the Public Health Service Act (42 U.S.C. 291f).

"(6) No financial assistance shall be extended under this section with respect to any public facility which would compete with an existing privately owned public utility rendering a service to the public at rates or charges subject to regulation by a State regulatory body, unless the State regulatory body determines that in the area to be served by the public facility for which the financial assistance is to be extended there is a need for an increase in such service (taking into consideration reasonably foreseeable future needs) which the existing public utility is not able to meet through its existing facilities or through an expansion which it is prepared to undertake.

"FINANCING

"SEC. 203. (a) In order to finance activities under this title, the Administrator is authorized and empowered to issue to the Secretary of the Treasury, from time to time and to have outstanding at any one time, in an amount not exceeding \$1 billion, notes and other obligations. Such obligations shall be in such forms and denominations, have such maturities and be subject to such terms and conditions, as may be prescribed by the Administrator, with the approval of the Secretary of the Treasury. Such notes or other obligations shall bear interest at a rate determined by the Secretary of the Treasury which shall not be more than the current average yields on all outstanding marketable obligations of the United States as of the last day of the month preceding the issuance of such notes or other obligations adjusted to the nearest one-eighth of 1 per centum. The Secretary of the Treasury is authorized and directed to purchase any notes and other obligations of the Administrator issued hereunder and for such purpose the Secretary of the Treasury is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under such Act, as amended, are extended to include any purchases of such notes and obligations. The Secretary of the Treasury may at any time sell any of the notes or other obligations acquired by him under this section. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes or other obligations shall be treated as public debt transactions of the United States.

"(b) Funds borrowed under this section may be used by the Administrator in the exercise of his functions under this title. Of such funds, not to exceed \$400 million, together with the proceeds therefrom, shall constitute a revolving fund for the purposes of this title.

"GENERAL PROVISIONS

"SEC. 204. In the performance of, and with respect to, the functions, powers, and duties vested in him by this title, the Administrator shall (in addition to any authority otherwise vested in him) have the functions, powers, and duties set forth in section 402, except subsection (c) (2), of the Housing Act of 1950. Funds obtained or held by the Administrator in connection with the performance of his functions under this title shall be available for the administrative expenses of the Administrator in connection with the performance of such functions.

"SEC. 205. (a) As used in this title, the term 'States' means the several States, the District of Columbia, the Commonwealth of Puerto Rico, and the Territories and possessions of the United States.

"(b) As used in this title, the terms 'public works' and 'public facilities' include the construction, repair, and improvement of public streets, sidewalks, highways, parkways, bridges, parking lots, airports, and other public transportation facilities; public parks and other public recreational facilities; public hospitals, rehabilitation and health centers; public refuse and garbage disposal facilities, water, sewage, and sanitary facilities, and other public utility facilities; civil defense facilities; public police and fire protection facilities; public schools, libraries, offices, and other public buildings; and public land, water, and timber conservation facilities.

"(c) As used in this title, the terms 'hospital,' 'nonprofit hospital,' and 'public health center' have the same meaning that they have in title VI of the Public Health Service Act (42 U.S.C., ch. 6A, subch. IV)."

S. 1955

DIGEST OF BILL

Section 1: Entitles the act as the "Community Facilities Act of 1959."

Section 2: Amends title II (public facility loans) of the Housing Amendments of 1955 by rewriting the entire title as follows:

Declaration of policy

Section 201: Declares it to be the policy of the Congress that the immediate construction of essential public works and public facilities by States and State agencies would enhance the health and welfare of the people of the United States and would reduce unemployment and stimulate business activity.

Federal loans

Section 202: (a) Authorizes the Housing and Home Finance Administrator acting through the Community Facilities Administration to purchase the securities and obligations of, or to make loans to, State and local public bodies to finance specific public projects:

(b) Sets forth the following restrictions and limitations:

(1) Prohibits financial assistance if credit is otherwise available on equally favorable terms and conditions, requires that the policy on purchases and loans be such as to assure retirement or repayment, and permits loans to be made directly or in cooperation or participation with other lending agencies.

(2) Authorizes loans with maturities up to 50 years.

(3) Establishes an interest rate ceiling as the rate of interest paid by the HHFA Administrator on funds obtained from the Secretary of the Treasury, plus one-fourth of 1 percent.

(4) Authorizes the Administrator, at the request of borrowers, to postpone payments of principal or interest or both for up to 2 years, but without reducing the total of principal and interest to be repaid.

(5) Prohibits financial assistance for the construction, repair, or improvement of public or nonprofit hospitals, or construction of any public health center unless the Surgeon General finds and certifies that the project is in conformity with applicable State plans approved under section 623 of the Public Health Services Act.

(6) Prohibits financial assistance for any public facility which would compete with an existing privately owned public utility rendering service to the public at rates regulated by a State regulatory body, unless the State regulatory body determines there is a need to increase such service which the existing public utility is not able to meet through its existing facilities or through expansion which it is prepared to undertake.

Financing

Section 203: (a) Authorizes and empowers the Administrator to issue to the Secretary of the Treasury up to \$1 billion in notes and other obligations, at a maximum interest rate of not more than the current average yields on outstanding marketable obligations of the United States of comparable maturities,

at the end of the preceding month, adjusted to the nearest one-eighth of 1 percent.

(b) Establishes as a revolving fund \$400 million of the total authorized.

General provisions

Section 204: Gives the Administrator general powers and functions necessary to administer the public facility loan program.

Section 205: (a) Defines "States" as including the several States, the District of Columbia, the Commonwealth of Puerto Rico, and the territories and possessions of the United States.

(b) Defines the terms "public works" and "public facilities" to include the construction, repair, and improvement of public streets, sidewalks, highways, parkways, bridges, parking lots, airports, and other public transportation facilities; public parks and other public recreational facilities; public hospitals, rehabilitation and health centers; public refuse and garbage disposal facilities, water, sewage, and sanitary facilities, and other public utility facilities; civil defense facilities; public police and fire protection facilities; public schools; libraries, offices, and other public buildings; and public land, water, and timber conservation facilities.

(c) Defines the term "hospital," "nonprofit hospital," and "public health center" to have the same meaning as defined in title VI of the Public Health Services Act.

HOUSING AND HOME FINANCE AGENCY,
OFFICE OF THE ADMINISTRATOR,
Washington, D.C., May 6, 1960.

Re S. 1955, 86th Congress.

Hon. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in further reply to your letter requesting the views of this Agency on S. 1955, a bill to expand the public facility loan program of the Community Facilities Administration of the Housing and Home Finance Agency, and for other purposes.

Under that program, as established by title II of the Housing Amendments of 1955, our Community Facilities Administration aids municipalities and other local government units to finance essential public works where such assistance is not otherwise available on reasonable terms. Processing priority is given to applications from communities which had a population of less than 10,000 at the time of the 1950 Federal census, for loans to provide urgently needed basic public works such as water, sewage, and gas systems. Loans are made for periods up to 40 years, at an interest rate set by the Administrator.

The interest rate formula now being used for setting the rate is designed to reflect changes in the municipal bond market, both in new issues and in outstanding bonds. For bonds with maturities of 30 years or more current interest rates under the current formula are 4½ percent for general obligation bonds and 5 percent for revenue bonds. These rates are adjusted downward by one-eighth of 1 percent for each full 5 years differential from the 30-year maturity. For example, a 25-year general obligation loan would currently bear a 4½-percent interest rate.

Title II established a revolving fund of \$100 million to finance these loans. The money is borrowed from the Secretary of the Treasury at a rate of interest determined by him, taking into consideration the current average rate on outstanding marketable obligations of the United States of comparable maturities. As of March 31, 1960, \$24 million of this fund remain uncommitted. Additional applications for about \$23 million are currently under review. The President's budget message to the Congress this year advised that an additional \$20 million of borrowing authority will be required to meet loan applications through 1961. It also recommended legislation to authorize the provision in annual appropriation acts of this amount and such future increases as may be necessary. Proposed draft legislation for this purpose has been submitted to the Congress by the Housing Agency.

S. 1955 would increase the funds for public facility loans from \$100 million to \$1 billion, of which \$400 million would constitute a revolving fund. The bill would eliminate the processing priority requirement, making loans equally avail-

able to communities of any size and for all qualified projects. These would include "the construction, repair, and improvement of public streets, sidewalks, highways, parkways, bridges, parking lots, airports, and other public transportation facilities; public parks and other public recreational facilities; public hospitals, rehabilitation and health centers; public refuse and garbage disposal facilities, water, sewage, and sanitary facilities, and other public utility facilities; civil defense facilities; public police and fire protection facilities; public schools, libraries, offices, and other public buildings; and public land, water, and timber conservation facilities." In addition, the bill would authorize loans to private nonprofit hospitals.

The maximum length of loans would be increased from 40 years to 50 years. The borrower, in addition, would have an option to postpone all payments on a loan during the first 2 years, with interest so postponed to be paid over the balance of the life of the loan.

The bill would also change the formula for calculation of interest rates. All loans would be made at a rate not to exceed the current average yield on all outstanding marketable obligations of the United States as of the last day of the preceding month, plus one-quarter of 1 percent. On the basis of calculations for the end of March 1960, this formula would produce an interest rate of 4 percent.

The Housing Agency recommends against the enactment of this bill.

The proposed increase in authorization for public facility loans from \$100 million to \$1 billion would permit expenditures far exceeding those which are necessary for this purpose.

The liberalized provisions of the bill regarding interest rates, types of facilities, and size of borrowing communities would immensely expand Government lending for public facilities, and unnecessarily substitute Government funds for available private funds. In the current bond market, a 4 percent Government interest rate would mean that most, if not all, of the general obligation bonds rated Baa or lower and the revenue bonds rated A or lower would be acquired by the Federal Government instead of by private investors. Of the \$7.5 billion of municipal bonds expected to be sold in 1960, the issuers of about 15 percent, or \$1 billion, would find the Federal Government interest rate more favorable.

In addition, the bill is defective in its failure to provide for an interest rate differential between general obligation bonds and revenue bonds.

The declaration of policy of the bill states that immediate construction of essential public facilities would reduce unemployment and stimulate business activity. The real effect of the bill would be to substitute in large part Federal credit for private credit so that the effect on employment would be relatively insignificant, particularly since the public facility loan applications tend to come in greatest volume from communities that are experiencing an upsurge of other construction and business activity.

We have been informed by the Bureau of the Budget that it has no objection to the submission of this report, and that the enactment of S. 1955 would not be in accord with the program of the President.

Sincerely yours,

NORMAN P. MASON, *Administrator.*

TREASURY DEPARTMENT,
August 7, 1959.

HON. A. WILLIS ROBERTSON,
*Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.*

MY DEAR MR. CHAIRMAN: Reference is made to your request for the views of this Department on S. 1955, to expand the public facility loan program of the Community Facilities Administration of the Housing and Home Agency, and for other purposes.

The proposed bill would expand the public facilities loan program of the Community Facilities Administration by authorizing the Housing and Home Finance Administration to make loans, in an amount not exceeding \$1 billion outstanding, to State and local governments to finance public works projects. The program would be financed through borrowing from the Treasury at an interest rate not to exceed the current average yields on all outstanding marketable obligations of the United States adjusted to the nearest one-eighth of 1 percent. The interest rate on loans by the Administrator could not exceed this rate plus one-fourth of 1 percent.

The Department is strongly opposed to further expansion of the public facility loan program. The potential \$1 billion expenditure for loans would make the objective of a balanced budget more difficult to attain. Since there are already so many essential functions that can be financed only with Treasury funds, we see no justification for shifting the burden of State and local financing to the Federal Government when private sources of funds are available.

The Department has been advised by the Bureau of the Budget that there is no objection to the submission of this report to your committee and that enactment of S. 1955 would not be in accord with the program of the President.

Very truly yours,

JULIAN B. BAIRD,
Acting Secretary of the Treasury.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,
May 17, 1960.

HON. A. WILLIS ROBERTSON,
*Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: This is in response to your letter requesting the views of this Department on S. 1955, a bill to expand the public facility loan program of the Community Facilities Administration of the Housing and Home Finance Agency, and for other purposes.

The bill would amend title II, public facility loans, of the Housing Amendments of 1955 to expand the present \$100 million authority for public facility loans—which is now primarily oriented toward assistance in financing the construction of small community water and sewage facilities and gas distribution systems—into a \$1 billion program—with a \$400 million revolving fund—for Federal loans for the construction, repair, and improvement of a greatly broadened range of public works and facilities and of nonprofit hospitals. It would, at the same time, liberalize the conditions of eligibility for borrowers and the interest rates on such loans.

This Department has a direct concern in this proposal, since it expressly includes within its scope loans for hospitals, both public and nonprofit; public rehabilitation and health centers; public refuse- and garbage-disposal facilities, and water, sewage, and sanitary facilities; public schools and libraries; and public recreational facilities.

The proposed increase in the loan ceiling (from \$100 million to \$1 billion) would aggravate the difficulties now being encountered in the management of the public debt, and would seriously undermine the policy of the President's budget. Moreover, the proposed revision of the method for determining the interest rate on these loans involves a hidden subsidy, because the cost of the money to the Treasury for the purpose of these loans will be higher than the interest rate resulting from the application of the formula proposed. This is true because, under the bill, the rate of interest on these loans could not exceed one-fourth percent above the rate charged by the Treasury to the Housing and Home Finance Agency, and might even be lower than that rate, and the Secretary of the Treasury would be required to base his rate to the Housing and Home Finance Agency on the current average yields of all outstanding marketable obligations of the United States. Under present law, as you know, the rate of interest charged by the Housing and Home Finance Agency is fixed by the Administrator, who, in turn, borrows money from the Treasury at a rate determined by the Secretary, taking into account the current average rate on outstanding obligations of comparable maturities.

The scope of this proposal and its above-mentioned financing provisions in themselves call for its rejection. We have, therefore, not attempted to analyze this bill from the point of view of its efficacy in meeting needs for facilities which would not otherwise be met and from the point of view of its relationship to pending administration proposals for financial assistance in the construction of such facilities. For the same reason, we refrain from burdening this report with a discussion of the question of the proper organizational placement of such a program insofar as it involves health, sanitation, educational facilities, the question of proper coordination of the program proposed by the bill with our own construction grant programs in these fields, and the question of utilization of the specialized competencies of this Department and of State and local agencies

in the same fields in the administration of any such proposal. If, however, your committee should be disposed to give detailed consideration to this bill, we should appreciate an opportunity to comment on these questions.

In conclusion, we recommend against enactment of this bill for the reasons above mentioned.

We are advised by the Bureau of the Budget that enactment of the bill would not be in accord with the program of the President.

Sincerely yours,

ARTHUR S. FLEMMING, *Secretary.*

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM,
OFFICE OF THE CHAIRMAN,
Washington, May 6, 1960.

HON. A. WILLIS ROBERTSON,
*Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: This is in response to your request for the Board's views on S. 1955, cited as the "Community Facilities Act of 1959."

This bill, as explained in the Senate at the time of its introduction, would make five principal changes in existing law relating to the public facility loan program of the Community Facilities Administration of the Housing and Home Finance Agency. It would (1) remove restrictions which have caused the rejection of loan applications filed by communities with a population in excess of 10,000; (2) remove language from existing law which in practice has limited loans primarily to projects for water and sewer systems; (3) increase the loan fund from \$100 million to \$1 billion and permit \$400 million to continue on a revolving basis; (4) provide an interest rate formula requiring a charge to borrowers of one-quarter percent added to the current average yields on all outstanding marketable obligations of the United States; and (5) raise the maximum loan term from 40 to 50 years, with provision for a 2-year postponement of principal and interest payments where circumstances warrant such action.

The past few decades have witnessed not only large increases in the population of the United States, but also substantial extensions of urban and suburban areas and a growth in the complexity of these areas. In this period, old problems of State, local, and metropolitan government have been intensified and new ones created. Solutions for these problems deserve serious thought.

The Board has grave doubts that the approach represented by S. 1955 is sound either for taking care of immediate problems or as a basis for longer run solutions. It questions whether the solution for these problems is to be found in a further shift of responsibility from State and local governments to the Federal Government. The time when Federal credit could be used, practically without cost, to carry new burdens is past, as recent developments in debt management and credit management have demonstrated.

If, after careful consideration, the decision is made that the use of Federal credit is to be extended further along the lines of S. 1955, the Board suggests that the Congress turn its attention to means of defraying the costs that will clearly arise, remembering that such programs, once enacted, are more likely to expand than to contract. The most obvious means of meeting such costs is to increase Federal taxes, thereby requiring Federal taxpayers to yield the necessary economic resources to the Federal Government for reapportionment among State and local governments. Another approach, supplementing the first, might be to require substantially faster repayment of the loans contemplated in S. 1955 so that taxpayers of the borrowing governments may help other jurisdictions toward solution of their problems.

If, as we all hope, the American economy is going to continue to yield an increasingly high output of goods and services, we should expect to be confronted by a relative scarcity of capital for some time. Should Congress decide that an increasing share of the available capital must go for public facilities of the type that would be financed under S. 1955, it must also face the need to keep other uses—private capital formation, for consumption, for example—from bidding for this capital. Otherwise, public debt management and credit management will become even more difficult than they have been in the recent past.

Sincerely yours,

WM. MCC. MARTIN, JR.

COMPTROLLER GENERAL OF THE UNITED STATES.

Washington, June 22, 1959.

HON. A. WILLIS ROBERTSON.

*Chairman, Committee on Banking and Currency,
U.S. Senate.*

DEAR MR. CHAIRMAN: Your letter of May 29, 1959, requests our report on S. 1955, a bill to expand the public facility loan program of the Community Facilities Administration of the Housing and Home Finance Agency.

The purposes to be accomplished by the proposed legislation would be to authorize the extension of credit to assist in the provision of essential public works or facilities by States, municipalities, or other political subdivisions of States, where such credit is not otherwise available on equally favorable terms or conditions.

The authorizations contained in the bill would be equally applicable to non-profit hospitals and the bill would authorize the extension of credit to assist in the provision of those facilities.

We have no special knowledge as to the need or desirability of the proposed legislation and as this is primarily a matter of policy for determination by the Congress, we offer no recommendations as to the merits of the bill. We have, however, the following comments to make concerning the legislative proposal.

Section 202(a) authorizes the Administrator to purchase the securities and obligations of, or to make loans to, nonprofit hospitals to finance specific projects. With respect to construction we would like to point out that title VI of the Public Health Service Act (42 U.S.C. 291) authorizes the Surgeon General, Department of Health, Education, and Welfare, to pay as grant-in-aid as much as 66 $\frac{2}{3}$ percent of the construction cost of public or private nonprofit hospitals. The proposed legislation contains no limit on the portion of the hospital construction cost for which a loan may be made and it is conceivable for a nonprofit hospital to borrow from the Government, the remaining portion of the construction costs. We believe the proposed legislation should be clear, where a grant-in-aid is available, as to the portion of the remaining construction cost for which a loan could be made. It would seem appropriate to provide that the Government would be limited to making a loan for only that portion of the construction cost which could not be raised from the community or other sources.

Section 202(b) (3) would require the Administrator to charge interest on loans at a rate determined by him which shall not be more than the total of one-fourth of 1 percent per annum added to the rate of interest paid by the Administrator, on funds obtained from the Secretary of the Treasury. The bill is not clear as to the purpose for the additional charge of an amount up to one-fourth of 1 percent over the cost of funds borrowed from the Secretary of the Treasury. If this additional income is to provide funds for the purpose of defraying administrative and other costs in carrying out this program and to provide reserves for losses, this should be clearly indicated in the proposed legislation. Also, if it is intended that the program be self-supporting it might be advisable that the Congress consider requiring the Administrator to charge interest at a rate which would cover all administrative and other expenses, provide a reserve for losses and cover the cost of funds borrowed from the Secretary of the Treasury.

Section 302(b) (4) would authorize the Administrator, under certain conditions, to postpone annual payments of principal and interest during an initial period not exceeding the first 2 years after the assistance is furnished. We raise the question as to whether the deferred interest during this period should not be added to and considered part of the unpaid principal on which the borrower would be required to pay interest. Otherwise, the Government would be providing funds without interest and without a corresponding reduction in the payment of interest on funds borrowed from the Secretary of the Treasury for this purpose.

Section 203(a) would authorize the Administrator to issue to the Secretary of the Treasury, from time to time, notes or other obligations for purchase by the Secretary of the Treasury in an amount not exceeding \$1 billion. For such purpose the Secretary of the Treasury is authorized to use, as a public debt transaction, the proceeds of the sale of any securities issued under the Second Liberty Bond Act as amended.

Authorizations to finance programs and activities through public debt transactions are usually stated in terms of continuing maximum amounts of obligations in the Treasury which can be outstanding at any time with no annual limitation. The authorizations are contained in substantive legislation origi-

nated in legislative committees instead of appropriation legislation reviewed by the appropriation committees. The continuing feature of these authorizations avoids the need of annual appropriations, and thus there is less compulsion for careful evaluation by successive Congresses of the need for continuing particular programs. We believe that the financing of loan programs through public debt transactions, by combining program authority with funding, tends to perpetuate programs that might not otherwise stand the test of recurring congressional review.

The General Accounting Office has for many years stated objections to this method of financing, and recommends that funds to finance Government activities should be made available to the agency responsible for administering the program through the normal appropriation processes rather than through authorizations to finance through public debt transactions.

Section 203(a) also provides that the interest rate on loans to the Administrator will be determined by the Secretary of the Treasury, which shall not be more than the current average yields on all outstanding marketable obligations of the United States as of the last day of the month preceding the issuance of such notes, adjusted to the nearest one-eighth of 1 percent. We believe that the rate of return on the notes or other obligations issued by the Administrator should be at a rate equivalent to the current average yields on outstanding marketable obligations of the United States of comparable maturity. We believe also that the frequency of borrowings from the Treasury would be reduced if the interest rate was determined annually or semiannually, rather than monthly as the bill proposes.

Section 203(b) provides that funds borrowed under this section may be used by the Administrator in the exercise of his functions under this title. Of such funds not to exceed \$400 million together with the proceeds therefrom shall constitute a revolving fund for the purpose of this title. If it is intended that funds not to exceed \$400 million are to be placed in a revolving fund, the proposed legislation is not clear as to what disposition the Administrator would make of the remaining \$600 million which he is authorized to borrow from the Secretary of the Treasury. If it is intended that only \$400 million of the funds borrowed are to be loaned and reloaned through the revolving process, this section of the bill should be rewritten to clearly state that the remaining \$600 million be available for making loans only once and the repayments together with the proceeds therefrom would be returned to the Treasury for the purpose of canceling a like amount of notes or other obligations issued by the Administrator to the Secretary of the Treasury. If this is the intent the section as presently written does not accomplish its purpose for as long as the Administrator permitted the revolving fund to drop below \$400 million it could be augmented by proceeds received from loans made with the remaining \$600 million and it is conceivable that the entire \$1 billion could be loaned and reloaned through the revolving fund as long as the fund did not exceed \$400 million.

Section 204 of the bill provides that funds obtained or held by the Administrator in connection with the performance of his functions under this title shall be available for the administrative expenses of the Administrator in connection with the performance of such functions. While the bill does not so state, it is assumed that such administrative expenses would be paid from funds held in the revolving fund. If it is not intended that this program be self-supporting, it might be advisable that the Congress consider authorizing appropriations of such sums as may be deemed necessary for administrative expenses of the Administrator in connection with the performance of his functions as authorized by the proposed legislation.

As a protection against waste or improper use of the funds loaned by the Government, we suggest that a section be added to the proposed legislation requiring borrowers to keep records to enable audits to be made by the Administrator and the General Accounting Office. Such records would also enable the Administrator to see whether the recipients have complied with the requirements of the act and the provisions of the loan agreements. Under the authority of the section the Administrator would be expected to audit the books and records of each recipient, leaving to the General Accounting Office the right to audit as many recipients each year as determined necessary by the Comptroller General. The following language to accomplish this is suggested for your consideration:

RECORDS AND AUDIT

"Sec. 206. (a) Each recipient of assistance under this title shall keep such records as the Administrator shall prescribe, including records which fully disclose the amount and the disposition by such recipient of the proceeds of such assistance, the total cost of the project or undertaking in connection with which such assistance is given or used, and the amounts and nature of that portion of the cost of the project or undertaking supplied by other sources, and such other records as will facilitate an effective audit.

"(b) The Administrator and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access for the purpose of audit and examination to any books, documents, papers, and records of the recipient that are pertinent to assistance received under this title."

Sincerely yours,

JOSEPH CAMPBELL,
Comptroller General of the United States.

[S. 2911, 86th Cong., 2d sess.]

MR. JAVITS

A BILL To amend the Housing Act of 1950 to authorize additional loans for college housing, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 401(d) of the Housing Act of 1950 is amended as follows:

(a) By striking out "\$1,175,000,000" and inserting in lieu thereof "\$1,425,000,000";

(b) By striking out "\$125,000,000" in the first proviso relating to other educational facilities and inserting in lieu thereof "\$150,000,000"; and

(c) By striking out "\$50,000,000" in the second proviso relating to hospitals and inserting in lieu thereof "\$75,000,000".

S. 2911

DIGEST OF BILL

Increases the college housing loan authorization by \$250 million upon enactment. Reserves \$25 million of the new authorization for "Other educational facilities," and reserves \$25 million for housing for nurses and interns.

HOUSING AND HOME FINANCE AGENCY,
OFFICE OF THE ADMINISTRATOR,
Washington, D.C., May 6, 1960.

Re S. 2911, S. 2912, and S. 2950, 86th Congress.

HON. A. WILLIS ROBERTSON,
*Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: This is in further reply to your requests for our views on the three subject bills relating to the college housing loan program.

Two of these bills, S. 2911 and S. 2950, would increase the authorization for this program by \$250 million and \$500 million, respectively. We recommend against enactment of these bills, and I have been authorized to advise that their enactment would not be in accord with the program of the President.

As you know, the college housing loan program was established pursuant to title IV of the Housing Act of 1950. That act authorizes the Housing Administrator to make loans to assist institutions of higher education to provide housing and related facilities for students and faculty where such assistance is not otherwise available on equally favorable terms. To date, funds committed under the program provide assistance for about 1,200 projects, including housing accommodations for about 285,000 students and faculty and also over 100 related facilities such as student unions, dining halls, and health centers.

As of April 1, 1960, about \$740 million had been disbursed for these loans, of which about \$16 million had been repaid, without any defaults. Nearly all the rest of the \$1,175 million authorized for the program has now been committed.

In recognition of the limited financial resources of institutions of higher education, the Administration has developed a new type of program to help these institutions meet their increasing needs.

As set forth in S. 1017, this new program would provide Federal grants to help cover part of the cost of needed new classrooms, dormitories, and other facilities. The grants would be in the form of commitments to pay 25 percent of the principal on long-term borrowings of the educational institutions, with the payments to be made in 20 equal installments over a 20-year period. In addition, the proposed new program would authorize Federal guarantees of bonds of the institutions, where the income from the bonds was subject to Federal taxation. In the current capital market it is expected that such a Federal guarantee would reduce interest rates payable by private educational institutions. In contrast to those provisions, S. 2911 and S. 2950 would continue the present program under which the educational institution would be required to repay the entire Government loan.

The third bill, S. 2912, would increase from 10 percent to 12½ percent the limit on apportioning loan funds to any one State under the present program. The present 10-percent limit has been virtually reached in the case of New York and may soon be reached in the case of California. About 12½ percent of all U.S. college and graduate students are educated in New York, and over 10 percent more are educated in California.

If no further authorization is provided for the present program, then of course a change in this State limitation would serve no purpose. If, however, additional authorization is provided, it would be helpful if the State limitation were also changed as proposed in S. 2912.

We have been informed by the Bureau of the Budget that this report is without objection insofar as the Bureau is concerned.

Sincerely yours,

NORMAN P. MASON, *Administrator.*

TREASURY DEPARTMENT,
Washington, D.C., May 6, 1960.

HON. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.

MY DEAR MR. CHAIRMAN: Reference is made to your request for the views of this Department on S. 2911, to amend the Housing Act of 1950 to authorize additional loans for college housing, and for other purposes.

The proposed legislation would increase by \$250 million the authorization under title IV of the Housing Act of 1950 for direct loans to educational institutions to provide housing and related facilities for students and faculties. The bill would earmark \$25 million of the increase for "Other educational facilities," which includes cafeterias, student centers, health facilities, and other essential service facilities, and another \$25 million for housing for student nurses.

The President in his budget message for the fiscal year 1961 stated that no additional authorizations are proposed for the existing college housing direct loan program. He further stated that he had recommended the termination of the college housing program and the enactment of legislation authorizing a new program of grants and loan guarantees for college facilities. To help colleges finance academic, housing, and related facilities, this program would authorize Federal guarantees of \$1 billion in bonds with interest subject to Federal taxation, and would provide Federal grants, payable over 20 years, equal to 25 percent of the principal of \$2 billion of bonds.

In view of the foregoing, the Department would be opposed to the enactment of S. 2911.

The Department has been advised by the Bureau of the Budget that there is no objection to the submission of this report to your committee and that the enactment of the proposed legislation would not be in accord with the program of the President.

Very truly yours,

JULIAN B. BAIRD,
Acting Secretary of the Treasury.

(See report of Department of Health, Education, and Welfare on S. 914, p. 8.)

[S. 2912, 86th Cong., 2d sess.]

Mr. JAVITS (for himself and Mr. KEATING)

A BILL To amend the Housing Act of 1950 with respect to the amount of loans permitted to be made in any State

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 403 of the Housing Act of 1950 is amended by striking out "10" and inserting in lieu thereof "12½".

S. 2912

DIGEST OF BILL

Increases from 10 to 12½ percent the amount of the total college loan authorization available to institutions in any one State.

(See report of Housing and Home Finance Agency on S. 2911, p. 40.)

TREASURY DEPARTMENT,
February 8, 1960.

HON. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency, U.S. Senate, Washington, D.C.

MY DEAR MR. CHAIRMAN: Reference is made to your request for the views of this Department on S. 2912, to amend the Housing Act of 1950 with respect to the amount of loans permitted to be made in any State.

The bill would amend section 403 of the Housing Act of 1950 to increase from 10 to 12½ percent the maximum amount of college housing loans permitted to be made available to educational institutions in any one State.

The proposed legislation is not of primary interest to this Department and the Department has no comments to make with respect to the general merits of the bill.

Very truly yours,

DAVID A. LINDSAY, *General Counsel.*

(See report of Department of Health, Education, and Welfare on S. 914, p. 8.)

[S. 2950, 86th Cong., 2d sess.]

Mr. FULBRIGHT (for himself and Mr. SPARKMAN)

A BILL To increase the borrowing authority of the Housing and Home Finance Agency for college housing loans

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 401(d) of the Housing Act of 1950 is amended by striking out the matter preceding the first colon and inserting in lieu thereof the following: "To obtain funds for loans under this title, the Administrator may issue and have outstanding at any one time notes and obligations for purchase by the Secretary of the Treasury in an amount not to exceed \$1,425,000,000, which amount shall be increased by \$250,000,000 on July 1, 1960".

S. 2950

DIGEST OF BILL

Increase the college housing loan authorization by \$250 million upon enactment, and \$250 million on July 1, 1960.

(See Housing and Home Finance Agency report on S. 2911, p. 40.)

TREASURY DEPARTMENT,
May 6, 1960.

Hon. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.

MY DEAR MR. CHAIRMAN: Reference is made to your request for the views of this Department on S. 2950, to increase the borrowing authority of the Housing and Home Finance Agency for college housing loans.

The proposed legislation would increase by \$500 million the authorization under title IV of the Housing Act of 1950 for direct loans to educational institutions to provide housing and related facilities for students and faculties.

The President in his budget message for the fiscal year 1961 stated that no additional authorizations are proposed for the existing college housing direct loan program. He further stated that he had recommended the termination of the college housing program and the enactment of legislation authorizing a new program of grants and loan guarantees for college facilities. To help colleges finance academic, housing, and related facilities, this program would authorize Federal guarantees of \$1 billion in bonds with interest subject to Federal taxation, and would provide Federal grants, payable over 20 years, equal to 25 percent of the principal of \$2 billion of bonds.

In view of the foregoing, the Department would be opposed to the enactment of S. 2950.

The Department has been advised by the Bureau of the Budget that there is not objection to the submission of this report to your committee and that enactment of the proposed legislation would not be in accord with the program of the President.

Very truly yours,

JULIAN B. BAIRD,
Acting Secretary of the Treasury.

(See Department of Health, Education, and Welfare report on S. 914, p. 8.)

[S. 3042, 86th Cong., 2d sess.]

MR. JAVITS

A BILL To amend the laws relating to mortgage insurance, urban renewal authorization and relocation payments

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

MORTGAGE INSURANCE PREMIUM

SECTION 1. Section 203 (c) of the National Housing Act is amended by striking out "*Provided,*" immediately following the first colon and inserting in lieu thereof the following: "*Provided,* That such charge shall be not less than an amount equivalent to one-fourth of 1 per centum per annum of the amount of such outstanding principal obligation, if the mortgage is eligible for insurance under section 207, 213 (other than an individual mortgage under 213(d)), 220(d) (3) (B), or 221(d) (3): *Provided further,*".

STATE LIMITATION

SEC. 2. Section 106(e) of the Housing Act of 1949 as amended is further amended by striking out "\$100,000,000" and inserting in lieu thereof "\$200,000,000".

RELOCATION PAYMENTS

SEC. 3. Section 106(f) of the Housing Act of 1949, as amended, is further amended by inserting at the end thereof the following:

"(4) Notwithstanding any other provisions of this title, upon a finding by the Administrator that the relocation payments provided for in paragraph (2) of this section are insufficient to compensate for the reasonable and necessary moving expenses and actual losses of property provided for in such paragraph, an urban renewal project may, subject to such rules and regulations as may be prescribed by the Administrator, include the making of relocation payments in excess of those provided for in paragraph (2), but not exceeding \$500 in the case

of an individual or a family, or \$5,000 in the case of a business concern: *Provided*, That such amount thereof as exceeds the payments provided for in paragraph (2) shall be included in gross project cost and subject to local contribution on the same basis as expenditures enumerated in section 110(c) of this Act. Such rules and regulations may include provisions authorizing payment to individuals and families of fixed amounts (not to exceed in any case a total of \$500 including the amounts authorized under paragraph (2)) in lieu of their respective and reasonable moving expenses."

S. 3042

DIGEST OF BILL

Section 1.—Amends section 203(c) of the National Housing Act to reduce the minimum FHA insurance premium charge from one-half to one-fourth of 1 percent under the following FHA mortgage insurance programs:

- (1) Section 207 (regular rental housing);
- (2) Section 213 (cooperative housing) other than mortgages secured by individual dwellings;
- (3) Section 220 (urban renewal housing), rental projects only; and
- (4) Section 221 (relocation housing), rental projects only.

Section 2.—Amends section 106(e) of the Housing Act of 1949 to increase the capital grant funds available in any one State to 12½ percent of the total capital grant authorization plus \$200 million. (Existing law limits the capital grant for any one State to 12½ percent of the total capital grant authorization plus \$100 million.)

Section 3.—Amends section 106(f) of the 1949 act to authorize the HHFA Administrator to prescribe such rules and regulations as would permit an urban renewal relocation payment made to individuals to be increased to a maximum of \$500, or increased to a maximum of \$5,000 in the case of a business concern, if payments permitted by existing law (\$300 and \$3,000, respectively) are insufficient to compensate for reasonable and necessary moving expenses, provided that any amounts paid in excess of \$300 or \$3,000 shall be included in the gross project cost and shared on a two-thirds—one-third basis by the Federal and local governments. Also permits the maximum of \$500 to be paid to an individual or family as a fixed amount in lieu of itemized moving expenses.

HOUSING AND HOME FINANCE AGENCY,
OFFICE OF THE ADMINISTRATOR,
Washington, D.C., May 6, 1960.

Re S. 3042, 86th Congress.

HON. A. WILLIS ROBERTSON,

Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in further reply to your letter of February 17 requesting the views of this Agency on S. 3042, a bill to amend the laws relating to mortgage insurance, urban renewal authorization and relocation payments.

Each of these three amendments proposed by the bill are discussed separately below.

Section 1. FHA mortgage insurance premiums

Section 1 of the bill would amend section 203(c) of the National Housing Act to permit the Federal Housing Administration mortgage insurance premiums to be reduced to not less than one-fourth of 1 percent of the outstanding principal obligation of a multifamily housing mortgage insured by the FHA under sections 207, 213, 220, and 221 of the act. However, the section would not be applicable to profitmaking multifamily housing under section 221(d)(4), although it would apply to profitmaking multifamily housing under sections 207 and 221.

We would not object to authority to reduce the insurance premium rate on any of the FHA insurance programs if it were made clear in the law that the authority was truly discretionary, and should not be exercised unless the FHA determined that the reduction would not jeopardize the soundness of the insurance funds involved.

However, on the basis of all our experience to date a premium of one-fourth of 1 percent would not be sufficient to provide the programs affected by the bill with funds for operating and administrative expenses and reserves for payment of insurance claims. Also, reduction of the premium rate on the four programs as provided in the bill would create pressure for premium reductions in other programs. The FHA could not remain self-sustaining if such premium reductions were instituted.

The FHA has established its premium rates for its various programs within the statutory limits based on the expenses of administering each program plus reserves sufficient to cover assumed losses under depression conditions. Its reserve and loss rate assumptions have been studied by independent experts outside of the Government. Their consensus is that FHA assumptions are not unreasonable or inconsistent with experience data. In addition to the outside studies the FHA reexamines its reserve requirements periodically, and they are also examined by the General Accounting Office in the course of its annual audits. As yet none of these studies has shown a sound basis for reduction of premiums at this time beyond the present rates without imperiling the financial adequacy of the various insurance funds.

There is even less actuarial justification for reduction of the insurance premium rate in the urban renewal, relocation, and cooperative housing programs affected by the bill than in some other FHA-assisted housing programs. The sections 220 and 221 urban renewal housing and relocation housing programs each have a separate insurance fund. There is also a separate housing insurance fund for the section 207 rental housing program and the section 213 cooperative housing program. The earned reserves of these three funds aggregate only \$9.7 million plus capital of \$7.4 million contributed from other funds, for a total of \$17.1 million. Their outstanding insurance totals \$1.5 billion. If these funds had operated on a one-fourth of 1 percent premium to date, total fees and premiums would have failed to cover expenses by almost \$7 million.

The financial status of the two funds under sections 220 and 221, the greater risk characteristics involved in the two programs, and the lack of experience with the program would make a reduction in their insurance premium at this time especially inadvisable. For example, there is no requirement under these programs that the property be economically sound, as is required under most other FHA programs. In addition, an insured mortgage can cover a larger percentage of the property replacement cost under both of these programs (and also under the section 213 cooperative housing program) than under other FHA programs.

The FHA title III mortgage insurance program for housing for the Armed Forces or employees of the military has been cited as a precedent for the proposed insurance premium reduction. There are three separate programs under title VIII of the National Housing Act. Only one, the Capehart Act military housing program under section 803, currently has an insurance premium of one-fourth of 1 percent, and that rate is subject to review and revision every 3 years. The premium under the other two programs is one-half of 1 percent, as in all the other FHA mortgage insurance programs.

The Capehart Act program is not a typical FHA mortgage insurance program and is, therefore, not a good precedent for reduction of the FHA mortgage insurance premium. It differs from other multifamily housing programs in that the ownership of the housing provided under the program is assumed by the Department of Defense as soon as the housing is ready for occupancy. In addition the Federal Housing Commissioner has an agreement with the Secretary of Defense that the Secretary will, in certain cases, guarantee FHA against loss as a result of insurance of a mortgage under the program. The risk elements of the Capehart Act program are therefore substantially different and less than those of other FHA mortgage insurance programs.

In conclusion, we object to any bill providing for lower FHA premiums unless it is made clear that the authority to reduce the premiums would be discretionary and should not be exercised unless actuarial experience and assumptions reasonably justify such reduction. It would be particularly misleading at this time to hold out encouragement of a premium reduction in the three programs proposed to be given special treatment by section 1 of the bill. We note also that the section does not clearly indicate whether it is intended to be applicable to existing insured mortgages in addition to mortgages insured after its effective date.

Section 2. Urban renewal authorization

Section 106(e) of the Housing Act of 1949 now limits the amount of urban renewal grants allocable to any one State to 12½ percent of the total grant funds available. It provides, however, that, subject to the overall availability of grant funds, the Administrator may contract to make grants regardless of the 12½-percent limit, up to a maximum of \$100 million. Section 2 of this bill would double the size of this "extender fund," from \$100 million to \$200 million.

New York is the only State that is presently charged with any part of the present extender fund, or is likely to be charged with any in fiscal year 1961. By the end of fiscal 1960, up to \$62 million of the fund may be charged against New York. At that time an additional \$300 million of capital grant authority will automatically become available by law, of which New York's 12½-percent share will be \$37.5 million. The amount of the \$100 million fund in use by New York will then be correspondingly reduced. Accordingly, the fiscal 1961 needs of New York (and of any other States) for use of the extender fund would be fully met within the present limit on that fund. We believe, therefore, that the enactment of section 2 is not necessary. Also, even if an increase were necessary to permit additional projects in one or a few States, we would not recommend such a very large increase.

Section 3. Urban renewal relocation payments

Section 3 of the bill, amending section 106(f) of the Housing Act of 1949, would increase the limits on relocation payments, under certain conditions, from the present \$200 for families and individuals and \$3,000 for businesses to \$500 and \$5,000, respectively. The first \$200 and \$3,000 of these payments would still be covered by 100-percent Federal grants. Any additional payments would be included in project costs and shared generally on the same two-thirds Federal, one-third local, basis as other urban renewal project costs.

We do not believe that there is a need for an increase in relocation payments for individuals or families, by any formula. There is no evidence that the type of relocation expense intended to be eligible for Federal assistance exceeds the present \$200 limit except in relatively small amounts in a very few cases. These payments are averaging about \$65 for the program as a whole. Accordingly, there is no need to increase the present \$200 limit.

In the case of businesses in urban renewal areas, the present limit of \$3,000 permits full compensation for the moving costs and loss of property of a great majority of business concerns. The national average for business relocation payments is only about \$1,000. However, when a very large commercial establishment is moved, the relocation costs may be considerably more than either the present \$3,000 limit or the \$5,000 limit proposed in the bill. Thus, the bill does not really solve this one real problem. At the same time, it creates unnecessary difficulties by applying two different payment formulas.

We would be opposed to any program of Federal relocation payments, to businesses or otherwise, through the mixed method proposed in this bill, which includes a 100-percent Federal grant up to a fixed amount and a shared grant as to further expenses in the same case. If there had been no obstacle to relocation payments being included in project cost, then the Federal Government should, from the start, have paid only two-thirds of the entire authorized amount of the payments, in line with the Federal share of other project costs. As you know, however, under many State statutes and constitutions an obstacle does exist to including the payments in project cost. Since the property in urban renewal areas is taken by local agencies, it is acquired under State eminent domain laws. These laws seldom provide for relocation payments. Furthermore, many State statutes or constitutions prohibit any payments in addition to these eminent-domain awards, as being donations of public funds to private persons. Even a local one-third contribution to the cost of urban renewal relocation payments would, therefore, be prohibited in many States.

As you will recall, it was because of these considerations that the Congress authorized the Federal Government, as an alternative, to fulfill its shared responsibility in this field by paying 100 percent of the amount of these relocation payments, up to fixed dollar amounts.

If the usual two-third ratio for Federal urban renewal assistance were applied to this particular type of project expense, the presently authorized \$3,000 payment to a business would represent the Federal share of a business expense of \$4,500. At present the Federal Government is assuming an exceptional share

of the cost of urban-renewal projects whenever actual relocation expenses are less than that amount.

We would not object, however, to legislation that would permit higher relocation payments, where justified, in States that provide, through amendment to State law or constitution where necessary, for a normal local contribution to this type of project cost. If this is done, the Federal share of the entire payment in each case would be two-thirds.

Such payments could be part of a consistent Federal approach to relocation payments in all federally assisted programs, in recognition of the fact that the problem is far wider than the urban-renewal program itself. This approach would be especially helpful to those large businesses which might have relocation costs in excess of the \$5,000 limitation proposed in S. 3042.

We have been informed by the Bureau of the Budget that this report is without objection insofar as the Bureau is concerned.

Sincerely yours,

NORMAN P. MASON, *Administrator.*

TREASURY DEPARTMENT,
May 1, 1960.

HON. A. WILLIS ROBERTSON,
*Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.*

MY DEAR MR. CHAIRMAN: Reference is made to your request for the views of this Department on S. 3042, to amend the laws relating to mortgage insurance, urban renewal authorization and relocation payments.

Section 1 of the bill would permit a reduction in the insurance premium to not less than one-fourth of 1 percent of the outstanding principal of housing mortgages insured under sections 207 (rental housing), 213 (cooperative housing), 220 (urban renewal housing), and 221 (relocation housing) of the National Housing Act. While the proposed reduction in insurance premiums would presumably be discretionary, the Department is of the opinion that insurance premiums should be maintained at a level sufficient to cover operating and administrative expenses and provide adequate reserves for the payment of insurance claims. Also, we would like to point out that the adoption of the proposal could bring about demands for similar premium reductions in other housing insurance programs.

Section 2 of the bill would increase from \$100 million to \$200 million the so-called extender fund under section 106(e) of the Housing Act of 1949, as amended, which fund is available to States which have exhausted their share of existing urban renewal grant allocations. Since under present section 103(a) of the Housing Act of 1949, as amended, an additional \$300 million in capital grants will become automatically available on July 1, 1960, the proposed increase in the extender fund would not appear necessary.

Section 3 of the bill would increase urban renewal relocation payments from \$200 to \$500 for families and from \$3,000 to \$5,000 for business concerns. However, all of the first \$200 and \$3,000 of the increased amounts would continue to be paid through Federal grants. In that connection, the contribution of the Federal Government is limited in other respects to two-thirds of the net cost of urban-renewal projects and the President has in the past recommended that in accordance with the predominantly local benefits received, States and cities should be required to assume a gradually increasing share of the expense of buying and improving land and of other net project costs. Consequently, the Department is of the opinion that the Federal share of any relocation payments that are provided should be limited to two-thirds or less of the amount of the payments.

The Department has been advised by the Bureau of the Budget that there is no objection to the submission of this report to your committee.

Very truly yours,

JULIAN B. BAIRD,
Acting Secretary of the Treasury.

[S. 3148, 86th Cong., 2d sess.]

MR. KEFAUVER

A BILL To amend title I of the Housing Act of 1949 to provide for the disposition for historical site purposes of certain real property acquired in urban renewal areas

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That title I of the Housing Act of 1949 is amended by adding at the end thereof a new section as follows:

"HISTORICAL SITES

"SEC. 113. (a) Notwithstanding any other provision of this title, a project may include the donation to any public or private nonprofit organization of any real property, not exceeding one acre in size, acquired in an urban renewal area, if (1) the local governing body certifies, and the Administrator finds, that the property has historical significance of general interest, (2) such property is to be preserved, restored, or otherwise developed as a historical site or monument and is to be operated on a nonprofit basis, and (3) the use of such property as a historical site or monument is not inconsistent with the urban renewal plan for the project.

"(b) Any contract with a local public agency which was executed under this title before the effective date of this section may be amended to carry out the purposes of this section."

S. 3148

DIGEST OF BILL

Amends title I of the Housing Act of 1949 to permit the donation of not to exceed 1 acre of land in an urban renewal area to any public or private nonprofit organization if—

The local governing body certifies and the Administrator of the HHFA finds that such property has historical significance of general interest:

Such property is to be preserved, restored, or otherwise developed as historical site or monument and is to be operated on a nonprofit basis; and

The use of the land as a historical site or monument is not inconsistent with the urban renewal plan.

Permits this new provision to be retroactive for any urban renewal project executed prior to enactment of the bill.

HOUSING AND HOME FINANCE AGENCY,
OFFICE OF THE ADMINISTRATOR,
Washington, D.C., May 6, 1960.

Re S. 3148, 86th Congress.

HON. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in further reply to your letter of March 10 requesting the views of this Agency on S. 3148, a bill to amend title I of the Housing Act of 1949 to provide for the disposition for historical site purposes of certain real property acquired in urban renewal areas.

This bill would allow a local public agency undertaking an urban renewal project to donate to any public or private nonprofit organization up to 1 acre of land acquired in the project area. The local governing body would have to certify, and the Administrator find, that (1) the property has historical significance of general interest; (2) it is to be preserved, restored, or otherwise developed as an historical site or monument and is to be operated on a nonprofit basis; and (3) such use of the property is not inconsistent with the urban renewal plan for the project.

The preservation of outstanding historical sites is, of course, a very worthwhile objective, and one which is assisted by present urban renewal legislation and regulations. At the present time a locality may designate and sell project land to a public or private agency for historic redevelopment and preservation in the same way that it designates and sells project land for any other public or

quasi-public purposes, including schools and parks. The Federal subsidy is two-thirds of the net project cost, which is the gross project cost (acquisition cost plus cost of clearance and improvements), less the proceeds from the resale of the land at its fair value.

Under S. 3148, the Federal subsidy for land to be used for historical sites would be two-thirds of the gross project cost, since there would not be any resale of the property. The Federal subsidy would therefore be increased by two-thirds of the fair value of the historical site.

It does not appear that there is any valid reason for the Federal Government to subsidize, out of urban renewal funds, land used for historical sites to a greater extent than it subsidizes land used for other public or quasi-public purposes. If an exception is made for this particular type of public reuse, the way would be paved for making many additional exceptions. Any added Federal subsidy of historical sites should be considered on its own merits, rather than by distorting the urban renewal program for this purpose. Similarly, a program of Federal subsidy for historical sites should not be distorted by the accident of whether or not the site happens to fall within an urban renewal area.

In addition to these basic objections to the bill, there are several other deficiencies. Because the bill would create an exception to the rule stated in section 110(c)(4) of the Housing Act of 1949, it would seem that it should be related to that section. Also, the very general requirement that the property have "historical significance of general interest" would be particularly difficult to administer, and the limitation to properties not exceeding 1 acre in size would be difficult to defend. These additional deficiencies arise largely from the more basic difficulty that Federal grants to preserve historical sites ought not to be provided for as an incidental part of urban renewal legislation.

We have been informed by the Bureau of the Budget that this report is without objection insofar as the Bureau is concerned.

Sincerely yours,

NORMAN P. MASON, *Administrator.*

[S. 3226, 86th Cong., 2d sess.]

MR. SPARKMAN

A BILL To amend section 809 of the National Housing Act

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 809 of the National Housing Act is amended by adding at the end thereof the following new subsection:

"(g) A mortgage secured by property which is intended to provide housing for a person employed or assigned to duty at a research or development installation of the National Aeronautics and Space Administration and which is located at or near such installation, where such installation was a research or development installation of one of the military departments of the United States (on or after June 13, 1956) before its transfer to the jurisdiction of such Administration, may (if the mortgage otherwise meets the requirements of this section) be insured by the Commissioner under the provisions of this section. For purposes of this subsection, (1) the terms 'Armed Forces', 'one of the military departments of the United States', 'military department', 'Secretary or his designee', and 'Secretary' when used in subsections (a) and (b) of this section, and the term 'Secretary of the Army, Navy, or Air Force' when used in section 805, shall be deemed to refer to the National Aeronautics and Space Administration or the Administrator thereof, as may be appropriate, (2) the terms 'civilian employee', 'civilians', and 'civilian personnel' as used in this section shall be deemed to refer to employees of such Administration or a contractor thereof or to military personnel assigned to duty at an installation of such Administration, and (3) the term 'military installation' when used in section 805 shall be deemed to refer to an installation of such Administration."

S. 3226

DIGEST OF BILL

Amends section 809 of the National Housing Act (special program for research and development installations) to permit essential civilian employees of the National Aeronautics and Space Administration, and contractors thereof, to be eligible for insured loans under that section. Also permits the Administrator of NASA to guarantee the FHA against loss on mortgages entered into by NASA employees.

HOUSING AND HOME FINANCE AGENCY,
OFFICE OF THE ADMINISTRATOR,
Washington, D.C., May 6, 1960.

Re S. 3226, 86th Congress.

HON. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in further reply to your March 25 request for the views of this Agency on S. 3226, a bill to amend section 809 of the National Housing Act.

The bill would add a subsection to section 809 of the National Housing Act, which at present authorizes a mortgage to be insured by the Federal Housing Administration if it is secured by property intended to provide housing for a civilian employee of a research or development installation of one of the military departments.

The new subsection would authorize mortgage insurance for property intended to provide housing for a person at a research or development installation of the National Aeronautics and Space Administration, if the installation belonged to one of the military departments on or after June 13, 1956, and was later transferred to the Administration. The persons eligible for the housing would include civilian employees of the Administration or of a contractor of the Administration, and military personnel assigned to duty at the installation. The housing would be required to be located at or near the installation.

This Agency is in agreement with the purposes of the bill. The bill is deficient, however, in that it does not clearly authorize the NASA Administrator to guarantee and indemnify the FHA armed services housing mortgage insurance fund against loss on the insured mortgages. Under the provisions of section 809 it may be necessary for the FHA to require such a guarantee. Such authority on the part of NASA would seem to be implied by the bill in that it would, by reference to a provision in section 809, authorize the Federal Housing Commissioner to require the guarantee if the Commissioner determines that insurance of mortgages on the housing bill does not be reference or specific provision give the NASA Administrator the accompanying authority to make the guarantee and to indemnify the fund against loss. Similar authority was specifically given to the Secretary of Defense by section 403(c) of the Housing Amendments of 1955, in connection with insured mortgages at military installations.

In order to remove any possible question on this authority, the bill should be clarified by adding the following sentence at the end of the proposed subsection (g): "For purposes of this subsection, the Administrator of the National Aeronautics and Space Administration or his designee is authorized to guarantee and indemnify the Armed Services Housing Mortgage Insurance Fund against loss in cases where so required."

We have been informed by the Bureau of the Budget that this report is without objection insofar as the Bureau is concerned.

Sincerely yours,

NORMAN P. MASON, *Administrator.*

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION,
Washington, D.C.

Hon. A. WILLIS ROBERTSON,
U.S. Senate,
Washington, D.C.

DEAR SENATOR ROBERTSON: I refer to your letter dated March 21, 1960, in which you request a report from this Administration on S. 3226, a bill to amend section 809 of the National Housing Act.

The proposed amendment would serve a specialized purpose. Its objective is to make available to personnel of the National Aeronautics and Space Administration located at the George C. Marshall Space Flight Center, Huntsville, Ala., the same privileges that are available, generally, under section 809 of the National Housing Act, to employees of a military department located at a military research and development installation. It would also give to the Administrator of NASA certain powers necessary to effectuate the stated objective of the bill.

NASA has carefully reviewed the proposed legislation. Inasmuch as it would grant certain employees at the George C. Marshall Space Flight Center the same privileges they would have enjoyed had they not been transferred from the Department of the Army, this Administration is in favor of the enactment of S. 3226. However, it should be pointed out that section 809 as amended by S. 3226 would allow the Commissioner of Housing to require a guarantee from the Administrator of NASA which the Administrator is not expressly empowered to give. The Secretary of Defense or his designee is specifically authorized to give such a guarantee in section 403(c) of the Housing Amendments of 1955 (42 U.S.C. 1594(c)). It is felt that the same authority should be given to the Administrator of NASA. It is suggested that this authority be made available by adding at the end of S. 3226 the following: "(4) the Administrator of the National Aeronautics and Space Administration is authorized to guarantee and indemnify the Armed Services Housing Mortgage Insurance Fund in cases where so required."

The Bureau of the Budget advises that it has no objections to the submission of this report.

Sincerely yours,

JAMES P. GLEASON,
Assistant Administrator for Congressional Relations.

[S. 3276, 86th Cong., 2d sess.]

MR. SPARKMAN AND OTHERS

A BILL To amend and extend the veterans' direct home loan program

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 1811(h) of title 38, United States Code, is amended to read as follows:

"(h) Notwithstanding any limitation under section 1803(a) of this title with respect to the eligibility of veterans of World War II for guaranteed loans after July 25, 1960, loans may be made under this section to any eligible veteran of World War II or the Korean conflict if such loan is made, or a commitment to make such loan is issued by the Administrator, prior to February 1, 1965."

SEC. 2. (a) Section 1823(a) of title 38, United States Code, is amended—

(1) by striking out "until June 30, 1960" and inserting in lieu thereof "prior to February 1, 1965"; and

(2) by striking out "July 25, 1960" and inserting in lieu thereof "January 31, 1965".

(b) Section 1823(c) of such title is amended by striking out "June 30, 1961" and inserting in lieu thereof "January 31, 1965".

S. 3276

DIGEST OF BILL

Extends the VA direct home loan program to February 1, 1965; and continues existing provision of law which increases loan authorization by \$150 million annually.

HOUSING AND HOME FINANCE AGENCY,
OFFICE OF THE ADMINISTRATOR,
Washington, D.C., May 6, 1960.

Re S. 3276, 86th Congress.

HON. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in further reply to your March 28 request for our views on S. 3276, a bill to amend and extend the veterans' direct home loan program.

This bill would extend from July 25, 1960, to February 1, 1965, the termination date of the Veterans' Administration direct home loan program for eligible veterans of World War II or the Korean conflict. This program is limited to veterans in rural areas and small cities and towns where VA-guaranteed home loans may not be generally available.

While S. 3276 would extend the direct home loan program, it makes no provision for extension of the guaranteed loan program for World War II veterans, which is also due to terminate on July 25, 1960. Since the law stipulates that direct loans shall be available only where private capital is not generally available for the financing of guaranteed loans, S. 3276 is apparently intended to be enacted along with separate legislation to extend the VA-guaranteed loan program.

We believe that there would be no need for extending the VA direct loan program, which requires sizable direct expenditures of Federal funds, if the interest rate on VA-guaranteed home loans were raised to a competitive market level. If that were done, our voluntary home mortgage credit program would be able to meet the special home financing needs of veterans in small and remote areas. Through its nationwide referral system, applications for VA-guaranteed loans could be referred to investors in other areas who indicated that they were willing to make such loans.

In order to make this system effective, the statutory maximum interest rate on VA guaranteed home loans should be increased from 5¼ percent to 6 percent, and discretionary authority provided to establish the actual maximum rate from time to time within this ceiling, after taking into consideration competitive market conditions. This would provide the same authority to the Veterans Administration as is now provided the FHA Commissioner with respect to interest rates on FHA insured mortgages.

We have been informed by the Bureau of the Budget that this report is without objection insofar as the Bureau is concerned, and that the enactment of S. 3276 would not be in accord with the program of the President.

Sincerely yours,

NORMAN P. MASON, *Administrator.*

TREASURY DEPARTMENT,
May 10, 1960.

HON. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.

MY DEAR MR. CHAIRMAN: Reference is made to your request for the views of this Department on S. 3276, "to amend and extend the veterans' direct home-loan program."

The proposed legislation would extend the veterans' direct loan program from July 25, 1960, to January 30, 1965.

The President in his budget message for the fiscal year 1961 took the position that there was no longer a justification for the continuation of the veterans' direct loan program beyond its scheduled expiration date of July 25, 1960. The Department is completely in accord with this position and we would be opposed to the enactment of the bill.

The Department has been advised by the Bureau of the Budget that there is no objection to the submission of this report to your committee and that enactment of the proposed legislation would not be in accord with the program of the President.

Very truly yours,

JULIAN B. BAIRD,
Acting Secretary of the Treasury.

VETERANS' ADMINISTRATION,
May 11, 1960.

HON. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.

DEAR SENATOR ROBERTSON: The following comments are submitted in response to your request for a report by the Veterans' Administration on S. 3276, 86th Congress.

This bill's purpose is to extend the direct loan program for veterans of World War II and the Korean conflict from July 25, 1960, to February 1, 1965. The Administrator could close direct loans subsequent to January 31, 1965, on the basis of commitments issued before that date. The bill would also authorize an additional \$150 million annually (but not more than \$50 million per quarter) for direct loans during this period.

The direct lending authority was originally established to supplement the loan guarantee program so as to provide loan assistance to veterans in rural and semirural areas where private lending sources had not adequately made guaranteed loans available. The loan guarantee program for World War II veterans is scheduled to terminate on July 25, 1960. S. 3276 would therefore continue the supplemental direct loan program after the principal program for World War II veterans has ended.

We note in this connection that the bill raises certain technical questions. Although purporting to extend the World War II direct loan authority beyond the World War II loan guarantee deadline, it leaves standing certain basic provisions by which the availability and the amount of the direct loan to the particular veteran depend upon the existence and amount of his loan guarantee entitlement.

The basic law (38 U.S.C. 1811(c)(1)) is to the effect that a direct loan will not be made unless it is shown that the veteran is unable to obtain from a private lender in the shortage area, at an interest rate not in excess of the rate authorized for guaranteed home loans, a loan "for which he is qualified" under the pertinent provisions relating to the guarantee of home loans. It also provides (38 U.S.C. 1811(d)(2)) that the principal amount of a direct loan shall not exceed an amount which bears the same ratio to \$13,500 as the amount of guarantee "to which the veteran is entitled," at the time the loan is made, bears to \$7,500. Absent clarification, problems of interpretation will arise in attempting to apply these requirements in World War II cases under the extended direct loan program after the end of the World War II loan guarantee program.

We feel strongly that the GI loan program for World War II veterans should not be further extended, since the period of time during which these benefits have been available has been ample to satisfy the readjustment concept on which they were based. In his budget message to the Congress on January 18, 1960, the President stated that there is no longer justification for continuing the readjustment program of direct housing loans to veterans and that there is no need for further extension of the World War II loan guarantee benefits.

The loan guarantee program for Korean conflict veterans will continue through January 31, 1965. Extension of the direct loan program for this group would offer partial assistance in the designated shortage areas but would leave untouched the basic interest rate problem which impedes the primary loan guarantee program in all areas.

It is our belief that the initial concept of the program of loan assistance for veterans should be retained by inducing private investment capital to satisfy their financing needs. The direct loan program has always been considered a temporary supplement to the guarantee program. The basic concept best may be preserved by authorizing flexibility in fixing interest rates at competitive levels in keeping with current market conditions.

The proposed extension of the direct loan program for both World War II and Korean conflict veterans would involve, over the proposed period of approximately 4½ years, an expenditure on a lending basis of around \$1 billion. Of this sum, \$750 million would represent additional Treasury advances and \$250 million would be repayments of principal on loans previously made.

It is estimated that the direct loan funds which would become available under the bill would be enough for about 90,000 loans at an estimated administrative cost of about \$500 per loan (\$100 origination cost, plus service charge of \$400 based on one-fourth of 1 percent of unpaid balance during 15-year life of the loan). This would amount to \$45 million for 90,000 loans. This cost, however, would be offset by any savings which would accrue from the difference

between interest collections on direct loans and the interest payable to the Treasury on advances to the direct loan revolving fund, less any cost in connection with the foreclosure of direct loans. In addition, the fees charged the borrower for origination costs and the 2 percent commitment fees from builders would also provide funds to offset origination costs and the costs of administration.

Incidentally, the proposed revision of section 1823(c) to change from June 30, 1961 to "January 31, 1965" the deadline date by which the Administrator shall deposit direct loan funds into miscellaneous receipts of the Treasury appears to be erroneous. The present law provides approximately a year for making such deposit of funds. It is believed that the date intended in the bill for this purpose is "January 31, 1966."

In view of the foregoing considerations, we recommend against favorable consideration of S. 3276 by your committee.

Advice has been received from the Bureau of the Budget that there is no objection to the presentation of this report to the committee and that enactment of the proposed legislation would not be in accord with the program of the President.

Sincerely,

SUMNER G. WHITTIER,
Administrator.

[S. 3278, 86th Cong., 2d sess.]

MR. WILLIAMS OF NEW JERSEY AND OTHERS

A BILL To amend section 701 of the Housing Act of 1954 (relating to urban planning grants), and title II of the Housing Amendments of 1955 (relating to public facility loans), to assist State and local governments and their public instrumentalities in improving mass transportation services in metropolitan areas

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

POLICY AND PURPOSE

SECTION 1. It is the declared policy of the Congress to assist wherever possible the States and their political subdivisions to provide the services and facilities essential to the health and welfare of the people of the United States. The Congress finds that among the most serious problems confronting metropolitan areas are the lack of adequate and coordinated mass-transportation facilities and services, and a lack of comprehensive and interrelated transportation and metropolitan area planning and development. The Congress further finds that the economic welfare of our major metropolitan centers is a matter of critical national concern and that such welfare is threatened by inadequate mass transportation services.

It is the purpose of this Act to assist and encourage the States and local governments, and their public instrumentalities, to undertake the necessary studies and planning, along with other urban planning activities presently assisted by the Federal Government (1) to determine the total transportation needs of metropolitan areas, (2) to formulate a program for the most efficient and economical coordination, integration, and joint use of existing mass-transportation facilities, and (3) to study the interrelationship between metropolitan area growth and the establishment of various transportation systems for such areas in order to promote the most comprehensive planning and development of both.

It is further the purpose of this Act to broaden the public facility loan program to specifically authorize financial assistance to the States and local governments, and their public instrumentalities, to provide facilities and equipment for use in mass-transit or commuter service in urban areas, and to integrate and coordinate highway, bus, surface-rail, underground, and other mass-transportation systems in such areas.

URBAN PLANNING GRANTS

Sec. 2. (a) Section 701(a) of the Housing Act of 1954 is amended by striking out the matter preceding paragraph (1) and inserting in lieu thereof the following:

"SEC. 701. (a) In order to assist State and local governments in solving planning problems resulting from the increasing concentration of population in metropolitan and other urban areas, including smaller communities, to facilitate comprehensive planning on a continuing basis by State and local governments for urban development and the coordination of transportation systems in urban areas, and to encourage State and local governments to establish and develop planning staffs, the Administrator is authorized to make planning grants to—".

(b) Section 701 of the Housing Act of 1954 is further amended by redesignating subsections (d) and (e) and (f), respectively, and by inserting after subsection (c) a new subsection as follows:

"(d) The Administrator shall encourage (1) planning to determine transportation needs and to coordinate and integrate the various elements of mass-transportation systems in metropolitan areas, (2) the coordination of all planning activities of the public bodies or agencies responsible for regulating or providing mass-transportation services in such areas, and (3) the carrying out of studies concerning the interrelationship of transportation and urban development, including the impact of land use and metropolitan growth on the total transportation needs of such areas."

PUBLIC FACILITY LOANS

SEC. 3. (a) Section 202(a) of the Housing Amendments of 1955 is amended to read as follows:

"SEC. 202. (a) The Housing and Home Finance Administrator, acting through the Community Facilities Administration, is authorized to purchase the securities and obligations of, or make loans to, States, counties, municipalities, and other political subdivisions of States, public agencies, and instrumentalities of one or more States, municipalities, and political subdivisions of States, and public corporations, boards, and commissions established under the laws of any State—

"(1) to finance specific public projects under State or municipal law: *Provided*, That no such purchase or loan shall be made for payment of ordinary governmental or nonproject operating expenses; and

"(2) to finance the acquisition, construction, reconstruction, maintenance, and improvement of facilities and equipment for use, by operation or lease or otherwise, in mass-transit or commuter service in urban areas, and to integrate and coordinate highway, bus, surface-rail, underground, and other mass-transportation systems in such areas: *Provided*, That the total amount of purchases and loans which are outstanding at any one time under this clause (2) shall not exceed \$100,000,000. As used in this clause (2), facilities shall be construed to include land, excluding public highways, and any other real or personal property necessary for use in mass transportation."

(b) Subsection (b) of section 202 of the Housing Amendments of 1955 is amended (i) by striking out "reasonable terms" in paragraph (1) and inserting in lieu thereof "equally favorable", and (ii) by adding at the end of such subsection a new paragraph as follows:

"(3) Interest shall be charged on loans made under this section at a rate determined by the Administrator which shall not be more than the total of one-quarter of 1 per centum per annum added to the rate of interest paid by the Administrator on funds obtained from the Secretary of the Treasury as provided in section 203 of this title."

(c) Section 202(c) of the Housing Amendments of 1955 is amended (1) by striking out "this section" in the first sentence and inserting in lieu thereof "subsection (a)(1) of this section", and (2) by inserting immediately after the first sentence a new sentence as follows: "In the processing of applications for financial assistance under subsection (a) (2) of this section the Administrator shall give priority to the applications of those eligible applicants which he determines (1) have the most workable plans for the development of a coordinated mass transportation system and (2) have the most pressing need for such assistance."

(d) Section 203(a) of the Housing Amendments of 1955 is amended—

(1) by striking out the first sentence and inserting in lieu thereof the following: "In order to finance activities under this title, the Administrator is authorized and empowered to issue to the Secretary of the Treasury, from time to time and to have outstanding at any one time, notes and other obligations in an amount not exceeding \$: *Provided*, That of the funds obtained through the issuance of such notes and other obligation

not less than \$100,000,000 shall be available for purchases and loans under section 202(a)(2) of this title.”; and

(2) by striking out the third sentence and inserting in lieu thereof the following: “Such notes or other obligations shall bear interest at a rate determined by the Secretary of the Treasury which shall not be more than the average annual interest rate on all interest-bearing obligations of the United States then forming a part of the public debt as computed at the end of the fiscal year next preceding the issuance by the Administrator of such notes or other obligations, and adjusted to the nearest one-eighth of 1 per centum.”

S. 3278

DIGEST OF BILL

Section 1.—Declares it to be a policy of the Congress to encourage State and local governments to undertake studies and planning activities pertaining to total public transportation needs in metropolitan areas, and to provide financial assistance for meeting these needs.

Section 2.—(a) Amends section 701(a) of the Housing Act of 1954 to authorize Federal grants for the planning of transportation system in metropolitan areas.

(b) Adds a new subsection to section 701 of the Housing Act of 1954 directing the Administrator of the HHFA to encourage:

(1) Planning to determine transportation needs and to coordinate and integrate mass-transportation systems in metropolitan areas,

(2) Coordination of all planning activities of public bodies or agencies responsible for regulating or providing mass-transportation services, and

(3) Studies concerning the interrelationship of transportation and urban development.

Section 3.—(a) Amends the public facility loan program in order to make such loans available for the financing, acquisition, construction, reconstruction, maintenance, and improvement of facilities and equipment for use, by operation, or lease, or otherwise, in mass-transit or commuter service in urban areas. Authorizes \$100 million for loans under this amendment.

(b) Amends the public facility loan program to provide that loans may be made after a showing that such funds are not otherwise available on “equally favorable” terms rather than on a “reasonable term” basis provided by present law. Also amends the program so that the interest rate to the borrower shall not exceed the total of one-quarter of 1 percent per annum added to the rate paid by the Administrator to obtain funds from the Secretary of the Treasury.

(c) Directs the Administrator to give priority to applicants, for mass-transportation loans, that have (1) the most workable plans for the development of a coordinated system, and (2) have the most pressing need for such assistance.

(d) Changes the formula for determining the interest rate charged by the Treasury on public facility loan funds so that the interest rate shall be not more than the average annual interest rate on “all” interest-bearing obligations of the United States adjusted to the nearest one-eighth of 1 percent. Under existing law, the rate paid to the Treasury is determined by the Secretary, taking into consideration the current average rate of U.S. marketable obligations of “comparable maturities.”

HOUSING AND HOME FINANCE AGENCY,
OFFICE OF THE ADMINISTRATOR,
Washington, D.C., May 6, 1960.

Re. S. 3278, 86th Congress.

HON. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in further reply to your letter of March 30 requesting the views of this Agency on S. 3278, a bill to amend section 701 of the Housing Act of 1954 (relating to urban planning grants), and title II of the Housing Amendments of 1955 (relating to public facility loans) to assist State

and local governments and their public instrumentalities in improving mass transportation services in metropolitan areas."

The amendments proposed by this bill to our section 701 urban planning grant program would specifically include the coordination of transportation systems in urban areas in the purposes for which the Housing Administrator is authorized to make matching planning grants to qualified planning agencies. The amendments would also add a new subsection requiring the Administrator to encourage such activities as planning to determine metropolitan transportation needs, coordination of local transportation planning activities, and studies to relate possible patterns of urban growth to metropolitan transportation needs.

The amendments proposed by this bill to our public facilities loan program under title II of the Housing Amendments of 1955 would increase by \$100 million the revolving loan fund authorization for that title. The additional money would be used to finance the acquisition, construction, reconstruction, maintenance, and improvement of facilities and equipment for use, by operation or lease or otherwise, in mass-transit or commuter service in urban areas, and to integrate and coordinate highway, bus, surface-rail, underground, and other mass-transportation systems in such areas.

The loans would be available to States and their instrumentalities or political subdivisions, with a priority to applicants determined by the Housing Administrator to have the best mass-transit plans and the greatest need for assistance. Our present program of loans for basic public works such as water, sewer, and gas systems would be continued, with its existing priority for localities of under 10,000 population.

In both the new and the old programs the loans would be made available where financing was not otherwise available on equally favorable terms rather than on reasonable terms as in the present program. In addition, there would be a new interest rate in both programs, based on the current interest rate on all Government obligations rather than on obligations of comparable maturities.

The increasing mass transportation requirements of our rapidly growing metropolitan populations have given rise to numerous difficult problems in our urban localities. These problems will undoubtedly increase further as the impact of the huge Federal highway program is more widely felt, with its anticipated increase per person in travel into and through our cities. Because the planning of local transportation facilities is an inseparable and vital part of over all urban planning and redevelopment, this Agency is in accord with the underlying purpose of the bill, namely, the encouragement of transportation systems which will not only provide good local transportation economically in the short run, but will be so planned as to be consistent with sound patterns of growth of the community. However, we believe that the bill as drafted is open to serious objections. These will be discussed below along with our more detailed comments on the two principal sections of the bill.

SECTION 2. URBAN PLANNING GRANT AMENDMENTS

As you know, transportation planning is already included in the comprehensive urban planning authorized in our section 701 urban planning program, as extended by the Housing Act of 1959. This authority applies to all of the kinds of transportation planning spelled out in the proposed amendments to that section, but it is true that specific reference to transportation planning, as provided in the amendments, would give additional and desirable emphasis to this authority. We believe, however, that such a reference should make more explicit the proper function of transportation planning as one part of comprehensive urban planning, with proper land-use planning as a necessary prerequisite. This could be done, without adding a new subsection, by changing the clause designated "(1)" in the present subsection "(d)" to read as follows:

"(1) preparation, as a guide for long-range development, of general physical plans with respect to the pattern and intensity of land use, including the provision of *transportation and other public facilities and utilities*, to gether with long-range fiscal plans for such development;". (Words to be added are italic.)

Such a provision would encourage investigation of ways to reduce the need for transportation in urban areas and to obtain the most economical transportation facilities, rather than just to meet needs projected from past patterns and trends in urban development.

Another important question raised by section 2 of the bill concerns the need for additional money for transportation planning under our urban planning

program if legislation is enacted along the lines of that section. In the past only a limited amount of transportation planning has been undertaken as part of federally assisted comprehensive planning projects, due to the limited availability of program funds. Already \$12,400,000 has been appropriated from the cumulative section 701 program authority of \$20 million. The House of Representatives has passed legislation appropriating \$4 million for the next fiscal year. Undoubtedly, additional appropriations would be necessary to carry out the purposes of section 2 of the bill.

Highway construction is increasingly outstripping the development of land-use plans for the urban areas they serve. The increased encouragement to better coordinated planning of transportation facilities and of metropolitan growth generally could well contribute to saving far larger sums of Federal and local money than are involved in the section 701 program. For example, if additional Federal planning funds were made available, it would be easier to provide for new highways in urban areas consistently with land-use plans for the urban areas through which they run. This would serve the double purpose of insuring that transportation funds were most effectively used and of encouraging comprehensive urban planning, which is essential also for the effective expenditure of funds for sewer and water lines, schools, and other public facilities.

We understand that the Public Road Administration is financing areawide studies designed to determine total transportation needs and the best ways of meeting them through coordinated use of all types of transportation. These areawide transportation studies are financed from public roads research funds which are automatically provided as 1½ percent of all its program funds made available for highway construction. This kind of study is an aspect of comprehensive urban planning and is also eligible for assistance under section 701. However, we understand that in the Public Roads Administration program there is no provision that such planning be based on and coordinated with other elements of comprehensive planning for the area, including land-use planning and the coordination of transportation facility construction with the construction of other public utilities. We believe that closer coordination of planning finances from these two sources could result in more effective planning and significant savings in actual development cost.

SECTION 3. PUBLIC FACILITIES LOAN AMENDMENTS

We believe that the interest-rate formula proposed in S. 3278 for Federal mass transportation loans would result in a program far exceeding any proper Federal responsibilities in this field. The formula is the same as that now required by statute in our college housing program. For loans during fiscal year 1960 it resulted in an interest rate of 3½ percent. If the average interest rate on Treasury borrowings at the end of June 1960, is the same as that at the end of March, the rate will be 3¼ percent for fiscal year 1961. To make Federal funds available for transportation loans at the subsidy interest rate provided in the bill would result, in fact, in virtually complete concentration of such loans in the Federal Government, and would also make them impossible to resell without great loss. It would be unreasonable, of course, to require the Federal Government to provide the necessary financing for all the proposed transportation systems and improvements throughout the United States. To do so would certainly require funds out of all proportion to the \$100 million proposed to be authorized for this program.

The bill also proposes that the present public facilities loan program interest rate be replaced by the subsidy rate referred to above. We strongly recommend against such an unnecessary change. It would not, in any case, be really germane to the purpose of this bill, as expressed in its section 1.

As you know the proposed financing of this new loan program through the present public facility loan fund would provide it with "back door" financing, not subject to Appropriations Committee approval. We recommend against this method of financing for any additional loan authorization.

We have been informed by the Bureau of the Budget that this report is without objection insofar as the Bureau is concerned.

Sincerely yours,

NORMAN P. MASON, *Administrator.*

TREASURY DEPARTMENT,
May 9, 1960.

Hon. A. WILLIS ROBERTSON,
*Chairman, Committee on Banking and Currency,
 U.S. Senate, Washington, D.C.*

MY DEAR MR. CHAIRMAN: Reference is made to your request for the views of this Department on S. 3278, "To amend section 701 of the Housing Act of 1954 (relating to urban planning grants), and title II of the Housing Amendments of 1955 (relating to public facility loans), to assist State and local governments and their public instrumentalities in improving mass transportation services in metropolitan areas."

The proposed legislation would expand the urban planning grant program under section 701 of the Housing Act of 1954 to authorize grants to States and local governments for planning the development and coordination of mass transportation systems and services in urban areas. The bill would also expand the public facility loan program under title II of the Housing Amendments of 1955 to authorize the Housing and Home Finance Administrator to make loans to States, municipalities, and other political subdivisions to finance mass transportation systems in urban areas.

The Department would be opposed to the enactment of the bill. The Department believes that Federal financial assistance should be limited to situations where such assistance is considered necessary to achieve impelling national policy objective and Federal participation in programs which are more appropriately the responsibility of States and local authorities must be held to an absolute minimum if budget expenditures are to be kept within reasonable limits in the years ahead.

We feel that the development of adequate urban transportation systems is the primary responsibility of the municipalities and public and private transit authorities. The financial burden of transit projects should be borne by the localities receiving the principal benefits from such projects. That burden should not be shifted to the taxpayers of the Nation as a whole through the means of the subsidy interest rate on Federal loans that would be provided by the bill, particularly when the large urban areas are capable of raising funds in the capital markets at rates, which because of the tax exemption on their securities, are as low or lower than the rates at which the Federal Government can borrow money.

The Department has been advised by the Bureau of the Budget that there is no objection to the submission of this report to your committee.

Very truly yours,

LAURENCE B. ROBBINS,
Acting Secretary of the Treasury.

INTERSTATE COMMERCE COMMISSION,
 OFFICE OF THE CHAIRMAN,
Washington, D.C., May 5, 1960.

Hon. A. WILLIS ROBERTSON,
*Chairman, Committee on Banking and Currency,
 U.S. Senate, Washington, D.C.*

DEAR CHAIRMAN ROBERTSON: Your letter of March 30, 1960, addressed to the chairman of the Commission, requesting comments on a bill, S. 3278, "To amend section 701 of the Housing Act of 1954 (relating to urban planning grants), and title II of the Housing Amendments of 1955 (relating to public facility loans), to assist State and local governments and their public instrumentalities in improving mass transportation services in metropolitan areas," has been referred to our Committee on Legislation. After consideration by that committee, I am authorized to submit the following comments in its behalf:

In our opinion, the provision of adequate mass transportation facilities is essential to continued healthy growth of large metropolitan areas, and ranks equally in importance with, and bears a close relationship to, the provision of adequate housing. Considering the Federal aid which has been and is being given in the housing field, we see no reason why similar aid should not be given to mass transportation.

With respect to the passenger-train problem generally, the Commission stated in its 73d annual report to the Congress (1959), at pages 2 and 3, as follows: "In order that such service might be preserved, we recommend nine steps that could be taken by the Federal, State, and local governments, and by the

railroads, toward alleviation of the problem, together with two additional areas which might be studied under Senate Resolution 29.

"There has been at least partial implementation in connection with three of the nine recommendations. One was the reduction of the 10-percent tax on passenger fares to 5 percent, effective July 1, 1960. The Commission recommended repeal of the tax. Another recommendation involved action by State and local governments to maintain necessary local or commuter service by paying the carrier the cost plus a reasonable profit where the carrier cannot maintain such service at a profit. Some type of aid was undertaken experimentally in at least three of the largest metropolitan areas in the country. The third involved revision of taxes on railroad property. In at least one State a plan was proposed to reimburse local governments granting such relief.

"These few steps, however, have provided very little aid where much is needed."

The nine steps referred to in the foregoing quotation were made in the report of the Commission in *Railroad Passenger Train Deficit* (306 I.C.C. 417, decided May 18, 1959). The six additional recommendations not specifically mentioned in the Commission's annual report were, in substance, as follows:

1. Revision of Federal tax laws to encourage local and State tax relief, as for example, disregarding State and local provided "pretax net income" for Federal tax purposes.
2. Consideration by the Federal executive departments of the implications of the national transportation policy in the procurement of passenger-train services by Government agencies such as the Post Office Department and the Department of Defense.
3. Elimination by railroad management of duplicate passenger trains, terminals, and other facilities where consistent with the law and public interest.
4. Continued experimentation by the railroads with new types of coaches, sleeping cars, and other facilities.
5. Continued efforts by railroad management to stimulate increased traffic by improving the attractiveness of railroad passenger service.
6. Investigation by railroad management of the elasticity of demand (effect of price on volume of traffic) for railroad passenger service in order to provide a basis for adjusting fares and schedules, and improving public acceptance of rail travel by means of systematic, continuous, and higher quality advertising and promotion.

In discussing the railroad commuter problem in its report of May 18, 1959, on the passenger train deficit, the Commission pointed out at pages 464 to 470, that the causes of the increasing unprofitability of commutation service are essentially the same as those affecting passenger traffic generally, i.e., a decrease in business and an increase in operating expenses, which, because of the adverse conditions peculiar to this service are abnormally high. The principal but not the sole reason for the decline in commutation traffic is, as stated in the report, the increase in motor travel between cities and their suburbs. Other reasons cited were the widespread adoption of a 5-day workweek and the decentralization of retail business resulting from the commercial growth of the suburbs. The Commission also pointed out that since commutation traffic is, for the most part, concentrated in two morning and two evening hours 5 days a week, a carrier is able to use its entire commutation fleet only a fraction of the time. During the idle period, the cars not only do not earn any revenue, but they must also be stored on tracks in metropolitan areas which are expensive to own and maintain. The concentration of such traffic in so few hours also has the effect of requiring the carrier to pay engine and train employees engaged in this service for periods of the day when they are necessarily off duty.

In the passenger train deficit report, the Commission further observed that commutation traffic is one of the oldest kinds of railroad passenger business, and that it is the least likely to disappear since, despite the extensive construction of highways and other facilities such as tunnels and bridges for the benefit of motor transportation, a considerable number of commuters will continue to be dependent on rail transportation for some time to come.

In its report of June 3, 1958, which accompanied the Transportation Act of 1958, the Senate Committee on Interstate and Foreign Commerce stated with respect to the commutation problem:

"* * * It may be said that basically the commuter service problem is a local one having both social and economic implications. However, it is also a matter

of deep concern to the Federal Government because of the impact that losing commuter service can have on the ability of an interstate rail carrier to render its interstate service. * * * Because of the burden that these losing intrastate services are imposing on interstate commerce, the subcommittee feels that the Federal Government can no longer stand aside to the extent it has in the past. * * * Because the solutions which may be found for this problem are essentially local, the subcommittee deems it desirable to leave to the local government agencies involved the job of seeking specifically tailored solutions to their particular problem."

This proposed measure seems to be entirely consistent with the views expressed in the Senate committee report in that it would provide Federal assistance to State and local governments in attempting to solve what is essentially a local problem, but one in which the Federal Government has a real concern.

In our view, S. 3278 appears to be a step in the right direction, and we perceive of nothing therein that would conflict with the provisions or objectives of the laws administered by the Interstate Commerce Commission. However, since the programs provided for would be administered by the Housing and Home Finance Administrator, we offer no comments respecting the adequacy or reasonableness of the specific provisions contained in the bill to carry out its purposes.

Editorially, it is suggested that, since the Housing Act of 1954 was extensively amended by the Housing Act of 1959, the words "as amended," be inserted immediately after the words "Housing Act of 1954" in lines 8 and 20 on page 3 of the bill. For purposes of clarity, it is also suggested that section 2(b), lines 20 through 23 on page 3 of the bill, be changed to read as follows: "(b) Section 701 of the Housing Act of 1954, as amended, is further amended by redesignating subsections (d) and (e) as (e) and (f) and by inserting after subsection (c) a new subsection, as follows:"

Respectfully submitted.

JOHN H. WINCHELL,
Chairman, Committee on Legislation.
HOWARD G. FREAS.
EVERETT HUTCHINSON.

CIVIL AERONAUTICS BOARD,
Washington, April 4, 1960.

HON. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in reply to your letter of March 30, 1960, asking the Board for a report on S. 3278, a bill proposing a number of amendments to the Housing Act of 1954 and Housing Amendments of 1955 primarily directed to solving problems of mass transportation and commuter service in metropolitan areas.

The proposed legislation does not appear to be concerned with air transportation and we have no comment to make on it.

Sincerely yours,

JAMES R. DURFEE, *Chairman.*

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF CIVIL AND DEFENSE MOBILIZATION,
Washington, May 6, 1960.

HON. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in reply to your request for a report on S. 3278, 86th Congress, a bill to amend section 701 of the Housing Act of 1954 (relating to urban planning grants) and title II of the Housing Amendments of 1955 (relating to public facility loans) to assist State and local governments and their public instrumentalities in improving mass transportation services in metropolitan areas.

It is doubtful that any marginal benefits to civil defense preparedness which might accrue from this legislation would justify support of a proposal to increase Federal financial assistance to urban transportation programs. Under these circumstances, we cannot recommend enactment of this bill.

The Bureau of the Budget advises that it has no objection to the submission of this report.

Sincerely,

LEO A. HOEGH.

[S. 3282, 86th Cong., 2d sess.]

MR. SMATHERS (for himself and Mr. MORSE)

A BILL To amend section 5 of the Home Owners Loan Act of 1933

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 5 of the Home Owners Loan Act of 1933, as amended (12 U.S.C. 1464), is amended by adding at the end thereof a new subsection as follows:

"(1) Such associations may invest their funds in shares, accounts, deposits, or certificates of indebtedness in local mutual thrift and home financing institutions located outside the territorial limits of the United States. Such investments shall be to encourage the establishment and growth of savings institutions financing home building and home buying and shall be matched with and not exceed similar savings funds accumulated by the institution in its area of operation. No investment in any one such institution shall exceed \$100,000 nor more than one one-hundredth of the investing institution's reserves, nor shall the total of such investments by an association exceed 10 per centum of its reserves established for the sole purpose of absorbing losses."

S. 3282

DIGEST OF BILL

Amends section 5 of the Home Owners' Loan Act of 1933 to provide that Federal savings and loan associations may invest in shares, accounts, deposits, or certificates of indebtedness in local mutual thrift and home financing institutions located outside the territorial limits of the United States. Investments in any one such institution may not exceed \$100,000 or exceed more than one one-hundredth of the investing institution's reserves. Also prohibits the total of such investments by any one institution from exceeding 10 percent of the reserves established for the sole purpose of absorbing losses.

HOUSING AND HOME FINANCE AGENCY,
OFFICE OF THE ADMINISTRATOR,
Washington, D.C., May 6, 1960.

Re S. 3282, 86th Congress.

HON. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in further reply to your letter of March 28 requesting the views of this Agency on S. 3282, a bill to amend section 5 of the Home Owners Loan Act of 1933.

The bill would authorize Federal savings and loan associations to invest limited amounts of their funds in foreign mutual thrift and home financing institutions, in order to encourage the establishment and growth of such institutions financing home building and home buying in the countries involved.

This Agency favors the objectives of S. 3282. The experience and studies of our Agency would indicate that foreign thrift institutions, where authorized to be established under the laws of the particular country, might be organized in considerable number if they had the benefit of leadership, instruction, and some founding money. One of the principal obstacles to the provision of adequate housing in underdeveloped countries is the shortage of investment capital, which stems in large part from the absence of home financing institutions. Assistance to these foreign thrift institutions is one of the important objectives of the U.S. Government in this field.

I understand that you have requested the views of the Federal Home Loan Bank Board on S. 3282 and that you will obtain from the Board comments on the technical aspects of the bill as applied to the savings and loan associations in this country which would be affected by the bill.

We have been informed by the Bureau of the Budget that this report is without objection insofar as the Bureau is concerned.

Sincerely yours,

NORMAN P. MASON, *Administrator.*

TREASURY DEPARTMENT,

May 11, 1960.

Hon. A. WILLIS ROBERTSON,
*Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.*

MY DEAR MR. CHAIRMAN: Reference is made to your request for the views of the Treasury Department on S. 3282, to amend section 5 of the Home Owners Loan Act of 1933.

While the Treasury is sympathetic to the development of financial institutions abroad to assist private home ownership, it is the view of the Department that the authority to permit Federal savings and loan associations to invest their funds in shares, accounts, deposits, or certificates of indebtedness of associations abroad is not desirable.

It is our view that these associations, whose experience is entirely domestic, are not in a position to make prudent foreign investments.

Moreover, there would be special risks in investment in foreign home financing institutions arising from inflation in the less-developed countries and their difficulties in transferring foreign exchange. The loans of the foreign institutions would be in local currencies, which under inflationary situations are likely to depreciate in terms of dollars, so that the investment of the American associations in these institutions would tend to shrink in value over time.

If the foreign institutions were to assume a dollar obligation, the American investing association would be afforded some protection against inflation. Such arrangements, however, would impose a serious financial burden on the foreign association under inflationary conditions, which would tend to jeopardize its financial position, and thus to impair the investment of the American association. Moreover, there would be an increased burden on the balance of payments of the country concerned. In general, these countries should conserve their limited foreign exchange earnings for necessary imports and other currency payments, and for the servicing of obligations on productive investments which contribute more directly to the development of their resources.

If foreign savings and loan associations are to be encouraged by the use of funds provided from the United States, it is our view that it would be more appropriate to have such investments or loans made by an existing governmental institution, accustomed to foreign operations, which could assume the risk in the national interest, rather than to permit these risks to be assumed by the individual investors in domestic Federal savings and loan associations.

Furthermore, the Treasury Department is of the opinion that the activities contemplated by the amendment should be assisted only in limited instances which are in the national interest and where the projects are sound and feasible. It is the view of this Department also that where private home ownership is to be stimulated, assistance to that end should be given in dollars only when local currencies owned by the United States are not available for that purpose.

For these reasons the Treasury does not favor the enactment of S. 3282.

The Department has been advised by the Bureau of the Budget that there is no objection to the submission of this report to your committee.

Very truly yours,

JULIAN B. BAIRD,
Acting Secretary of the Treasury.

[S. 3291, 86th Cong., 2d sess.]

MR. HART

A BILL To authorize the Housing and Home Finance Administrator to make certain modifications in the terms of sale of the Oakdale Residents Cooperative Housing Project of Royal Oak Township, Oakland County, Michigan

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That notwithstanding any other provision of law, the Housing and Home Finance Administrator shall, upon request of the Oakdale Residents Cooperative Housing Corporation, consent to such modifications, with respect to purchase price, repayment period, rate of interest, time of payment of any installment on principal or interest, security, or any other term, of any contract, mortgage, or other agreement entered into in connection with the sale of the housing project known as the Oakdale Residents Cooperative Housing Project of Royal Oak Township, Oakland County, Michigan, as he may determine are necessary or desirable in the public interest, and in the fulfillment of the purposes of title VI of the Act of October 14, 1940, as amended (42 U.S.C. 1587).

S. 3291

DIGEST OF BILL

Requires the Housing and Home Finance Administrator, as he may determine to be necessary in the public interest and upon request of the Oakdale Residents' Cooperative Housing Corp., to amend or otherwise change the terms of the agreement entered into in connection with the sale of the housing project known as the Oakdale residents' cooperative housing project of Royal Oak Township, Oakland County, Mich.

HOUSING AND HOME FINANCE AGENCY,
OFFICE OF THE ADMINISTRATOR,
Washington, D.C., May 6, 1960.

Re S. 3291, 86th Congress.

HON. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in further reply to your letter of March 30 requesting the views of this agency on S. 3291, a bill to authorize the Housing and Home Finance Administrator to make certain modifications in the terms of sale of the Oakdale residents cooperative housing project of Royal Oak Township, Oakland County, Mich.

This bill would direct the Housing Administrator to renegotiate with the Oakdale Residents Housing Corp. any of the terms and conditions under which the subject housing project was sold to them. He would be directed to make such modifications in those terms and conditions as he determined were necessary or desirable in the public interest, and in fulfillment of the purposes of title VI of the act of October 14, 1940 (Lanham Defense Housing Act) under which the sale was made.

The project involved is war housing project No. MICH-20237, consisting of 590 dwelling units located in 109 buildings. The project was sold by the Public Housing Administration on June 1, 1955, to the cooperative at a purchase price of \$1,443,875. The price was based on the value of the property as set by private appraisers, taking fully into consideration the type of construction involved.

The terms of sale were a downpayment of \$33,635.63 and a mortgage of \$1,410,239.37, payable over 15 years at 4¼ percent interest. The monthly installments are \$10,971.66, and none are in default to date.

This mortgage has very recently been transferred to the Federal National Mortgage Association for management and liquidation under the authority provided by section 306(a) of the Housing Act of 1959 (Public Law 86-372). The FNMA already has the requisite authority with respect to any mortgages held by it, to consent to modifications of the types mentioned in the bill where they are necessary or desirable in the public interest. These would include modifica-

tions relating to repayment period, rate of interest, security, time of payment of any installment on principal or interest, or waiver of payment of such installment.

It would appear, therefore, that enactment of S. 3291 would serve no purpose.

In the exercise of its authority to modify mortgages the FNMA of course acts with due regard for all the circumstances of the situation. In this case it has not yet had time to become acquainted with the current circumstances and wishes of the cooperative. It is understood, however, that the cooperative is interested primarily in securing sufficient funds with which to effect needed repairs and rehabilitation of its property. This might perhaps be accomplished through a temporary deferral of principal payments, as the FNMA has the power to grant and may find justified.

This does not mean, of course, that the FNMA would either have the desire or the authority to grant to the cooperative special consideration, through reduction of the principal of the mortgage or otherwise, which could not be agreed to by the FNMA in the exercise of its good judgment in the interest of the Government. Special legislation (differing both technically and in substance from S. 3291) would be necessary for such preferential treatment, and it would be a general rule for this agency to oppose such legislation in the absence of unusual hardship.

We have been informed by the Bureau of the Budget that this report is without objection insofar as the Bureau is concerned.

Sincerely yours,

NORMAN P. MASON, *Administrator.*

[S. 3292, 86th Cong., 2d sess.]

MR. CLARK AND OTHERS

A BILL To provide for the establishment of a Department of Housing and Metropolitan Affairs, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

ESTABLISHMENT OF DEPARTMENT; OFFICE OF SECRETARY

SECTION 1. (a) There is hereby established an executive department which shall be known as the Department of Housing and Metropolitan Affairs (hereinafter referred to as the "Department"). There shall be at the head of the Department a Secretary of Housing and Metropolitan Affairs (hereinafter referred to as the "Secretary"), who shall be appointed by the President by and with the advice and consent of the Senate. The Secretary shall receive compensation at the rate now or hereafter prescribed by law for the heads of departments.

(b) The Secretary shall cause a seal of office to be made for the Department of such design as the President shall approve, and judicial notice shall be taken thereof.

UNDER SECRETARY AND ASSISTANT SECRETARIES

SEC. 2. (a) There shall be in the Department an Under Secretary of Housing and Metropolitan Affairs, and three Assistant Secretaries of Housing and Metropolitan Affairs, who shall be appointed in the same manner as the Secretary and who shall perform such duties as may be prescribed by the Secretary. The Under Secretary and Assistant Secretaries shall receive compensation at the rate now or hereafter prescribed by law for under secretaries and assistant secretaries, respectively, of the executive departments.

(b) In the absence of the Secretary or when he is unable to perform the duties of his office the Under Secretary shall act as Secretary. In the event of the absence of both the Secretary and the Under Secretary, or in case both are unable to perform the duties of the office of Secretary, an Assistant Secretary to be designated by the Secretary shall act as Secretary; or in the absence of designation by the Secretary, the Assistant Secretary who is senior in office shall act as Secretary.

TRANSFERS TO THE DEPARTMENT

SEC. 3. (a) All functions of the Housing and Home Finance Administrator are hereby transferred to the Secretary. All agencies of the Housing and Home

Finance Agency, together with their respective functions, personnel, property, records, and unexpended balances of appropriations, allocations, and other funds (available or to be made available), and all other functions, personnel, property, records, and unexpended balances of appropriations, allocations, and other funds (available or to be made available) of the Housing and Home Finance Agency are hereby transferred to the Department.

(b) The President shall from time to time exercise his authority under the Reorganization Act of 1949 with a view to further consolidating within the Department such functions and agencies of the Government as will further the purposes of this Act. The President shall submit to the Congress, on or before January 3, 1961, a report setting forth what action has been taken or is proposed to be taken by him in accordance with the provisions of this section and the reasons therefor.

RESEARCH AND TECHNICAL ASSISTANCE

SEC. 4. (a) The Secretary shall (1) conduct a continuing study of problems peculiar to urban and metropolitan areas, including problems of coordinating Federal programs as they affect such areas, and (2) provide technical assistance to State and local governmental bodies in developing solutions to such problems. Such assistance shall include whenever appropriate the dissemination to interested bodies of the results of the studies undertaken pursuant to this section.

(b) The Secretary shall from time to time make such recommendations to the Congress, as a result of the studies to be undertaken under this section and after consultation with appropriate representatives of State and local governments, as he shall determine to be appropriate.

(c) As used in this section the term "State" includes the District of Columbia and the Commonwealth of Puerto Rico.

COORDINATION OF FEDERAL ACTIVITIES AFFECTING METROPOLITAN AREAS

SEC. 5. The Secretary shall advise the President on the coordination of Federal programs as they affect metropolitan areas, and shall initiate consultation among officers of departments and agencies concerned, and among Federal, State, and local government officials, in order to improve the coordination and effectiveness of Federal programs in contributing to the solution of the problems of metropolitan areas.

ABOLITIONS

SEC. 6. The Housing and Home Finance Agency (exclusive of the agencies thereof transferred by section 3 of this Act) and the Office of the Housing and Home Finance Administrator are hereby abolished. The Secretary shall make such provisions as may be necessary in order to terminate any outstanding affairs of the agencies and offices abolished by this section.

ADVISORY COMMITTEES

SEC. 7. The Secretary may establish such advisory committees on urban affairs as he may determine to be desirable and in furtherance of the purposes of this Act. The members of any such committee shall be reimbursed for actual travel and subsistence expenses incurred in attending meetings of the committee.

AMENDMENT

SEC. 8. Section 158 of the Revised Statutes of the United States, as amended (5 U.S.C. 1), is amended by adding at the end thereof the following:

"Eleventh: The Department of Housing and Metropolitan Affairs."

REPORT

SEC. 9. The Secretary shall cause to be prepared, published, and transmitted to the Congress an annual report of the activities and accomplishments of the Department.

INTERIM APPOINTMENTS

SEC. 10. Pending the initial appointment of officers of the Department, the functions of any such officer may be performed temporarily (not in excess of sixty days) by such officer of the Housing and Home Finance Agency, including its constituent agencies, as the President shall designate.

EFFECTIVE DATE

SEC. 11. The provisions of this Act shall take effect on the first day of the third calendar month following the month in which this Act is enacted.

S. 3292

DIGEST OF BILL

Section 1.—(a) Establishes a new Department of Housing and Metropolitan Affairs.

(b) Provides for seal of office of new Department.

Section 2.—(a) Provides for an Under Secretary and three Assistant Secretaries.

(b) Provides for the line of authority in the absence of the Secretary, the Under Secretary, etc.

Section 3.—(a) Transfers all functions of the Housing and Home Finance Administrator to the new Secretary. Transfers all constituent agencies of the HHFA, together with their respective functions, personal property, records, and unexpended balances of appropriations and other funds, and all other functions to the new Department.

(b) Provides authority under the Reorganization Act of 1949 for the President to consolidate other functions and agencies in the new Department. Requires a report from the President by January 3, 1961.

Section 4.—(a) Directs the Secretary to conduct a continuing study of problems peculiar to urban and metropolitan areas, and to assist State and local governments in solving such problems.

(b) Directs the Secretary, as he deems appropriate, to make recommendations to the Congress as a result of these studies.

Section 5.—Requires the Secretary to advise the President in regard to the coordination of Federal programs as they affect metropolitan areas.

Section 6.—Abolishes the HHFA and the Office of the HHFA Administrator.

Section 7.—Permits the Secretary to establish such advisory committees on urban affairs as he deems desirable.

Section 8.—Conforming amendment.

Section 9.—Requires the Secretary to make an annual report to the Congress of the activities and accomplishments of his Department.

Section 10.—Technical provision.

Section 11.—Requires establishment of new Department at the beginning of the third month following the month of enactment of the bill.

HOUSING AND HOME FINANCE AGENCY,
OFFICE OF THE ADMINISTRATOR,
Washington, D.C., May 6, 1960.

Re S. 3292, 86th Congress.

HON. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in further reply to your letter of April 4 requesting a report from this Agency on S. 3292, a bill "To provide for the establishment of a Department of Housing and Metropolitan Affairs, and for other purposes."

For reasons discussed later in this reply I would not favor the enactment at this time of legislation along the lines of S. 3292. This position does not arise from disagreement with the broad considerations of policy often suggested by the proponents of departmental status for the functions of the Housing and Home Finance Agency. On the contrary, I believe it is helpful now to give serious thought to the long-range advantages which might be gained by establishing a new Cabinet department to embrace the Government's responsibilities and functions in the general area of housing and community development. There are a number of factors relevant to this question which I would like to discuss in some detail before explaining why I feel that legislation such as S. 3292 ought not to be enacted at this time.

FACTORS FOR CONSIDERATION

One of these factors is the extremely rapid rate of urban and metropolitan growth since the turn of the century. This has given rise to many urgent and difficult problems which the States and our local communities are unable to cope with alone. In 1900, 24.1 million people lived in metropolitan areas. By 1959, this figure had increased more than fourfold to 100 million. Meanwhile, our total population had increased by less than one and one-third. Thus, the basic underlying factors which have been operating to give national significance to the interrelated problems of housing and community development have been the continuing rapid growth of our population, and, even more important, the major shift between rural and urban living. I am informed that the 1960 census will probably show that about two-thirds of the Nation is now residing in urban communities.

As our urban communities have grown in size at a rapid rate, very many of them have broken across municipal, county, and State lines. Technological advances in many diverse fields can be expected to bring about even more rapid urban growth—and change—in the years ahead. We may therefore expect even greater strains on traditional patterns of financing housing and related community development and on the fabric of existing Federal, State, and local governmental programs in this sphere.

A second factor which is relevant to the issues raised by this bill is the very great importance of Housing Agency programs to the entire national economy. Private residential nonfarm construction during 1959 was almost one-third of total private domestic investment. Soon, this segment of the economy may become even more important as the children born during and immediately after World War II reach marrying age and begin to establish their own households. As your committee has stated in many of its reports, the impact of residential construction on the national economy is multiplied by the countless products used in the construction, equipping, and upkeep of homes and related community facilities.

Much of our residential construction is federally aided and all of it is affected in greater or lesser degree by Federal governmental policies. The various housing, urban renewal, and community facilities programs of the Housing Agency involve billions of dollars of Treasury funds and have a major impact on the Federal budget, as well as on housing and home finance markets. Our programs affect the livelihood of many millions of persons engaged in the construction industry and related real estate and financing industries, as well as those engaged in producing and distributing the materials and equipment used in construction.

Most important of all, Agency programs affect millions of families in their daily life. The Federal Housing Administration has helped about 5½ million families to acquire their own homes and has helped provide housing for over 840,000 families in rental or multi-family projects. It has also insured over 23 million home improvement loans. As your committee is aware, millions of persons have also been affected by the slum clearance, urban renewal, public housing, and community facility programs of the Agency.

All these programs, along with planning aids which this Agency administers, now play a vital part in the livability and stability of towns, cities, and metropolitan areas throughout the Nation. It might be helpful in this connection to refer again to a factor which your committee and we in the Housing Agency have often remarked upon. This Agency's functions are unavoidably complex. This is so because they are addressed to so many closely intertwined problems. The housing and community facility needs of our expanding urban population must be considered along with the need to conserve urban areas by preventing blight, to rehabilitate areas which are blighted but capable of being saved, and to clear and redevelop many slum areas. Any Federal or local programs concerned with all of these needs should be concerted programs which deal with the interrelated problems as a whole and not piecemeal.

Finally, Housing Agency programs are closely related to the programs of many departments, including the Departments of Agriculture; Commerce; Defense; Health, Education, and Welfare; Labor; and the Treasury. Housing Agency functions play an extremely important part in difficult economic and monetary decisions which are of frequent concern to the Department of the Treasury, the Bureau of the Budget, and the Council of Economic Advisers, and in turn to the Cabinet and the President.

HISTORICAL BACKGROUND

The need for an overall housing and urban development agency was strongly felt during the defense and war periods of World War II, when housing was viewed as an essential component of the war production effort. In order to provide an effective tool for coordinating the then widely scattered Federal authorities active in this field, the National Housing Agency was established under the First War Powers Act in 1942 by Executive Order 9070.

Various emergency modifications of existing statutes were enacted during the defense and war periods, including special mortgage insurance incentives through the Federal Housing Administration; special provision for direct construction of housing for warworkers and their families under a modified low-rent housing program; and the Lanham Act, which provided authority for the construction of temporary and permanent war housing with appropriated funds, as well as for related community facilities. The importance of coordinating these special-purpose programs both nationally and locally was made especially clear during the time when scarcities of war materials gave rise to a system of Federal materials rationing and Federal construction permits.

After the end of World War II, a severe national housing shortage made itself felt. This resulted from sharply reduced construction during the depression and the limitations on building which had to be observed during the defense and war periods, and was heightened to the intensity of a national emergency by the needs of returning veterans. The President and Congress naturally turned to the instrument at hand, and a number of emergency measures were adopted utilizing the overall housing Agency as the administrative tool for attacking these new national problems.

That emergency in due course was surmounted, and as time has passed and new problems have emerged or been recognized, policies and programs have been developed, modified, and liquidated accordingly. For example, the Housing and Home Finance Agency worked closely with the Federal Reserve Board in making temporary credit controls workable during the Korean war emergency.

The major depression of the 1930's, the critical shortages of housing and related facilities in defense areas shortly before and during World War II, the severe postwar veterans' housing shortage, and the need for residential credit controls and priorities during the Korean war period each gave rise to multiple housing programs, many of them temporary. During each of these periods, the lesson was driven home that Federal housing programs, along with certain community development programs, were so closely interrelated that their successful administration depended on a high degree of coordination.

Partly as a result of this experience, two major organizational developments took place—

(a) The single unified Agency established in 1942 primarily to coordinate housing programs for special purposes during the war period was put on a permanent basis by Reorganization Plan No. 3 of 1947, which established the Housing and Home Finance Agency.

(b) Through a series of actions on the part of the Chief Executive and the Congress, the original rather skeletal mission of the Agency was rapidly rounded out; its supervisory and coordinating functions were strengthened; general responsibilities with respect to such matters as research, economic analysis and policy and program advice were assigned to the Administrator; a major program of slum clearance was instituted in 1949; and in 1950 the secondary mortgage market operations of the Federal National Mortgage Association and the programs of the Community Facilities Service were transferred to the new Agency.

Largely following recommendations contained in the December 1953 report of the President's Advisory Committee on Government Housing Policies and Programs, the Housing Act of 1954, through the concept of "urban renewal," opened up a whole new stage in the evolution of housing and related urban development programs. The authors of the report and the act recognized that problems of housing, community development, and urban slums and blight are not capable of solution by new construction and slum clearance alone. Rather, the immensity of the task required that attention be given as well to rehabilitation of existing housing and urban areas where feasible and also to their conservation by programs which will prevent blight before it begins. Any concerted local program of conservation, rehabilitation, clearance, and new development obviously requires that the interrelated problems be dealt with as a whole, both by the locality and the agency administering Federal aid programs.

The 1954 act introduced, and later amendments carried forward, the concept that local communities should develop integrated and thoughtfully considered long-term plans of action—the so-called workable program concept—and the administrative machinery necessary to carry out such plans in an orderly and concerted fashion. As your committee knows, the Housing Administrator's approval of a locality's workable program is now a prerequisite to receiving Federal loans and grants for urban renewal, Federal loans, and annual contributions for low-rent public housing, and special FHA mortgage insurance for housing in urban renewal areas or for private relocation housing. The Administrator may not legally delegate to any other official the granting of such approvals. Special FNMA mortgage purchase assistance is also available for FHA-aided housing in urban renewal areas and FHA-aided relocation housing.

Federal grants for urban planning, which were authorized by the 1954 act are, under recent amendments, available largely for metropolitan planning which cuts across municipal lines and for urban planning on a regional basis, including work done under interstate compacts. Similarly, the Housing Act of 1959 authorized Federal planning grants to localities for the preparation of long-range, communitywide renewal plans, as contrasted with previously authorized grants for planning the renewal of neighborhoods or specific project areas.

The programs mentioned above are not intended to include all of the Agency programs which are focused on the common objective of improving living conditions in our urban areas. They do illustrate, by their number and complexity, the variety and difficulty of the problems involved. The fact that the programs are focused on a common objective adds to the importance of their being administered and reviewed on a coordinated basis.

DEPARTMENTAL STATUS

Judged against this entire background, and taking into consideration the necessary complexity of this Agency's functions and their importance and magnitude as they affect the well-being of a majority of our citizens, I believe the time is near when the principal responsibilities of the Federal Government in the field of housing and community development ought to be organized into a new executive department. This would make easier the full integration of the Government's housing and community development program with the overall programs of the executive branch. From the viewpoint of the public generally, and of our urban areas, a Government department concerned with housing and community development problems would no doubt be a considerable forward step.

Accordingly, the objections which I see in S. 3292 relate only to its timing and to the method of approach. I feel it should be conceded even by the supporters of departmental status that there is no especially urgent need for such a change at this particular point in time. Unlike some of our major program operations which must be quickly geared to rapidly changing conditions in the economy or the residential construction or financing industries, the relative advantages of continuing housing and community development functions in a major independent agency or of vesting them in a new department will not generally make themselves felt over a short-range period. With this in mind, I would not want to foreclose the alternative of accomplishing the desired result through a reorganization plan submitted by the President.

It has been the general theory of the Reorganization Acts, I believe, that in recognition of the President's responsibilities as Chief Executive he should be privileged to establish such organizational arrangements as may seem to him best for the discharge of those responsibilities, except to the extent that the Congress may deem it necessary to intervene in specific matters and vacate his proposed action in the manner provided by law. Since the Reorganization Act has historically vested in the President important powers to make the arrangements he feels necessary for the discharge of his constitutional responsibilities, and since the creation of an executive department is certainly one of the highest exercises of those powers, it would seem that the use of his legal method of bringing about the desired result ought to have at least very thoughtful consideration. Such an approach would be consistent with that taken in establishing the most recently created executive department—the Department of Health, Education, and Welfare—and in refining and perfecting the organizational structure of other departments.

I recognize that the power to transmit a reorganization plan under the Reorganization Act of 1949 expired during 1959. I am not aware of any basic objection to extending this act, and it may well be that it will soon be extended. As you know, the President only last Tuesday urged the Congress to extend the act.

I am sure that my comments will be understood as applying quite without regard to which party might be charged at any given time with executive responsibility. I am also sure that I will not be misunderstood in any way as suggesting that Congress is not free to legislate in this field as and when it chooses. Rather, the question that I do wish to raise relates to whether there is more to be gained from such legislation at this time or from making it possible, through extension of the Reorganization Act on a permanent basis (or for at least the customary 2-year period), for the President to have recourse to the alternative approach should he determine to do so.

As drafted, S. 3292 would, in effect, establish as of its effective date a Department of Housing and Metropolitan Affairs to which would be transferred all functions and agencies of the present Housing and Home Finance Agency. Provision would be made for future additional changes by the President under "his authority under the Reorganization Act of 1949." The President would be required to submit to the Congress, on or before January 3, 1961, a report of what further action had been taken or was proposed to be taken and the reasons therefor. It seems to me that under these provisions for future actions and reports nothing substantial would be gained which might not be accomplished in one step under a future reorganization plan, or administration-sponsored bill, based on prior study by the executive branch and careful review by the Congress.

DETAILED PROVISIONS OF BILL

In conclusion, I would like to call your attention to several questions raised by the detailed provisions of S. 3292. It is customary in the departments to vest responsibility directly in the Secretary. This is not done in the bill, perhaps because of the provisions contemplating later actions by the President. We note that section 2 specifies that Assistant Secretaries shall serve as Acting Secretary on the basis of seniority in office. This is a matter which we believe should be left to the discretion of the Secretary. Thus, it may be appropriate at any particular time for an Assistant Secretary to be selected to act as Secretary on the basis of his special area of responsibility. Section 2 also omits the provision, customary in existing departments, for a general counsel appointed by the President.

Section 6 of the bill makes provision for abolishing the Office of Housing Administrator but not that of Deputy Housing Administrator. We also note the absence of provisions which would cover such matters as transfers of authority and delegations by the Secretary within the new department; a clear transfer of contracts and contractual liabilities; and a "savings clause" for outstanding regulations and pending litigation. The absence of such a savings clause from recent reorganization plans did not result in technical deficiencies because of the applicability to those plans of the savings provisions in section 9 of the Reorganization Act of 1949. However, special legislation such as S. 3292 should expressly incorporate similar provisions.

We have been informed by the Bureau of the Budget that this report is without objection insofar as the Bureau is concerned.

Sincerely yours,

NORMAN P. MASON, *Administrator.*

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., May 9, 1960.

HON. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.

MY DEAR MR. CHAIRMAN: This will acknowledge your letter of April 4, 1960, asking the Bureau of the Budget to report on S. 3292, a bill "To provide for the establishment of a Department of Housing and Metropolitan Affairs, and for other purposes."

S. 3292 would create a new executive department in the executive branch to be called the Department of Housing and Metropolitan Affairs. All functions of the Housing and Home Finance Agency would be transferred to this new Department. The President would be directed to make recommendations under the Reorganization Act of 1949 to consolidate within the Department such other functions and agencies as would further the purposes of the act. The Secretary would be directed to conduct a continuing study of the problems peculiar to metropolitan and urban areas and to provide technical assistance to State and local governments in solving such problems. The Secretary would also be responsible for advising the President on the coordination of Federal programs as they affect metropolitan areas.

It is recognized that many of the challenging problems of the Nation have their greatest impact in urban areas. The extent of the problems and means of dealing with them were recognized by the President in his state of the Union message for this year when he said:

"Our vigorous expansion, which we all welcome as a sign of health and vitality, is many sided. We are, for example, witnessing explosive growth in metropolitan areas.

"By 1975 the metropolitan areas of the United States will occupy twice the territory they do today. The roster of urban problems with which they must cope is staggering. They involve water supply, cleaning the air, adjusting local tax systems, providing for essential educational, cultural, and social services, and destroying those conditions which breed delinquency and crime.

"In meeting these, we must, if we value our historic freedoms, keep within the traditional framework of our Federal system with powers divided between the National and State Governments. The uniqueness of this system may confound the casual observer, but it has worked effectively for nearly 200 years."

The Bureau of the Budget believes the basic structure of the Federal Government should not be altered until the soundness of specific proposals has been carefully explored. Aside from the Department of Defense, established in 1949, only one other new executive department, the Department of Health, Education, and Welfare, has been created in the last 50 years, despite the expansion of Federal responsibilities and programs in this area during that time. There are no generally recognized criteria for determining when a particular group of Federal programs warrants creation of a new executive department. Nor, can any conclusive guides be developed by reviewing past history, except to note that executive department status apparently has been given to agencies in recognition of the permanence and general national significance of their activities.

We believe careful consideration should be given to the precise activities which should be lodged in a Department of Housing and Metropolitan Affairs. Since it is not specific, S. 3292 cannot be given the thorough evaluation necessary in this respect. The general guides laid down by the first Hoover Commission on departmental organization may prove useful in giving consideration to the activities which should be included. The Hoover Commission recommended that Federal programs be grouped into departments and agencies on the basis of major purposes. This may be contrasted with grouping on the basis of geographic areas, clientele, or process. Likewise, the Commission recommended that statutory functions be vested in department heads and not in subordinate officials.

Almost all Federal programs affect urban areas. Any executive department based on geography or process would increase, rather than lessen, organizational and administrative problems.

In considering creation of such a department, the existing functions and responsibilities of the Housing and Home Finance Agency should be reviewed to determine their appropriateness in such a department, and to identify any departures from the principle of organization by major purpose. Likewise, functions of other agencies which might fall within the scope of the proposed department should be reviewed for possible transfer to it. In this connection, consideration should be given to the declaration of housing policy contained in the Housing Act of 1949 which might serve as a useful guide in considering what functions might be included in a new executive department:

"The general welfare and security of the Nation and the health and living standards of its people require housing production and related community development sufficient to remedy the serious housing shortage, the elimination of substandard and other inadequate housing through the clearance of slums and blighted areas, and the realization as soon as feasible of the goal of a

decent home and a suitable living environment for every American family, thus contributing to the development and redevelopment of communities."

Section 5 of S. 3292 directs the Secretary to advise the President on coordination of Federal programs affecting metropolitan areas, and to initiate consultation among Federal, State, and local officials to improve coordination of Federal programs in metropolitan areas. Coordination of Federal programs is a primary responsibility of the President. It is desirable that he not be restricted by statutory limitations with regard to the assignment of coordinating functions. The executive branch has been increasingly active in recent years in exploring methods of coordinating Federal programs affecting metropolitan areas. The Office of the Deputy Assistant to the President for Intergovernmental Relations and the Office of the Special Assistant to the President for Public Works Planning have a continuing interest and responsibility in this field. The National Housing Council, established by statute, and the Interagency Committee on Metropolitan Area Problems also provide coordinating mechanisms. The new Commission on Intergovernmental Relations is likewise in a position to consider the Federal Government's role in meeting the problem of metropolitan development and growth.

In summary, we believe proposed legislation to establish a Department of Housing and Metropolitan Affairs should contain specifications which would enable both the Congress and the executive branch to thoroughly review the activities which would be placed in a new department. In the absence of a proposal which would enumerate the functions and powers to be vested in the Secretary, and since our own review of the matter has not produced suitable specifications, the Bureau of the Budget does not recommend enactment of S. 3292.

Sincerely yours,

PHILLIP S. HUGHES,
Assistant Director for Legislative Reference.

[S. 3379, 86th Cong., 2d sess.]

MR. SPARKMAN

A BILL To establish an annual or biannual national housing goal, to provide for a research and study program to improve the quality of residential construction without increasing the cost thereof, to encourage advanced techniques in housing construction, and to continue the farm housing program under title V of the Housing Act of 1949.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

NATIONAL HOUSING GOAL

SECTION 1. The program of the President as expressed in his annual message to the Congress shall include statements and recommendations concerning a residential construction goal. In furtherance of the realization of this goal the President shall transmit to the Senate and the House of Representatives, after the beginning of each session of the Congress, but not later than January 20, a report which shall include the following: (1) a statement indicating the minimum number of housing units which should be started during the then current calendar year, or such year and the next following calendar year, in order to be consistent with the program of the President, (2) an indication of the manner in which the law will be administered by the executive agencies to achieve the number of housing units specified under clause (1), and (3) any recommendations for legislative action that the President determines are necessary or desirable in order that the construction of such specified number of housing units may be started.

HOUSING RESEARCH

SEC. 2. (a) It is the sense of the Congress that technological advance represents the best opportunity for improving the quality of residential construction without increasing unit cost. In order that this opportunity may be fully exploited, the Housing and Home Finance Administrator is authorized and directed to undertake and carry out a research and study program (1) to identify problems in residential construction which are preventing an improvement in the quality of construction and which could in all probability be solved without

increasing the unit cost thereof, if the necessary research were undertaken, and (2) to undertake such research.

(b) In performing the functions vested in him by his section, the Administrator may—

(1) carry our research and studies within the Housing and Home Finance Agency;

(2) enter into contracts with any State or local public agency or instrumentality, or educational institution, or other agency or organization, and for such purpose exercise any of the powers vested in him by section 502 (c) of the Housing Act of 1948;

(3) encourage research and studies which are not instigated by the Federal Government but which hold promise of results furthering the purposes of this section, and, when requested, provided technical advice and guidance in the conduct thereof.

(c) The Administrator shall disseminate, without regard to section 306 of the Act of June 25, 1948, as amended (39 U.S.C. 321n), the results of the research and studies conducted under this section in such forms as may be most useful to industry and to the general public.

(d) The provisions of the third and fourth sentences of section 301(a) of the Housing Act of 1948, as amended, shall apply to contracts and appropriations pursuant to this section.

(e) Nothing in this section shall limit any authority of the Administrator under title III of the Housing Act of 1948, as amended, or any other provision of law.

(f) There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this section.

ENCOURAGEMENT OF IMPROVED DESIGN AND TECHNOLOGY IN HOUSING CONSTRUCTION

SEC. 3. Title V of the National Housing Act is amended by adding at the end thereof a new section as follows:

"HOUSING CONSTRUCTION

"SEC. 517. The Congress hereby declares that the provisions of this Act should be administered to encourage the utilization of advanced design and technology in the construction of residential structures where such design and technology will reduce unit costs without sacrificing quality or livability. In accordance with this policy, the Commissioner shall, in the processing of applications for mortgage insurance, give careful and sympathetic consideration to applications for the insurance of mortgages which are secured by residential properties designed and constructed in accordance with advanced techniques to reduce unit cost without sacrificing quality or livability."

FARM HOUSING

SEC. 4. (a) The second sentence of section 511 of the Housing Act of 1949 is amended—

(1) by inserting "(1)" after "section"; and

(2) by inserting before the period a comma and the following: "and (2) during the period beginning July 1, 1961, and ending June 30, 1971, shall not exceed \$50,000,000: *Provided*, That the total principal amount of such notes and obligations issued in any fiscal year commencing after June 30, 1961, shall not exceed \$50,000,000".

(b) Section 512 of such Act is amended—

(1) by inserting "(1)" after "aggregating"; and

(2) by inserting before the period a comma and the following: "and (2) not to exceed \$20,000,000 during the period beginning July 1, 1961, and ending June 30, 1971: *Provided*, That the aggregate commitments for contributions made in any fiscal year after June 30, 1961, shall not exceed \$2,000,000".

(c) Clause (b) of section 513 of such Act is amended to read as follows: "(b) for grants pursuant to section 504(a) and loans pursuant to section 504(b), not to exceed (1) \$50,000,000 during the period beginning July 1, 1956, and ending June 30, 1961, and (2) \$10,000,000 for any fiscal year commencing after June 30, 1961, and ending prior to July 1, 1971; and".

S. 3379

DIGEST OF BILL

Section 1.—Requires the President, in furtherance of the national housing goal, to transmit an annual report to the Congress containing recommendations indicating—

- (1) the minimum number of housing starts which should be undertaken during the following year or 2 years;
- (2) the manner in which the Federal Government proposes to assist in achieving the number of starts specified; and
- (3) legislation which may be necessary to achieve such starts.

Section 2.—Directs the Administrator of the Housing and Home Finance Agency to undertake and carry out research and studies for improving residential construction without increasing costs. Permits the Administrator to carry out these studies within the HHFA or to enter into contracts for such studies to be made by State or local public agencies or educational institutions. Further requires that the results of such studies and research be published for general public use.

Section 3.—Declares it to be the intent of the Congress that the Commissioner of the Federal Housing Administration should encourage the utilization of advance design and technology in the construction of residential structures in order to reduce costs, provided that such design and techniques do not sacrifice quality or livability.

Section 4.—Extends title V of the Housing Act of 1949 to provide for a 10-year farm housing program, commencing July 1, 1961, and ending June 30, 1971, by authorizing (1) \$500 million to be made available, at not to exceed \$50 million in any one year, for direct farm housing loans; (2) \$20 million to be made available, at not to exceed \$2 million in any one year, for contributions pursuant to commitments made by the Secretary of Agriculture to prevent defaults in payments on loans for potentially adequate farms; and (3) an appropriation of \$10 million per year for grants and loans for minor improvements and repairs to keep farmhouses safe and sanitary and also to encourage family-size farms.

HOUSING AND HOME FINANCE AGENCY,
OFFICE OF THE ADMINISTRATOR,
Washington, D.C., May 6, 1960.

Re S. 3379, 86th Congress.

HON. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in further reply to your letter of April 19 requesting the views of this Agency on S. 3379, a bill to establish an annual or biannual national housing goal, to provide for a research and study program to improve the quality of residential construction without increasing the cost thereof, to encourage advanced techniques in housing construction, and to continue the farm housing program under title V of the Housing Act of 1949.

I will comment separately on each section of the bill, as each relates to a separate subject.

SECTION 1. NATIONAL HOUSING GOAL

This section would require that the program of the President, as expressed in his annual message to the Congress, shall include statements and recommendations concerning a residential construction goal. He would also be required to transmit to the Senate and the House of Representatives, not later than January 20 of each year, a report which would include: (1) A statement of the minimum number of housing units which should be started during that year, or that year and the next following one, (2) an indication of the manner in which the law will be administered by the executive agencies to achieve the number of housing units specified, and (3) any recommendations for legislative action necessary or desirable in order that the construction of that number of housing units may be started.

This Agency believes statements of national housing policies and objectives may be desirable and helpful. The "Declaration of National Housing Policy" enacted in 1949 sets forth the very desirable general objective of providing a

decent home in a suitable neighborhood for every American family with maximum dependence upon private enterprise. However, I do not recommend goals expressed in terms of the number of housing units to be started in a specific 1- or 2-year period. So much more is involved than the number of houses to be built. We must consider the income groups for whom the housing is provided, the quality of the housing, and the special needs of our people, such as elderly families and minority groups. We cannot expect all needed housing to be built in a single year, and the amount which should be built during a particular year will depend upon many factors affecting our people and our economy, including production in other fields.

I would particularly recommend against the requirement that the President submit the statements in the report described above. It would, in effect, require a commitment by the President that he would assure the construction of a specific number of housing units during the year. Giving such assurance would imply a programming and some effective control over the building industry by the Government, if that is necessary to produce the number of units specified. Also, the report would involve judgments by the executive branch not only on housing production but on appropriate production levels in other segments of the economy affecting housing, which in turn may require Government controls in other sectors in order to be effective. Economic resources would have to be allocated by law rather than by market forces in order to achieve specific housing goals in a specific time period. Whatever our goals and objectives, I believe Federal assistance should be in a form which permits them to be pursued within a framework of a free market with due consideration for a stable economic growth.

SECTION 2. HOUSING RESEARCH

This section would authorize and direct the Housing Administrator to carry out a research and study program (1) to identify problems in residential construction which are preventing an improvement in the quality of construction, and which could be solved without increasing costs if the necessary research were undertaken, and (2) to undertake such research.

The Housing Agency strongly favors the objectives of this section. However, there is broad general authority now for the Housing Administrator to undertake a research program under existing law (title IV of the Housing Act of 1949). This is not being done because no funds are available for such a program. In the budget of the United States for the next fiscal year, the President recommended \$600,000 for housing research, but no amount is included for this purpose in the Independent Offices appropriation bill, 1961, which is presently before the Senate Committee on Appropriations.

Of course, certain studies and research are necessarily being carried on in connection with day-to-day operations of each of our constituent agencies. For example, the FHA undertakes technical studies which constitute an essential element in providing the information necessary to establish standards for "economic soundness" and other statutory requirements applying to property securing FHA-insured mortgages. In connection with its secondary market operations, the FNMA undertakes current studies of prevailing discounts on the various types of FHA-insured or VA-guaranteed mortgages. The URA acquires and disseminates information in connection with its demonstration grants program, and many other examples could be given. However, the studies now being undertaken are only those incidental and necessary to presently authorized operating functions. They are in no way a substitute for the basic research contemplated by section 2 of S. 3379 or title IV of the Housing Act of 1949, which could be effectively directed toward the solution of major housing problems and consistently pursued to conclusion.

Residential construction costs have advanced 90 percent since 1945, as compared with an advance of 60 percent in the overall consumer price index. Therefore, a broad focus of the proposed research program is needed to deal with aspects of housing costs which may not come under the heading of "technological advance" that is treated in section 2 of the bill. It would seem desirable that research aimed at reducing housing costs should be under an authority broad enough to permit analysis of aspects of land, material, and labor costs as well as the effects of building codes and mortgage lending policies upon residential construction costs and upon the ability to institute technological advances. Therefore, if favorable action is to be taken on section 2, the bill or the legislative history should make it clear that this desirable authority is being covered.

SECTION 3. ADVANCED TECHNIQUES IN FHA HOUSING

This section would require the Federal Housing Commissioner, in processing mortgage insurance applications, to give careful and sympathetic consideration to those where the residential properties are designed in accordance with advanced techniques to reduce unit cost without sacrificing quality or livability.

It is assumed that this section is intended to permit the use of ideas for advanced design and technology on an experimental basis in housing with FHA mortgage insurance. This Agency would have no objection to a provision for this purpose which would limit the amount of insurance on such housing and provide that expenses involved would not be charged to the mutual mortgage insurance fund. It would also be necessary to waive "economic soundness" requirements now in the law.

Section 3 of the bill would be inadequate for the above purposes. It would merely require sympathetic consideration of advanced construction techniques, which is already being given in the FHA programs and is one of the objectives listed in the "Declaration of National Housing Policy" and in the title of the National Housing Act. Another statement of this objective would seem to be ineffective except possibly to increase pressure for mortgage insurance in cases where it cannot be approved because of legal restrictions. The FHA encourages builders and architects to incorporate improved design, techniques, and materials which FHA has found acceptable in homes they propose to construct. Such encouragement is given in discussions after careful analysis of plans and specifications. The substantial progress in the field of community planning and land development is an example of the effectiveness of this form of counseling.

The FHA's minimum property standards provide for the acceptance of conventional materials and methods of construction. These standards are supplemented by materials releases and engineering bulletins which provide for the acceptance of newly developed materials and methods of construction. Among these items, of course, there are many of advanced design utilizing advanced technology. The FHA has already issued over 380 materials releases on new or nonstandard materials and 260 engineering bulletins on new or special methods of construction.

It may be noted that section 3 of the bill would apply "where such design and technology will reduce unit cost without sacrificing quality or livability." The section, inadvertently, appears not to apply to cases where, for the same unit cost, increase in quality and livability may be achieved.

SECTION 4. FARM HOUSING

This section of the bill deals entirely with the making of loans and contributions by the Secretary of Agriculture to families for farm homes and other farm buildings. As these functions are properly the concern of that Department rather than the Housing Agency, I have no comment on section 4 of the bill.

We have been informed by the Bureau of the Budget that this report is without objection insofar as the Bureau is concerned.

Sincerely yours,

NORMAN P. MASON, *Administrator.*

DEPARTMENT OF AGRICULTURE,
Washington, D.C., May 6, 1960.

Hon. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate.

DEAR SENATOR ROBERTSON: This is in reply to your request of April 19 for a report on S. 3379, a bill to establish an annual or biannual national housing goal, to provide for a research and study program to improve the quality of residential construction without increasing the cost thereof, to encourage advanced techniques in housing construction, and to continue the farm housing program under title V of the Housing Act of 1949.

This Department is concerned with section 4 of S. 3379, which would extend the authorities of sections 502, 503, and 504 of title V of the Housing Act of 1949 until June 30, 1971. During the 10-year period beginning July 1, 1961, the Secretary would be authorized to issue notes and other obligations

not to exceed \$500 million for purchase by the Secretary of the Treasury for the purpose of making loans under sections 502 and 503. The amount used in any fiscal year would be limited to \$50 million. The aggregate commitments to make contributions under section 503 could not exceed \$20 million and not more than \$50 million could be made available by direct appropriations during this 10-year period for loans and grants pursuant to section 504.

This Department does not recommend favorable action on section 4 of S. 3379.

There has been a substantial improvement in the quality of homes on farms in the past 15 or 20 years; nevertheless, there exists today an extensive need for further improvement of farm homes and facilities. The authorities of title V of the Housing Act of 1949 have been a valuable supplement to the contributions made by lending institutions such as banks, cooperative credit agencies, savings and loan associations, insurance companies, and material suppliers toward helping farm families finance the construction, modernization, and repair of their homes.

The experience of this Department has been that farm home financing is an integral part of the total financial requirements of a farming business and, in many instances, better living facilities can be made available on an economically sound basis only if the family increases its level of income. To increase the family's income so that it can afford better housing may require enlargement of their farm, development of the land resources, or, in some cases, the acquisition of a new farm or refinancing of existing debts.

Two bills; namely, S. 2144 and H.R. 7628, have been introduced in the Congress which would simplify, consolidate, and improve the authority of the Secretary of Agriculture to make loans to farmers and ranchers. Both of these bills would consolidate into one title the existing authorities to make real estate loans under title I of the Bankhead-Jones Farm Tenant Act, title V of the Housing Act of 1949, and the Water Facilities Act of 1937. The Department has reported favorably on these bills, not only because they would simplify the lending operations of this agency but, with respect to housing, the bills recognize the close relationship that exists between the income-producing ability of the family and the ability of the family to provide better housing.

Hearings have been held on H.R. 7628 and, after the hearings, a revised bill, H.R. 11761, was reported on May 2, 1960. We believe that the provisions in title I of this bill will give adequate authority to meet the housing needs of farm families with both direct and insured loans.

The Bureau of the Budget advises that there is no objection to the submission of this report.

Sincerely yours,

TRUE D. MORSE, *Acting Secretary.*

[S. 3458, 86th Cong., 2d sess.]

MR. CLARK

A BILL Amending section 112 of the Housing Act of 1949

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 112 of the Housing Act of 1949, as amended through September, 1959, is amended—

(1) by striking out the title of such section and inserting in lieu thereof the following: "URBAN RENEWAL AREAS INVOLVING COLLEGES, UNIVERSITIES, OR HOSPITALS;" and

(2) by amending section 112 to read as follows:

"SEC. 112. In any case where an educational institution or a hospital is located in or near an urban renewal project area and the governing body of the locality determines that, in addition to the elimination of slums and blight from such area, the undertaking of an urban renewal project in such area will further promote the public welfare and the proper development of the community (1) by making land in such area available for disposition, for uses in accordance with the urban renewal plan, to such educational institution or hospital for redevelopment in accordance with the use or uses specified in the urban renewal plan, (2) by providing, through the redevelopment of the area in accordance with the urban renewal plan, a cohesive neighborhood environment compatible with the functions and needs of such educational institution or hospital, or (3) by any combination

of the foregoing, the Administrator is authorized to extend financial assistance under this title for an urban renewal project in such area without regard to the requirements in section 110 hereof with respect to the predominantly residential character or predominantly residential reuse of urban renewal areas: *Provided*, That the aggregate expenditures made by such institution or hospital (directly or through a private redevelopment corporation) for the acquisition (from others than the local public agency), within, adjacent to, or in the immediate vicinity of the project area, of land, buildings, and structures to be redeveloped or rehabilitated by such institution for educational uses or by a hospital for hospital uses, in accordance with the urban renewal plan (or with a development plan proposed by such institution, hospital or corporation, found acceptable by the Administrator after considering the standards specified in section 110(b), and approved under State or local law after public hearing), and for the demolition of such buildings and structures (including expenditures to assist in relocating tenants therefrom), if, pursuant to such urban renewal or development plan, the land is to be cleared and redeveloped, as certified by such institution or hospital to the local public agency and approved by the Administrator, shall be a local grant-in-aid in connection with such urban renewal project: *Provided further*, That no such expenditures shall be deemed ineligible as a local grant-in-aid in connection with any such project if made not more than five years prior to the authorization by the Administrator of a contract for a loan or capital grant for such urban renewal project: *And provided further*, That the term 'educational institution' as used herein shall mean any educational institution of higher learning, including any public educational institution or any private educational institution, no part of the net earnings of which shall inure to the benefit of any private shareholder or individual; and that the term 'hospital' as used herein shall mean any hospital licensed by the State in which such hospital is located, including any public or nonprofit hospital, no part of the net earnings of which shall inure to the benefit of any private shareholder or individual.

S. 3458

DIGEST OF BILL

The Housing Act of 1959 added section 112 to the Housing Act of 1949, which section authorized Federal assistance to an urban renewal project, without regard to the predominantly residential requirement, where an institution of higher learning is located in or near a project and the local governing body determines that the project will assist the institution and further promote the public welfare and proper development of the community. Expenditures made by the institution in purchasing and clearing property within, adjacent to, or in immediate vicinity of the project can be counted as a local grant-in-aid. Credit is permitted for such expenditures made no more than 5 years prior to the loan and grant contract.

S. 3458 would include "any hospital licensed by the State in which such hospital is located, including any public or nonprofit hospital, no part of the net earnings of which shall inure to the benefit of any private shareholder or individual" as an "institution" within the meaning of section 112.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,
May 23, 1960.

HON. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This letter is in response to your request of May 3, 1960, for a report on S. 3458, a bill amending section 112 of the Housing Act of 1949.

This bill would extend to hospitals the provisions of section 112 of the Housing Act of 1949, which were added to that act by section 418 of the Housing Act of 1959 (Public Law 86-372). As you know, under section 112 as now in force, where an institution of higher learning is located in or near an urban renewal project and the local governing body determines that the project will assist the institution and further promote the public welfare and proper development

of the community, (1) Federal assistance is authorized without regard to the "predominantly residential" requirement, and (2) there may be credited toward the required local grant-in-aid any expenditures of the institution (made not more than 5 years prior to the urban renewal loan and contract) in purchasing and clearing property within, adjacent to, or in the immediate vicinity of the project.

In view of the responsibility of the Housing and Home Finance Agency for the administration of the urban renewal program, and in view of the importance of overall policy considerations involved in that program in determining the desirability of the present bill, we defer to the recommendation of the HHFA on this bill.

The Bureau of the Budget advises that it perceives no objection to the submission of this report to your committee.

Sincerely yours,

ARTHUR S. FLEMMING, *Secretary.*

[S. 3498, 86th Cong., 2d sess.]

MR. BENNETT AND OTHERS

A BILL To authorize use of additional funds, to the extent specified in appropriation Acts, for public facility loans

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 203(a) of the Housing amendments of 1955 is amended by striking out "in an amount not exceeding \$100,000,000, notes and other obligations" and substituting "notes and other obligations in an amount not exceeding \$100,000,000, which limit shall be increased by such amounts, not exceeding \$100,000,000, as may be specified from time to time in appropriation Acts".

S. 3498

DIGEST OF BILL

Under existing law, the funds used by the Housing Administrator to make loans to communities for public facilities are borrowed by him from the Secretary of the Treasury. The present ceiling is \$100 million, which will be exhausted upon completion of processing of applications now on hand.

This bill would provide authorization for increases up to \$100 million, to be made from time to time in appropriation acts, in the amount which the Housing Administrator may borrow for this purpose. Such future borrowings would be added to the existing revolving fund and would remain available and be used in the same manner as funds borrowed in the past.

[S. 3499, 86th Cong., 2d sess.]

MR. BENNETT AND OTHERS

A BILL To authorize use of additional funds, to the extent specified in appropriation Acts, for the purchase of mortgages by the Federal National Mortgage Association under its special assistance program

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 305(c) of the National Housing Act is amended by adding before the period at the end thereof "which limit shall be increased by such amounts as may be specified from time to time in appropriation Acts".

S. 3499

DIGEST OF BILL

Under existing law, the FNMA borrows funds from the Treasury to purchase mortgages under its special assistance functions. These functions include the

purchase of special classes of mortgages designated by the President. The existing ceiling is \$950 million, of which approximately \$180 million has not been allocated by the President.

This bill would provide authorization for increases, to be made from time to time in appropriation acts, in the maximum amount of these mortgage purchases. Future borrowings from the Treasury to obtain funds for these purchases would be added to the existing revolving fund and would remain available and be used in the same manner as funds borrowed in the past.

[S. 3500, 86th Cong., 2d sess.]

MR. BENNETT AND OTHERS

A BILL To amend title I of the National Housing Act

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 2(a) of the National Housing Act is amended by—

- (1) striking out "on and after July 1, 1939, and prior to October 1, 1960"; and
- (2) striking out the last sentence of the first paragraph thereof.

S. 3500

DIGEST OF BILL

This bill would make the FHA title I home repair and improvement program permanent, and would remove the ceiling on the insurance authorization. Under existing law, the program expires on October 1, 1960, and the insurance that can be written under the program may not exceed \$1.750 billion.

[S. 3502, 86th Cong., 2d sess.]

MR. MURRAY

A BILL To extend and amend the National Housing Act, as amended, to provide mortgage insurance for individually owned units in a multi-family structure, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the National Housing Act, as amended, is hereby further amended by the addition of the following section 233 to title II, to read as follows:

"SEC. 233. (a) PURPOSE.—The purpose of this section is to provide an additional means of increasing the supply of privately owned housing units where individual ownership of a one-family units which is part of a multi-family structure is authorized under the laws of the State in which the property is located.

"(b) DEFINITIONS.—The term 'mortgage,' 'mortgagee,' 'mortgagor,' 'maturity date,' and 'State' shall have the meanings respectively set forth in section 201 of the National Housing Act.

"(c) GENERAL.—The Commissioner is authorized, upon application by the mortgagee, to insure as hereinafter provided any mortgage offered to him which is eligible for insurance as hereinafter provided, and, upon such terms as the Commissioner may prescribe, to make commitments for the insuring of such mortgages prior to the date of their execution or disbursement thereon.

"(d) ELIGIBILITY CONDITIONS.—To be eligible for insurance under this section—

"(1) a mortgage shall involve a principal obligation in an amount not to exceed, for such part of the property as may be attributable to dwelling use \$2,500 per room (or \$9,000 per family unit if the number of rooms is less than four): *Provided*, That as to projects which consist of elevator-type structures the Commissioner may, in his discretion, increase the dollar amount limitation of \$2,500 per room to not to exceed \$3,000 per room and the dollar amount limitation of \$9,000 per family unit to not to exceed

\$9,400 per family unit, as the case may be, to compensate for the higher costs incident to the construction of elevator-type structures of sound standards of construction and design: *Provided further*, That the Commissioner may, by regulation, increase any of the foregoing dollar amount limitations but not to exceed \$1,250 per room without regard to the number of rooms being less than four, or four or more, in any geographical area where he find the cost levels so require;

"(2) a mortgage shall not exceed an amount equal to the sum of (i) 97 per centum (but in any case where the project is not approved for mortgage insurance prior to the beginning of construction unless the construction was completed more than one year prior to the application for mortgage insurance, 90 per centum) of \$13,500 of the amount which the Commissioner estimates will be the replacement cost of the family unit including common areas and facilities as of the date the mortgage is accepted for insurance, (ii) 90 per centum of such estimate of cost in excess of \$13,500 but not in excess of \$18,000, and (iii) 70 per centum of such estimate of cost in excess of \$18,000, plus not to exceed 10 per centum of the aggregate of such amounts where the project includes commercial and community facilities;

"(3) a mortgage shall have, in the case of a mortgagor who is not the occupant of the unit, a principal obligation not in excess of an amount equal to 85 per centum of the amount computed under the provisions of paragraph 233(d) of this section: *Provided*, That such 85 per centum limitation shall not be applicable if the mortgagor and mortgagee assume responsibility in a manner satisfactory to the Commissioner for the reduction of the mortgage by an amount not less than 15 per centum of the outstanding principal amount thereof in the event the unit is not, prior to the due date of the eighteenth amortization payment of the mortgage, sold to a purchaser acceptable to the Commissioner who is the occupant of the property and who assumes and agrees to pay the mortgage indebtedness;

"(4) the owner of a family unit covered by a mortgage insured under this section shall have exclusive right to his unit and, together with the owners of other units in the project, shall have the right to common areas and facilities which serve the project and the obligation of maintaining all such common areas and facilities;

"(5) property covered by a mortgage insured under this section shall include the rights of the owner of the unit to such necessary common areas and facilities, and may include the rights of the owner of the unit in such commercial and community facilities, as the Commissioner deems adequate to serve the project;

"(6) any mortgage insured under this section shall provide for complete amortization by periodic payments, and for the application of the mortgagor's periodic payments (exclusive of the amount allocated to interest and to the premium charge which is required for mortgage insurance as hereinafter provided) to amortization of the principal of the mortgage, within such terms as the Commissioner may prescribe but not to exceed forty years from the beginning of amortization of the mortgage, and shall bear interest (exclusive of premium charges for insurance and service charges) at not to exceed 5 per centum per annum on the amount of the principal obligation outstanding at any time, or not to exceed such per centum per annum not in excess of 6 per centum as the Commissioner finds necessary to meet the mortgage market;

"(7) the mortgage shall contain such terms and provisions with respect to insurance, repairs, alterations, maintenance of common areas and facilities, payment of taxes, default reserves, delinquency charges, foreclosure proceedings, anticipation of maturity, additional and secondary liens, and other matters as the Commissioner may in his discretion prescribe; and

"(8) the mortgage shall be executed by a mortgagor who shall have paid in cash or its equivalent at least 3 per centum, or such larger amount as the Commissioner may determine, of the Commissioner's estimate of the replacement cost of the unit.

"(e) PREMIUM CHARGES.—(1) The Commissioner is authorized to fix a premium charge for the insurance of mortgages under this title but in the case of any mortgage such charge shall not be less than an amount equivalent to one-half of 1 per centum per annum nor more than an amount equivalent to 1 per centum per annum of the amount of the principal obligation of the mortgage outstanding at any time, without taking into account delinquent payments

or prepayments. Such premium charges shall be payable by the mortgagee, either in cash, or in debentures issued by the Commissioner under this title at par plus accrued interest, in such manner as may be prescribed by the Commissioner: *Provided*, That debentures presented in payment of premium charges shall represent obligations of the particular insurance fund to which such premium charges are to be credited: *Provided further*, That the Commissioner may require the payment of one or more such premium charges at the time the mortgage is insured, at such discount rate as he may prescribe not in excess of the interest rate specified in the mortgage. If the Commissioner finds upon the presentation of a mortgage for insurance and the tender of the initial premium charge or charges so required that the mortgage complies with the provisions of this section, such mortgage may be accepted for insurance by endorsement or otherwise as the Commissioner may prescribe. In the event that the principal obligation of any mortgage accepted for insurance under this title is paid in full prior to the maturity date, the Commissioner is further authorized in his discretion to require the payment by the mortgagee of an adjusted premium charge in such amount as the Commissioner determines to be equitable, but not in excess of the aggregate amount of the premium charges that the mortgagee would otherwise have been required to pay if the mortgage had continued to be insured until such maturity date; and in the event that the principal obligation is paid in full as herein set forth, the Commissioner is authorized to refund to the mortgagee for the account of the mortgagor all, or such portion as he shall determine to be equitable, of the current unearned premium charges theretofore paid.

"(2) In addition to the premium charge herein provided for, the Commissioner is authorized to charge and collect such amounts as he may deem reasonable for the appraisal of a property or project, including the family units which form a part of the multi-family structure, offered for insurance and for the inspection of such property, project and units during construction: *Provided*, That such charges for appraisal and inspection shall not aggregate more than 1 per centum of the total sum of the original principal face amounts of the mortgages on the family units composing the multi-family structure.

"(f) MORTGAGES ON EXISTING UNITS.—Nothing in this Act shall be construed to prevent the insurance of a mortgage executed by a mortgagor covering a family unit and common areas and facilities constructed prior to the filing of the application for mortgage insurance hereunder: *Provided*, That the Commissioner determine that the mortgagor's interest and rights under this section are established and protected to the satisfaction of the Commissioner. In the case of units other than new construction, the limitations in this section upon the amount of the mortgage shall be based upon the appraisal value of the unit rather than upon the Commissioner's estimate of the replacement cost. As to any unit on which construction was commenced after the effective date of this section, the mortgage on such unit shall be eligible for insurance under this section only in those cases where the construction was subject to the inspection by the Commissioner.

"(g) APPLICABILITY OF OTHER SECTIONS OF THIS TITLE.—(1) The provisions of subsections (e) and (j) of section 207, and the provisions of subsections (a), (b), (e), (g), (h), (j), and (k) of section 204, and the provisions of subsections (d), (f), (i), (j), (l), (m), (o), and (p) of section 207 shall be applicable to mortgages insured under this section.

"(2) If the net amount realized from any property conveyed to the Commissioner under this section and the claims assigned therewith, after deducting all expenses incurred by the Commissioner in handling, dealing with, and disposing of such property and in collecting such claims, exceeds the face value of the debentures issued and the cash paid in exchange for such property plus all interest paid on such debentures, such excess shall be divided as follows:

"(i) If such excess is greater than the total amount payable under the certificate of claim issued in connection with such property, the Commissioner shall pay to the holder of such certificate the full amount so payable, and any excess remaining thereafter shall be retained by the Commissioner and credited to the Housing Insurance Fund; and

"(ii) If such excess is equal to or less than the total amount payable under such certificate of claim, the Commissioner shall pay to the holder of such certificate the full amount of such excess."

S. 3502

DIGEST OF BILL

This bill would add a new section 233 to the National Housing Act to provide mortgage insurance for individuals who wish to become owners of a one-family unit which is a part of a multifamily structure, when such ownership is permitted under State law. Such ownership is referred to as "condominium" which is defined, in general, as owning one unit in fee simple in a multifamily structure. Such ownership permits the owner full right to occupancy and possession with no obligation to assume the responsibilities of other owners of units in the multifamily structure. In addition to fee simple title to the unit, the individual owner of a unit has an ownership interest in the common area and facilities, and the community and commercial facilities, if any, which are associated with and serve the apartment building in which the individual's unit is located.

[S. 3504, 86th Cong., 2d sess.]

Mr. BUSH (for himself and Mr. CAPEHART)

A BILL To amend the National Housing Act to remove certain limitations on the aggregate amount of outstanding mortgage insurance

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the National Housing Act is hereby amended by (1) striking out the colon and all that follows the colon in section 203(a), and by placing a period after the word "thereon" in that subsection; and (2) by striking out section 217.

S. 3504

DIGEST OF BILL

This bill would remove the limitation on the Federal Housing Administration's general mortgage insurance authorization. With respect to insurance now subject to the general mortgage insurance authorization, the effect of the bill would be to authorize the FHA to insure all loans submitted at any time by private lenders if the loans conform to the standards established by Federal law and by FHA regulations. The amendment would not remove the separate limitation on the aggregate amount of FHA mortgage insurance which may be outstanding under title VIII of the act (military housing) or on the amount of property improvement loan insurance which may be outstanding under title I of the act.

[S. 3509, 86th Cong., 2d sess.]

Mr. CLARK

A BILL To amend certain laws relating to the provision of private and public housing and the renewal of urban communities, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Housing Amendments of 1960".

FHA INSURANCE PROGRAMS

SEC. 2. (a) Section 217 of the National Housing Act (relating to the general mortgage insurance authorization) is amended by striking out "\$15,000,000,000" and inserting in lieu thereof "\$19,000,000,000".

(b) Section 220 of such Act (relating to rehabilitation and neighborhood conservation housing insurance) is amended—

(1) by inserting after "rehabilitation" in subsection (a) the following: "conservation, and prevention of deterioration";

(2) by striking out "Provided, That" in subsection (d)(1)(A) and inserting in lieu thereof the following: "or (iv) a neighborhood in a community respecting which the Housing and Home Finance Administrator has

made the certification to the Commissioner provided for by section 101(c) of the Housing Act of 1949, as amended, and in which neighborhood the community is carrying out a code enforcement program in accordance with a workable program presented to the Housing and Home Finance Administrator and on the basis of which the Administrator has made the certification provided for under such section 101(c): *Provided*, That, in the case of a community coming within the purview of clause (iv) of this subparagraph, the Housing and Home Finance Administrator shall have determined that the assistance provided for under this section is needed in order for the community to carry out effectively its program for the conservation of neighborhoods and the prevention of deterioration of residential properties: *Provided further*, That"; and

(3) by striking out the proviso in subsection (d) (3) (A) (i) and inserting in lieu thereof the following: "*Provided*, That in the case of properties other than new construction, the foregoing dollar limitations upon the amount of the mortgage shall be based upon appraised value rather than upon the Commissioner's estimate of the replacement cost, and, in the case of property upon which there is located a dwelling designed principally for a two-or-more family residence, the mortgage shall involve a principal obligation (including such initial service charges, appraisal, inspection and other fees as the Commissioner shall approve) in an amount equal to the sum of (A) 97 per centum of \$13,500 of the Commissioner's estimate of appraised value of the property as of the date the mortgage is accepted for insurance, and (B) 90 per centum of such appraised value in excess of \$13,500".

FEDERAL NATIONAL MORTGAGE ASSOCIATION

SEC. 3. Section 305 (c) of the National Housing Act (relating to the special assistance authorization) is amended by striking out "950,000,000" and inserting in lieu thereof "\$1,100,000,000".

URBAN RENEWAL

SEC. 4. (a) The first sentence of section 103(b) of the Housing Act of 1949 (relating to the capital grant authorization) is amended by striking out "and by \$300,000,000 on July 1, 1960" and inserting in lieu thereof "by \$300,000,000 on July 1, 1960, and by \$600,000,000 on the date of enactment of the Housing Amendments of 1960".

(b) Section 106(f) (2) of such Act (relating to relocation payments) is amended by striking out "\$3,000" and inserting in lieu thereof "\$5,000".

(c) Section 107 of such Act (relating to land acquired in an urban renewal project for low-rent public housing) is amended by striking out "to be acquired" and inserting in lieu thereof "acquired or to be acquired".

(d) (1) The second sentence of section 110(c) of such Act (relating to the definition of urban renewal project) is amended by (A) striking out "and" at the end of paragraph (5), (B) striking out the period at the end of paragraph (6) and inserting in lieu thereof "; and", and (C) adding after paragraph (6) a new paragraph as follows:

"(7) acquisition for pilot rehabilitation purposes and eventual resale by the local public agency of dwelling units which are situated in the urban renewal area and which, under the urban renewal plan, are to be rehabilitated: *Provided*, That not more than (i) fifty dwelling units in any urban renewal area, or (ii) 2 per centum of the total number of dwelling units in such area which, under the urban renewal plan, are to be rehabilitated, whichever is the lesser, shall be acquired by the local public agency for such purposes."

(2) The third sentence of section 110(c) of such Act is amended by inserting after "include" the following: "(except as provided in paragraph (7) above)".

(e) Section 112 of such Act (relating to urban renewal areas involving colleges or universities) is amended—

(1) (A) by striking out "(from others than the local public agency)" in the first proviso; and

(B) by striking out "*Provided further*, That" and inserting in lieu thereof the following: "*Provided further*, That no such expenditure shall be eligible as a local grant-in-aid in any case where the property involved is acquired by such educational institution from a local public agency which, in connection with its acquisition or disposition of such property,

has received, or contracted to receive, a capital grant pursuant to this title: *Provided further, That*";

(2) by striking out in the first proviso "tenants therefrom" and inserting in lieu thereof "occupants from buildings or structures to be demolished or rehabilitated";

(3) by inserting "(1)" before the phrase "if made not more than five years prior to the authorization by the Administrator of a contract for a loan or capital grant for such urban renewal project", and by adding at the end of such phrase before the colon the following: ", or (2) by reason of the fact that new construction or rehabilitation was initiated by such educational institution or private redevelopment corporation on, or in respect to, any such land, buildings, or structures prior to the approval of the urban renewal plan or the development plan"; and

(4) by striking out "*And provided further, That the*" and inserting in lieu thereof the following: "*And provided further, That the aggregate expenditures made by any public authority, established by any State, for acquisition, demolition, and relocation in connection with land, buildings, and structures acquired by such public authority and leased to an educational institution for educational uses shall be deemed a local grant-in-aid to the same extent as if such expenditures had been made directly by such educational institution. The*".

LOW RENT PUBLIC HOUSING

SEC. 5. (a) (1) Section 10(b) of the United States Housing Act of 1937 (relating to annual contributions in aid of low rentals) is amended by inserting before the period at the end thereof a colon and the following: "*Provided further, That, notwithstanding the foregoing proviso or any other provision of this Act, the annual contribution payable hereunder to any public housing agency may include, under regulations prescribed by the Authority, an amount equal to the number of elderly families residing in any project administered by such agency, multiplied by a sum which shall not exceed \$120, whenever the Authority determines that the inclusion of such amount in such annual contribution is necessary to enable such agency to (1) provide decent, safe, and sanitary housing to such elderly families at a rental which they can afford, and (2) operate such project on a fiscally solvent basis*".

(2) Upon the request of any public housing agency the Public Housing Administration is authorized and directed to amend any of its contracts with such agency so as to bring such contracts into conformity with the amendment made by this subsection, and any regulations prescribed thereunder.

(b) Section 10(i) of such Act (relating to the additional dwelling units for which contracts may be entered into by the Public Housing Administration) is amended to read as follows:

"(i) No new contract for annual contributions for additional dwelling units shall be entered into except with respect to low-rent housing for a locality respecting which the Housing and Home Finance Administrator has made the determination and certification relating to a workable program as prescribed in section 101(c) of the Housing Act of 1949, as amended."

(c) (1) Section 15(8) of such Act (relating to the administration of low-rent housing projects by local public agencies) is amended by adding at the end thereof the following new paragraph:

"(e) Notwithstanding the provisions of paragraph (d) above, the public housing agency may permit any member of a family which would otherwise be required to move under said paragraph (d) to enter into a contract (either individually or as a member of a group) for the acquisition of his dwelling unit or another suitable dwelling unit in any project of the public housing agency on the following terms:

"(A) The purchaser shall pay at least (i) a pro rata share cost of any services furnished him by the public agency, including but not limited to, administration, maintenance, repairs, utilities, insurance, provision of reserves, and other operating expenses, (ii) local taxes on his dwelling unit, and (iii) monthly payments of interest and principal sufficient to amortize a sales price, equal to the appraised value (at the time such purchase contract is entered into) of the dwelling unit, in not more than forty years;

"(B) The interest rate shall be fixed at not less than the average interest cost of loans outstanding on the project, except that in the case of a project on which bonds are not outstanding the interest rate shall be fixed at not less than the going Federal rate applicable to such project;

"(C) The principal payments shall be not less than one-half of 1 per centum per annum of the sales price during the first five years after purchase, 1 per centum per annum during the next five years, 1½ per centum per annum during the third five years, and thereafter not less than the principal payments resulting from a level debt service of interest and principal over the balance of the payment period;

"(D) If at any time (i) a purchaser fails to carry out his contract with the public housing agency and if no member of his family who resides in the dwelling assumes such contract, or (ii) if the purchaser or a member of his family who assumes the contract does not reside in the dwelling, the public housing agency shall have an option to acquire his interest under such contract upon payment to him or his estate of an amount equal to his aggregate principal payments plus the value to the public housing agency of any improvements made by him, less an amount equal to 2½ per centum of the sales price.

If the public housing agency determines with respect to any project that it is not feasible to enter into such contracts, it may permit a tenant family in such project whose income has increased beyond the limit for continued occupancy to continue in occupancy so long as (i) the public housing agency, after investigation (made at least annually), finds that it is impossible for the family to obtain through rental or purchase a decent, safe, and sanitary private dwelling suitable for its use and at a cost within its financial means, and (ii) the family pays a rental equal to the amount which it would be required to pay (during the first five years after purchase) if it purchased its dwelling unit under the foregoing terms of this paragraph (e). Actions taken pursuant to the provisions of this paragraph (e) shall not be deemed to violate the low-rent character of the project, and any such actions shall not be taken into account in making the determination required in the first proviso of section 10(h)."

(2) Such Act is further amended—

(1) by inserting after the words "unless such project" in section 10(h) the following: "(excluding any part thereof covered by a contract or conveyed pursuant to paragraph (8) (e) of section 15)";

(2) by inserting after "may be made" in section 10(1) the following: ", subject to any outstanding contracts made pursuant to paragraph (8) (e) of section 15,";

(3) by inserting after "acquisition" in paragraphs (1), (2), and (3) of section 15 the following: "(except pursuant to paragraph (8) (e) of section 15)"; and

(4) by inserting before the semicolon at the end of paragraph (1) of section 22(a) a colon and the following: "*Provided*, That such conveyance or delivery of title shall be subject to the rights of third parties vested pursuant to paragraph (8) (e) of section 15".

HOUSING FOR THE ELDERLY

SEC. 6. (a) Section 202(a) (4) of the Housing Act of 1959 (relating to the authorization for direct loans in aid of elderly persons' housing) is amended by striking out "\$50,000,000" and inserting in lieu thereof "\$100,000,000".

(b) (1) Section 231(c) (7) of the National Housing Act (relating to housing projects for elderly persons which may be assisted by mortgage insurance) is amended by inserting before the period a colon and the following: "*Provided*, That such special facilities as the Commissioner determines are necessary to provide adequately for the health, social, and recreational needs of elderly persons in any such property or project shall be included therein".

(2) Section 202(c) of the Housing Act of 1959 (relating to certain limitation on elderly persons' housing assisted by direct loans) is amended by adding at the end thereof a new paragraph as follows:

"(4) No housing shall be constructed with a loan under this section unless such related facilities are provided in connection with such housing as the Administrator determines are necessary to serve the health, social, and recreational needs of the occupants."

(3) Section 10(m) of the United States Housing Act (relating to low-rent housing for elderly families) is amended by inserting after the first sentence a new sentence as follows: "Any such housing shall include such facilities as the Authority determines are necessary to provide adequately for the health, social, and recreational needs of such families."

CITY PLANNING SCHOLARSHIPS AND FELLOWSHIPS

SEC. 7. There is hereby authorized to be appropriated not to exceed \$500,000 annually, for a three-year period commencing on July 1, 1960, to be used by the Housing and Home Finance Administrator for the purpose of providing scholarships and fellowships in public and private nonprofit institutions of higher education for the graduate training of professional city planning and housing technicians and specialists. Persons shall be selected for such scholarships and fellowships solely on the basis of ability.

S. 3509

DIGEST OF BILL

FHA insurance programs

Section 2(a).—Increases FHA's general mortgage insurance authorization by \$4 billion.

Section 2(b).—(1) Amends section 220 of the National Housing Act to make it clear that the program may be used to accomplish conservation and prevention of deterioration of housing.

(2) Amends section 220 of the act to make the program applicable outside of urban-renewal areas in those neighborhoods in which a municipality is carrying out a code-enforcement program under an approved workable program and undertaken on an area basis, with the approval of the HHFA Administrator.

(3) Amends section 220 of the act to permit, in the case of dwellings designed principally for a two or more family residence, the FHA Commissioner to approve a mortgage involving a principal obligation in an amount equal to the sum of (1) 97 percent of \$13,500 of the Commissioner's estimate of the appraised value of the property and (2) 90 percent of such appraised value in excess of \$13,500.

Federal National Mortgage Association

Section 3.—Provides an additional \$150 million mortgage purchase authority under the special assistance function of the Federal National Mortgage Association. These funds are allowed at the discretion of the President.

Urban renewal

Section 4(a).—Increases the capital grant authorization by \$600 million to be made available upon enactment.

Section 4(b).—Increases from \$3,000 to \$5,000 the amount business concerns may be paid for their reasonable and necessary moving expenses and any actual direct losses, for which they are not compensated, as a result of displacement by urban renewal or certain other governmental activities.

Section 4(c).—Permits land already acquired as a part of an urban-renewal project to be used for public low-rent housing purposes, in addition to land to be acquired as a part of future projects.

Section 4(d).—Amends section 110(c) of the Housing Act of 1949 to permit loans and grants to be made to local public agencies for the purpose of carrying out pilot rehabilitation programs within renewal areas limited to no more than (1) 50 dwelling units, or (2) 2 percent of the total number of dwelling units designated for rehabilitation under the renewal plan, whichever is less.

Section 4(e).—Makes technical amendments relating to the program established in 1959 to assist colleges and universities to carry out programs of blight elimination in areas to be developed by them. Amends existing law so that expenditures made by educational institutions shall not be deemed ineligible because construction or rehabilitation was commenced prior to the approval of urban-renewal plan or the development plan. Further provides that expenditures made by public authority for an educational institution may be credited as local grant-in-aid, the same as if the expenditures had been made directly by the institution.

Low-rent public housing programs

Section 5(a).—Authorizes the payment of an additional annual Federal contribution in respect to each elderly family of not to exceed \$120 per year for each elderly family, provided such additional contribution is required in any year to avoid a deficit in project operation.

Section 5(b).—Makes available the remaining balance of the annual contribution authorization contained in the Housing Act of 1949. The effect of this restoration would be to permit contracts with local housing authorities for about 100,000 dwelling units in addition to the 37,000 units authorized by the Housing Act of 1959.

Section 5(c).—Adds a new paragraph to the U.S. Housing Act of 1937 to stipulate the terms on which a low-rent dwelling unit may be sold to a public-housing tenant. The tenant would be required to pay local taxes, amortize the full purchase price of his home, and pay interest at not less than the cost the local agency must pay to borrow money. The local agency would have an option to repurchase a dwelling if the family fails to carry out its contract. This plan is permissive with local agencies. If any agency finds it is not feasible to operate under this plan, it could permit overincome tenants to remain in occupancy if the local agency determines that it is impossible for the family to rent or buy a decent private dwelling, and if an unsubsidized rent is paid.

Programs of housing for the elderly

Section 6(b).—Requires that projects for elderly persons constructed under section 202 of the Housing Act of 1959, section 231 of the National Housing Act, and section 10(m) of the U.S. Housing Act shall contain special facilities to serve the health, social, and recreational needs of elderly persons, as the respective administrators determine to be necessary.

Planning scholarships and fellowships

Section 7.—Authorizes \$500,000 annually for a 3-year period to be used by the HHFA Administrator to provide scholarships and fellowships in public and private nonprofit institutions of higher education for the graduate training of professional city planning and housing technicians and specialists.

[S. 3512, 86th Cong., 2d sess.]

Mr. WILLIAMS of New Jersey (by request)

A BILL To amend the laws relating to cooperative housing

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

AMENDMENTS RELATING TO FEDERAL HOUSING ADMINISTRATION

SECTION 1. Section 207 of the National Housing Act, as amended, is hereby amended by adding the following at the end of subsection (1):

“When the Commissioner receives a request from—

“(1) a local public agency, or

“(2) an organization which the Commissioner determines is a properly qualified consumer cooperative, to purchase a project acquired by the Commissioner as a result of the default of a mortgage insured under section 608, 908, 207, 213, 220, or 221 of this Act.

the Commissioner shall give first preference (for such period as he may prescribe, pursuant to regulations issued to effectuate the purpose of this provision) to a sale of the project to such local public agency or such consumer cooperative at a price equal to the fair market value of the property as determined by the Commissioner.”

SEC. 2. (a) Section 213 of the National Housing Act, as amended, is hereby amended—

(1) by striking out, in paragraph (3) of subsection (a), the words “as certified pursuant to section 227 of this Act” and inserting in lieu thereof the following: “as defined in section 227(c) of this Act and computed as of the date of such sale”;

(2) by inserting, in paragraph (2) of subsection (b), after the words “as may be attributable to dwelling use” the following: “(excluding exterior land improvements as defined by the Commissioner)”;

(3) by striking out, in paragraph (2) of subsection (b), the words “not to exceed 97 per centum of the amount which the Commissioner estimates will be the replacement cost of the property or project when the proposed physical improvements are completed” and inserting in lieu thereof the fol-

lowing: "not to exceed 97 per centum of the amount which the Commissioner estimates will be the replacement cost of the property or project when the proposed improvements are completed, which replacement cost of the property or project may include the Commissioner's estimate of the fair market value of the land (taking into account such off-site improvements as the Commissioner requires to be provided in connection with the project and are not included in the Commissioner's estimate of replacement cost, but exclusive of the physical improvements within the boundaries of the property to be built as a part of the project), the proposed physical improvements, utilities within the boundaries of the project, architect's fees, a reasonable allowance for builder's profit, organization and legal expenses, taxes and interest, and other miscellaneous charges (including premiums for mortgage and hazard insurance and such tax escrows and acquisition costs as are payable by the cooperative at the time it acquires title to the project) approved by the Commissioner, during construction and during such period thereafter as the Commissioner deems reasonable to permit such percentage of the dwelling units in the project to be sold and occupied as is necessary to produce the income required to meet operating expenses and debt service";

(4) by striking out, in paragraph (2) of subsection (b), the words "not to exceed 90 per centum of the amount which the Commissioner estimates will be the replacement cost of the property or project when the proposed physical improvements are completed" and inserting in lieu thereof the following: "not to exceed 90 per centum of the amount which the Commissioner estimates will be the replacement cost of the property or project when the proposed improvements are completed, which replacement cost of the property or project may include the Commissioner's estimate of the fair market value of the land (taking into account such off-site improvements as the Commissioner requires to be provided in connection with the project and are not included in the Commissioner's estimate of replacement cost, but exclusive of the physical improvements within the boundaries of the property to be built as a part of the project), the proposed physical improvements, utilities within the boundaries of the project, architect's fees, a reasonable allowance for builder's profit, organization and legal expenses, taxes and interest, and other miscellaneous charges (including premiums for mortgage and hazard insurance and such tax escrows and acquisition costs as are payable by the cooperative at the time it acquires title to the project) approved by the Commissioner, during construction and during such period thereafter as the Commissioner deems reasonable to permit such percentage of the dwelling units in the project to be sold and occupied as is necessary to produce the income required to meet operating expenses and debt service";

(5) by inserting the following before the period at the end of paragraph (2) of subsection (b): "*Provided further*, That in the case of a mortgagor of the character described in paragraph (3) of subsection (a) the sole test of economic feasibility of the project shall be the availability of people in the community who need the housing and can afford it at the monthly charges applicable under its continued use as a cooperative";

(6) by inserting the following new sentence at the end of subsection (f): "The Commissioner shall appoint an Assistant Commissioner for Cooperative Housing (in lieu of the Special Assistant for Cooperative Housing) with such staff and authority as are necessary to administer the provisions of section 213 and effectuate its purposes.";

(7) by striking out, in subsection (h), the words "such mortgagor shall not thereafter be eligible by reason of such paragraph (3) for insurance of any additional mortgage loans pursuant to this section" and inserting in lieu thereof the following: "the Commissioner is authorized to refuse, for such period of time as he shall deem appropriate under the circumstances, to insure any additional section 213 investor sponsor type mortgage loans to such mortgagor or to any other investor sponsor mortgagor where, in the determination of the Commissioner, any of its stockholders were identified with such mortgagor";

(8) by inserting the following new subsection at the end of the section: "(j) In any case where, upon application by a mortgagee, the Commissioner finds, in the same area and with the same sponsorship—

"(1) That more than one project is to be separately constructed or acquired with separate mortgages insured under this section; and

"(2) that the ownership, operation, management or financing of such projects by one nonprofit cooperative corporation will promote economy, efficiency and coordination, each of the separate mortgages of such nonprofit cooperative corporation shall be eligible for insurance under this section and each such mortgage shall be a special obligation of such corporation payable from the income of the particular project covered by such mortgage and enforceable (by foreclosure and other remedies) only against such project and the assets and reserves relating thereto."; and

MUTUAL INSURANCE FUNDS FOR COOPERATIVES

(9) by inserting, after subsection (j) (as added by paragraph (8) of this section 2(a) the following new subsections:

"(k) There is hereby created a Cooperative Management Housing Insurance Fund (herein referred to as the 'Management Fund') which shall be used by the Commissioner as a revolving fund for carrying out the provisions of this title with respect to mortgages insured under subsection (a)(1) and subsection (a)(3) pursuant to commitments issued on or after the date of the enactment of this subsection or mortgage insurance or commitments reissued under subsection (o). The Commissioner is directed to transfer to the Management Fund from the Housing Insurance Fund established pursuant to section 207(f) such amount as the Commissioner determines to be the proper arithmetical apportionment of the funds to the Management Fund. General expenses of operation of the Federal Housing Administration relating to mortgages the mortgage insurance for which is the obligation of the Management Fund may be charged to the Management Fund.

"(l) The Commissioner shall establish, as of the date of enactment of this subsection, in the Management Fund, a General Surplus Account and a Participating Reserve Account. The aggregate net income thereafter received or any net loss thereafter sustained by the Management Fund in any semiannual period shall be credited or charged to the General Surplus Account and/or the Participating Reserve Account in such manner and amounts as the Commissioner may determine to be in accord with sound actuarial and accounting practice. Upon termination of the insurance obligation of the Management Fund by payment of any mortgage insured thereunder and/or at such time or times prior to such termination as the Commissioner may determine, the Commissioner is authorized to distribute to the mortgagor a share of the Participating Reserve Account in such manner and amount as the Commissioner shall determine to be equitable and in accordance with sound actuarial and accounting practice: *Provided*, That in no event shall the amount of such distributive share exceed the aggregate scheduled annual premiums of the mortgagor to the year of payment of such share less the total amount of any share or shares previously distributed by the Commissioner to the mortgagor: *And provided further*, That in no event may any such distributive shares be distributed until any funds transferred to the Management Fund pursuant to section 219 have been repaid in full to the transferring fund. No mortgagor or mortgagee shall have any vested right in a credit balance in any such account or be subject to any liability arising out of the mutuality of the Management Fund, and the determination of the Commissioner as to the amount to be paid by him to any mortgagor shall be final and conclusive.

"(m) There is hereby created a Cooperative Sales Housing Insurance Fund (herein referred to as the 'Sales Fund') which shall be used by the Commissioner as a revolving fund for carrying out the provisions of this title with respect to mortgages insured under subsection (a)(2) and individual mortgages insured under subsection (d) pursuant to commitments issued on or after the date of the enactment of this subsection or mortgage insurance or commitments reissued under subsection (o). The Commissioner is directed to transfer to the Sales Fund from the Housing Insurance Fund established pursuant to section 207(f) such amount as the Commissioner determines to be the proper arithmetical apportionment of the funds to the Sales Fund. General expenses of the operation of the Federal Housing Administration relating to mortgages the mortgage insurance for which is the obligation of the Sales Fund may be charged to the Sales Fund.

"(n) The Commissioner shall establish, as of the date of enactment of this subsection, in the Sales Fund, a General Surplus Account and a Participating Reserve Account. The aggregate net income thereafter received or any net loss thereafter sustained by the Sales Fund in any semiannual period shall be

credited or charged to the General Surplus Account and/or the Participating Reserve Account in such manner and amounts as the Commissioner may determine to be in accordance with sound actuarial and accounting practice. Upon termination of the insurance obligation of the Sales Fund by payment of any mortgage insured thereunder, the Commissioner is authorized to distribute to the mortgagor a share of the participating Reserve Account in such manner and amount as the Commissioner shall determine to be equitable and in accordance with sound actuarial and accounting practice: *Provided*, That in no event shall any such distributive share exceed the aggregate scheduled annual premiums of the mortgagor to the year of termination of the insurance: *And provided further*, That in no event may any such distributive share be distributed until any funds transferred to the Sales Fund pursuant to section 219 have been repaid in full to the transferring fund. No mortgagor or mortgagee shall have any vested right in a credit balance in any such account, or be subject to any liability arising out of the mutuality of the Sales Fund, and the determination of the Commissioner as to the amount to be paid by him to any mortgagor shall be final and conclusive.

"(o) The Commissioner shall be empowered to reissue under the Management Fund or the Sales Fund, as the case may be, commitments or the mortgage insurance for any mortgage insured under this section pursuant to a commitment issued prior to the date of the enactment of this subsection, provided the consent of the mortgagees to such reissuance is obtained, or a request by the mortgagee for such reissuance is received, by the Commissioner within such period as the Commissioner may prescribe after such date of enactment; but the mortgage insurance for any such mortgage shall not be reissued under this subsection if on the date of such enactment the mortgage is in default and the mortgagee has notified the Commissioner in writing of its intention to file claim for debentures. Any insurance or commitment not so reissued shall not be affected by the enactment of this subsection."

"(p) Notwithstanding the limitations contained in sections 203(c) and 207(d), premium charges for mortgages insured under sections 207 and 213 may be payable in debentures for mortgages reissued or insured pursuant to commitments reissued under the Management Fund or Sales Fund as provided in subsection (o) of this section; and the rights of mortgagees transferring to the Management Fund or Sales Fund shall not be prejudiced, impaired, or diminished with respect to the character or use of debentures received by them."

(b) Section 207(f) of such Act is amended by striking out "and section 213" each place it appears and inserting in lieu thereof "and (except with respect to mortgages the mortgage insurance for which is the obligation of the Cooperative Management Housing Insurance Fund or the Cooperative Sales Housing Insurance Fund) section 213".

(c) Section 213(a) (3) of such Act is amended by striking out the semicolon at the end thereof and inserting in lieu of such semicolon a colon and the following: "*Provided*, That as to mortgages the mortgage insurance for which is the obligation of the Management Fund such stock or interest shall be paid for out of the Management Fund;"

(d) Section 213(a) of such Act is further amended by striking out the period at the end thereof and inserting in lieu of such period a colon and the following: "*Provided*, That as applied to mortgages the mortgage insurance for which is the obligation of the Sales Fund, the reference to the Housing Fund in section 207(b) (2) shall refer to the Sales Fund: *Provided further*, That as applied to mortgages the mortgage insurance for which is the obligation of the Management Fund, the reference to the Housing Fund in section 207(b) (2) shall refer to the Management Fund."

(e) Section 213(e) of such Act is amended to read as follows:

"(e) (1) The provisions of subsections (d), (e), (g), (h), (i), (j), (k), (l), (m), (n), and (p) of section 207 shall apply to mortgages insured under subsection (a) (1) and subsection (a) (3) of this section, except that as applied to mortgages the mortgage insurance for which is the obligation of the Management Fund pursuant to section 213(k) (A) all references to the Housing Insurance Fund or Housing Fund shall refer to the Management Fund, and (B) all references to section 207 or 210 shall refer to subsection (a) (1) and subsection (a) (3) of this section.

"(2) The provisions of subsections (d), (e), (g), (h), (i), (j), (k), (l), (m), (n), and (p) of section 207 shall apply to mortgages insured under subsection (a) (2) of this section, except that as applied to mortgages the mortgage insur-

ance for which is the obligation of the Sales Fund pursuant to section 213(m), (A) all references to the Housing Insurance Fund or Housing Fund shall refer to the Sales Fund, and (B) all references to section 207 or 210 shall refer to subsection (a) (2) of this section.

"(3) The provisions of subsections (a), (c), (d), (e), (f), (g), (h), (j), and (k) of section 204 and subsection (p) of section 207 shall apply to individual mortgages insured under subsection (d) of this section, except that as applied to mortgages the mortgage insurance for which is the obligation of the Sales Fund pursuant to section 213 (m), (A) all references to the Housing Insurance Fund or the Housing Fund in subsections (c), (d), and (f) of section 204 and subsection (p) of section 207 shall refer to the Sales Fund, and (B) all references to section 207 or 210 in subsections (c), (d), and (f) of section 204 and subsection (p) of section 207 shall refer to subsection (d) of this section."

(f) Section 219 of such Act is amended by striking out "or the Servicemen's Mortgage Insurance Fund" and inserting in lieu thereof "the Servicemen's Mortgage Insurance Fund, the Cooperative Management Housing Insurance Fund, or the Cooperative Sales Housing Insurance Fund".

SEC. 3. Title II of the National Housing Act, as amended, is hereby amended by inserting the following new section at the end thereof:

"Sec. 233. In the processing of applications for commitments to insure mortgages pursuant to this Act, if such mortgage is eligible for a commitment by the Federal National Mortgage Association pursuant to the special assistance functions of the Association under title III of this Act and the mortgagee certifies to the Commissioner that, after the issuance by the Commissioner of his commitment to insure the mortgage, the mortgagee intends to apply to the Association or others for a commitment to purchase such mortgage and to deliver such mortgage for purchase pursuant to such commitment, there shall be included in the Commissioner's estimate of the replacement cost or value of the property or project to be covered by such mortgage an amount equal to the amount of the financing costs and fees which would be imposed by the Association in connection with its commitment and purchase of such a mortgage."

AMENDMENTS RELATING TO FEDERAL NATIONAL MORTGAGE ASSOCIATION

SEC. 4. Title III of the National Housing Act, as amended, is hereby amended—

(1) by inserting, in section 302(b), after the words "insured under section 220 or 803" the following: "or under section 213 where the project involved is located in an urban renewal area";

(2) by striking out, in section 302(b), "\$17,500 for each family residence or dwelling unit covered by the mortgage" and inserting in lieu thereof the following: "in the case of multifamily housing projects, for such part of the project as may be attributable to dwelling use, \$17,500 per family unit, or, in the case of one-to-four-family residences, \$17,500 per family residence";

(3) by inserting, before the period at the end of the second sentence of section 305(b), the following: "Provided, That with respect to any mortgage on which a commitment to purchase is made during the one-year period beginning on the date of enactment of this proviso, the price to be paid by the Association shall be not less than the unpaid principal amount thereof at the time of purchase, with adjustments for interest and any comparable items"; and by inserting, before the period at the end of the third sentence of section 305(b), the following: "Provided, That with respect to any mortgage on which a commitment to purchase is made during the one-year period beginning on the date of the enactment of this proviso, the charges or fees so imposed by the Association for its commitment and purchase shall not exceed 1 per centum of the unpaid principal amount of the mortgage, and not more than one-fourth of such charges or fees shall be collected at the time of the issuance of the commitment with respect to the mortgage, with the balance of such charges or fees being collected at the time of purchase";

(4) by striking out in section 305(e) "\$200,000,000", "\$20,000,000", and "\$50,000,000" and inserting in lieu thereof "\$250,000,000", "\$25,000,000", and "\$100,000,000", respectively; and

(5) by inserting at the end of section 305(e) the following two sentences: "Commitments for the purchase of mortgages insured under section 213(a) (3) of this Act shall be issued or extended to correspond with the applicable two-year statutory period after completion of such projects for their sale

to cooperatives. When the Federal Housing Commissioner shall have issued, pursuant to section 213, a statement of feasibility on a project including an estimate as to the maximum amount of the mortgage involved, the Association is authorized to enter into a commitment contract to reserve funds available for the purchase of such mortgage; such reservation shall be for a period certified by the Federal Housing Commissioner as necessary, taking into account the estimated time required to issue a commitment for mortgage insurance. The Association may impose a charge of one-half of the fee which would be payable at the time of the issuance of its advance commitment to purchase the mortgage when the Federal Housing Commissioner shall have issued a commitment to insure, and such amount shall be credited toward said fee if such advance commitment is later issued by the Association."

S. 3512

DIGEST OF BILL

Section 1.—Amends section 207 of the National Housing Act to require the FHA Commissioner when selling property acquired by him as a result of defaults under section 207 (regular rental housing), section 213 (cooperative housing), section 220 (urban renewal housing), section 221 (relocation housing), section 608 (veterans emergency housing), and section 908 (defense housing), to give first priority to a local public agency or a properly qualified consumer cooperative which makes a request to purchase the project. The price would be equal to fair market value of the project as determined by the Commissioner.

Section 2.—(1) Amends section 213 of the National Housing Act to require that the certification of actual cost of an investor-sponsored cooperative be computed as of the date of sale of the project to the cooperative. Existing law requires that the certification of actual cost be computed as of the date of completion and final endorsement of the mortgage of the investor-sponsor.

(2) Amends section 213 of the act to permit the cost of exterior land improvements to be included in the mortgage amount without being computed as part of the per room or per unit cost limitation.

(3) and (4) Amend section 213 of the act to specifically permit the estimate of replacement cost of the project to include (a) interest, (b) taxes, organization and legal expenses, and (c) miscellaneous charges approved by the Commissioner, during construction and during such period thereafter as the Commissioner determines is reasonable for the project to reach a breakeven point. Also specifies that the value of the land to be included in the estimated project replacement cost is its fair market value of the land.

(5) Amends section 213 of such act to provide that the sole test of feasibility for an investor-sponsor type of cooperative shall be the availability of people in the community who need housing and can afford it, rather than the market for rental housing.

(6) Restores the position of Assistant Commissioner for Cooperative Housing within the staff organization of the FHA.

(7) Amends section 213 to permit the Commissioner to exercise discretion as to the extent and period of disqualification of an investor-sponsor identified with a project which failed to become a cooperative.

(8) Amends section 213 to permit cooperatives undertaken separately to be combined into one cooperative with same mortgagor, but with a separate mortgage on each project.

(9) Amends section 213 to permit the establishment of two mutual mortgage insurance funds for cooperatives. This would permit refunds of premiums to the extent permitted by loss experience similar to refunds permitted under the FHA section 203 program. One fund would relate to management-type of continuing consumer cooperatives; the other fund would relate to sales-type cooperatives where the mortgaged property is owned by an individual.

Section 3.—Amends section 213 to permit the estimated replacement cost of a project to include financing costs and fees charged by FNMA. If a mortgage is sold to other than FNMA, an amount equivalent to FNMA fees and charges would be permitted in the estimated replacement cost.

Section 4.—(1) Amends section 302(b) of the National Housing Act to permit the maximum amount of an FHA section 213 loan purchased by the FNMA, if such mortgage is secured by a project constructed in an urban renewal area,

to be the same as the maximum amount insured by FHA. This is now permitted for loans insured under section 220.

(2) Amends section 302(b) of the act to permit the FNMA, in its special assistance functions, to purchase an FHA section 213 mortgage secured by a project in a nonrenewal area, to exceed \$17,500 per unit by the cost of community facilities and other nondwelling items.

(3) Amends section 305(b) of the act to require that FNMA, in the performance of its special assistance function during the 1-year period beginning on date of enactment, shall not pay less than par for any mortgage. Also during the same period, would reduce FNMA charges from 1½ to 1 percent of the mortgage amount, with initial payment of one-fourth of 1 percent, instead of one-half of 1 percent.

(4) Amends section 305(e) of such act to increase FNMA special assistance authorization by \$50 million, but these additional funds would be available only for projects involving consumer cooperatives.

(5) Amends section 305(e) of the National Housing Act to require that FNMA's commitments to purchase investor-sponsored and consumer cooperative mortgages insured under section 213 be extended to allow a period of 2 years after completion of the project for FNMA's purchase of the mortgage, to conform with the period of 2 years after such completion is allowed the investor-sponsor for sale to a cooperative under section 213(b)(2).

Also authorizes FNMA, when FHA has issued a letter of site acceptance (statement of feasibility) on a housing project under section 213 and application for insurance of the mortgage covering such project has been made, to reserve the funds which will be necessary to purchase such mortgage.

[S. 3541, 86th Cong., 2d sess.]

Mr. SPARKMAN (by request) (for himself and Mr. CAPEHART)

A BILL To provide additional financial facilities in the Federal National Mortgage Association, to provide for the incorporation of Federal mortgage investment companies, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE I—FEDERAL NATIONAL MORTGAGE ASSOCIATION

SEC. 101. That part of section 302(b) of the Federal National Mortgage Association Charter Act which precedes the colon is amended by striking out "to make commitments to purchase and to purchase, service, or sell, any residential or home mortgages (or participations therein) which are insured under this Act, as amended," and by substituting therefor ", pursuant to commitments or otherwise, to purchase, lend (under section 304) on the security of, service, sell, or otherwise deal in any mortgages which are insured under the National Housing Act, as amended,".

SEC. 102. The third sentence of section 303(a) of such Act is amended by striking out "At the option of the Association all such stock shall be retrievable at par value at any time," and by substituting therefor "At the option of the Association, all or any part of the preferred stock shall be retrievable at par value at any time. The Association may purchase, and may retire, hold, or sell, its common stock,".

SEC. 103. The first sentence of section 303(b) of such Act is amended by inserting immediately before the period at the end thereof the following: "; and by requiring each borrower to make such payments, equal to not more than one-half of 1 per centum of the amount lent by the Association to such borrower under section 304'".

SEC. 104. Section 303(c) of such Act is amended by striking out the first sentence and by substituting therefor "The Association shall issue, from time to time, to each mortgage seller or borrower its common stock, only in denominations of \$100 or multiples thereof, evidencing any capital contributions (adjusted by reason of any payments into surplus required by the Association) made by such seller or borrower pursuant to subsection (b) of this section."

SEC. 105. Section 303(g) of such Act is amended by striking out "the Housing and Home Finance Administrator shall transmit to the President for submis-

sion" and by substituting therefor "the president of the Association shall transmit".

SEC. 106. Section 304(a) of such Act is amended by inserting "(1)" before "To carry out", and by adding at the end thereof the following new paragraph:

"(2) To carry out further the purposes set forth in paragraph (a) of section 301, the Association is authorized to make loans which are secured by mortgages insured or guaranteed under the National Housing Act, or the Servicemen's Readjustment Act of 1944, chapter 37 of title 38 United States Code. In the interest of assuring sound operation, any loan made by the Association in its secondary market operations under this section, and any extension or renewal thereof, shall not exceed 90 per centum of the unpaid principal balances of the mortgages securing the loan, shall bear interest at a rate consistent with general loan policies established from time to time by the Association's board of directors, and shall mature in not more than twelve months. The volume of the Association's lending activities and the establishment of its loan ratios, interest rates, maturities, and charges or fees, in its secondary market operations under this section, should be determined by the Association from time to time; and such determinations, in conjunction with determinations made under paragraph (1), should be consistent with the objectives that the lending activities should be conducted on such terms as will reasonably prevent excessive use of the Association's facilities, and that the operations of the Association under this section should be within its income derived from such operations and that such operations should be fully self-supporting. Notwithstanding any Federal, State, or other law to the contrary, the Association is hereby empowered, in connection with any loan under this section, whether before or after any default, to provide by contract with the borrower for the settlement or extinguishment, upon default, of any redemption, equitable, legal, or other right, title, or interest of the borrower in any mortgage or mortgages that constitute the security for the loan; and with respect to any such loan, in the event of default and pursuant otherwise to the terms of the contract, the mortgages that constitute such security shall become the absolute property of the Association."

SEC. 107. The first sentence of section 304(b) of such Act is amended by striking out "ten" and by substituting therefor "fifteen".

SEC. 108. Section 304(d) of such Act is hereby repealed.

SEC. 109. Section 304(b), section 309(c), and section 310 of such Act are each amended by inserting "or other security holdings" after "mortgages".

SEC. 110. Section 308 of such Act is amended by substituting therefor the following:

"PRESIDENT AND BOARD OF DIRECTORS

"SEC. 308. (a) There shall be a President of the Federal National Mortgage Association, who shall be appointed by the President of the United States by and with the advice and consent of the Senate, and who shall serve as chief executive officers of the Association.

"(b) There shall be a board of directors of the Association consisting of the President of the Federal National Mortgage Association who shall be ex officio chairman of the board of directors, and two other members who shall be appointed by the President of the United States by and with the advice and consent of the Senate. The term of the offices aforesaid shall be six years, except that the initial appointments shall be for terms of six, four, and two years, respectively, from a common commencement date. Upon the expiration of any such term, the incumbent of the office shall continue to serve until his successor is appointed and takes office. The members of the board of directors, in addition to their duties as such, shall perform other additional duties as the board of directors may from time to time prescribe. Two members of the board of directors shall constitute a quorum. The board of directors shall select and effect the appointment of qualified persons to fill the office of first vice president and such other executive officers as may be provided for in the bylaws, with such executive functions, powers, and duties as may be prescribed by the bylaws or by the board of directors, and the compensation pertaining to such other executive offices shall be at such rates as shall be determined by the board of directors.

"(c) The basic rate of compensation of the president of the Association shall be the same as the basic rate of compensation established for executive officers or positions by section 105 of the Federal Executive Pay Act of 1956; the basic rate of compensation of the members of the board of directors other than the president of the Association, and the basic rate of compensation of the first vice president of the Association, shall be the same as the basic rate of compensa-

tion established for executive offices or positions by section 106(a) of the Federal Executive Pay Act of 1956.

"(d) The board of directors may provide for the appointment and maintenance of one or more advisory committees; and the members thereof, as such, shall not be deemed officers or employees of the Association. The term of any member may be terminated at any time by action of the board of directors. Any such committee shall serve in an advisory capacity only. The members thereof shall be compensated on a per diem basis and reimbursed for any necessary travel, in connection with their attendance at meetings of the committee, and in connection with any work therefor that is authorized and requested by the board of directors. Compensation paid pursuant to the preceding sentence shall be at such rates as shall be determined by the board of directors.

"(e) There shall be 'The advisory council, Federal National Mortgage Association,' which shall be provided for by the board of directors pursuant to subsection (d) of this section. The advisory council shall consist of twelve members, to be selected by the board of directors and appointed by the President of the Association. Each member shall be appointed to serve for such term not to exceed two years as the board of directors shall determine. In selecting the members of the advisory council, the board of directors shall have due regard to a fair representation of the home building, mortgage banking, real estate, and general financing interests, and the geographic divisions of the Nation. The advisory council shall meet on call of the board of directors, issued by the President of the Association, and shall be called to meet not less often than once in every four months. Insofar as feasible, meetings shall be held in various cities to provide opportunities for the members of the advisory council to keep continuously informed as to mortgage market conditions in all parts of the Nation."

SEC. 111. The first sentence of section 309(d) of such Act is amended by striking out "The Chairman of the Board" and by substituting therefor "The President of the Association".

SEC. 112. (a) Section 302(a) of such Act is amended by inserting "mixed-ownership" before "body corporate".

(b) Section 101 of the Government Corporation Control Act is amended by striking out "Federal National Mortgage Association;".

(c) Section 201 of the Government Corporation Control Act is amended by striking out "and (5)" and by substituting therefor "(5) Federal National Mortgage Association, and (6)".

TITLE II—FEDERAL MORTGAGE INVESTMENT COMPANIES

SEC. 201. This title II may be cited as the "Federal Mortgage Investment Company Act".

SEC. 202. Subject to such rules and regulations as it shall promulgate, the board of directors of the Federal National Mortgage Association (hereinafter referred to as the "incorporating board") is hereby authorized to charter Federal mortgage investment companies in conformity with this title, for the purposes and with the powers and authority set forth herein, and to regulate, examine, and supervise such companies. For purposes of its functions under this title, the incorporating board shall—

(a) levy, with respect to its services, such fees and charges as it shall determine, assessed against individual Federal mortgage in vestment companies, which fees and charges shall be with the purpose of providing such board with funds for all costs and expenses incurred in the performance of its functions under this title; and have power to determine the necessity for and the character and amounts of its obligations and expenditures hereunder, and the manner in which they shall be incurred, allowed, paid, and accounted for.

(b) select and effect the appointment of a qualified person, to be known as secretary of incorporations, who shall serve as chief administrative officer with respect to the functions under this title, and whose basic rate of compensation shall be the same as the basic rate of compensation established by section 196(b) of the Federal Executive Pay Act of 1956; and, subject to civil service and classification laws, provide such Secretary with such employees as such board may determine to be necessary; and, by delegation, may empower and authorize such Secretary to do any act authorized under this title and assign him such other functions or duties as it may determine.

(c) make available to the Secretary of Incorporations, from time to time, such personnel and facilities of the Federal National Mortgage Association as it may determine to be appropriate: *Provided*, That such Association shall be reimbursed, as the board of directors of Federal National Mortgage Association may determine, for use made of its personnel and facilities and for the services of the board under this title. The Federal National Mortgage Association may make reimbursable advances, as the board of directors of Federal National Mortgage Association may determine, for purposes of the functions under this title, and the purposes for which such Association is authorized to borrow under section 205 of the Federal National Mortgage Association Charter Act are expanded to include such advances.

SEC. 203. Each Federal mortgage investment company chartered under this title shall have succession from the date of issuance of its certificate of incorporation, as hereinafter provided, until it is dissolved in accordance with this title or by Act of Congress. Each such company, in its corporate name, may sue or be sued and complain or defend in any court of competent jurisdiction, State or Federal. Each such company shall be deemed a citizen of the State or other jurisdiction in which its principal office is located, for the purpose of all actions and suits by or against it, in law and in equity, real, personal, or mixed. Each such company may conduct its business in any State of the United States or any territory or possession thereof, or in the District of Columbia or Commonwealth of Puerto Rico, and may have one or more offices in any such jurisdiction.

SEC. 204. Any number of natural persons, not less than five, may apply to the incorporating board for a charter as a Federal mortgage investment company under this title, and at the time of such application, the applicants shall transmit their articles of incorporation, signed and sealed, and acknowledged before a judge of any court of record or a notary public, by each of the incorporators. The articles of incorporation shall specifically state the following—

- (a) the name of the company, which name shall be subject to the approval of the incorporating board.
- (b) the place where the company's principal office or place of business is to be located.
- (c) the amount at which the company shall be capitalized, which shall be not less than \$1,000,000, and the number of shares which shall represent the company's capital.
- (d) the names and places of residence of subscribers to capital stock under existing firm contracts, and the number of shares to be held by each such subscriber.
- (e) such other information as the incorporating board may require by rule, regulation, or otherwise.
- (f) the fact that the articles of incorporation are submitted to enable the incorporators to avail themselves of the provisions of this title.

SEC. 205. In the case of any application under section 204 hereof, after careful examination of all material submitted in connection therewith, and of any related facts, whether by special commission or otherwise, the incorporating board shall issue a certificate of incorporation to the Federal mortgage investment company applying thereof, if it is determined that the company is lawfully entitled to be chartered under this title. No such company shall transact any business, except such as is incidental to its organization, until it has been chartered in accordance with this title and a certificate of incorporation has been received by it. The incorporating board shall not issue a certificate of incorporation to any such company until it has ascertained, by satisfactory proof submitted with the application, or otherwise, that at least 25 per centum of the company's capital stock has been subscribed to and paid for in cash, or in Government securities, or in first mortgages or such other first liens as are authorized investments for the company under this title: *Provided*, That the valuation of any such Government securities or first mortgages or other first liens for the foregoing purposes shall be subject to approval by the incorporating board.

SEC. 206. Upon being chartered under this title, a Federal mortgage investment company shall be a body corporate, and as such, in the name designated in its certificate of incorporation, it shall have the following powers and authority—

- (a) to originate, as mortgagee, or to purchase, and to service, sell, borrow on the security of, and otherwise deal in any mortgages which are insured under the National Housing Act, or insured or guaranteed under

the Servicemen's Readjustment Act of 1944, chapter 37 of title 38 United States Code.

(b) to originate, as mortgagee, or to purchase, and to service, sell, borrow on the security of, and otherwise deal in first mortgages, and such other first liens as are commonly given under the laws of the State or other jurisdiction in which the real estate is located to secure advances upon real estate held in fee simple, under a lease for not less than ninety-nine years which is renewable, or under a lease having a period of not less than fifty years to run from the date the mortgage was executed, together with the credit instruments, if any, secured thereby: *Provided*, That the amount of the principal obligation of any such mortgage shall not exceed 75 per centum of the value of the property, appraised in accordance with accepted appraisal principals, subject to any rules and regulations promulgated by the incorporating board.

(c) to make payments of nonrefundable capital contributions to the Federal National Mortgage Association, and to receive stock of such Association evidencing such capital contributions, and to hold or dispose of such stock so acquired.

(d) in accordance with section 207 of this title, to borrow money through the issuance of notes, bonds, debentures, or other obligations.

(e) to deal with, rent, renovate, modernize, or sell for cash or credit, or otherwise dispose of, with a view to assuring a maximum financial return to the company, any property acquired by it as a result of foreclosure or other liquidation proceedings.

(f) to adopt and use a corporate seal.

(g) to adopt, amend, and repeal bylaws governing its activities.

(h) to enter into any transactions in the exercise of any of its powers, and execute any instruments necessary or appropriate thereto; and do any and all other things necessary or incidental to the proper management of its business or conduct of its affairs.

SEC. 207. Each Federal mortgage investment company is empowered and authorized to issue and have outstanding at any one time notes, bonds, debentures, or other obligations in an aggregate amount not to exceed twenty times the amount of its paid-up capital and surplus, and in no event to exceed the aggregate current unpaid principal balances of mortgages held by it and insured or guaranteed under the National Housing Act, or the Servicemen's Readjustment Act of 1944, chapter 37 of title 38, United States Code, plus the amount of its cash on hand and on deposit, and the value of its investments in obligations of the United States or guaranteed thereby, and of the Federal National Mortgage Association. Any such company may, if its bylaws so provide, accept any notes, bonds, debentures, or other obligations issued by it in payment of obligations due it at par plus accrued interest: *Provided*, That any such notes, bonds, debentures, or other obligations so accepted shall be canceled and not reissued. Except with the approval of the incorporating board, no such company shall issue any notes, bonds, debentures, or other obligations until such time as the subscriptions to the full amount of its capital stock are paid for in full.

SEC. 208. All moneys of any Federal mortgage investment company not invested in mortgages or other first liens as provided in section 206 hereof, or in operating facilities approved by the incorporating board, shall be kept in cash on hand or on deposit, or invested in obligations of the United States or guaranteed thereby, or of the Federal National Mortgage Association: *Provided*, That each such company shall accumulate and maintain such minimum reserves as the incorporating board shall by rules and regulations prescribe.

SEC. 209. Each Federal mortgage investment company, including its franchise, capital, surplus, reserves, and income shall be exempt from taxation now or hereafter imposed by any State, county, municipality, or local taxing authority: *Provided*, That the foregoing shall not exempt the real and personal property of such company from taxation by any such taxing authority to the same extent according to its value as other such property is taxed.

SEC. 210. Any solvent Federal mortgage investment company able to pay its debts as they mature may go involuntarily into liquidation and wind up its affairs on the vote of its shareholders owning two-thirds of its stock. In any such case, the shareholders shall designate one or more persons to act as a liquidating agent or committee, as the case may be, subject to rules and regulations promulgated by the incorporating board; and such board is authorized to

supervise any such liquidation, until the claims of all creditors have been satisfied.

SEC. 211. The incorporating board shall have the power to order the liquidation and the winding up of the affairs of any such company, if it finds that the company is violating any provision of this title or any rule or regulation promulgated thereunder, or if it finds that the company is conducting its business in an unsafe and unbusinesslike manner. In any case in which the incorporating board finds that the capital of the company is substantially impaired, and if, within thirty days after it has notified the company of the existence of such impairment, the capital is not restored to its satisfaction, the incorporating board shall order the liquidation and winding up of the company's affairs. The liquidation under this section of any company shall be supervised by the incorporating board, and shall be subject to any rules and regulations promulgated by it, including but not limited to provisions for receiverships.

SEC. 212. The incorporating board is authorized to prescribe rules and regulations governing the operations of Federal mortgage investment companies, and to carry out the provisions of this title, in accordance with the purposes thereof. Each such company shall be subject to examinations made by direction of the incorporating board, and shall make such reports to the incorporating board at such times and in such form as the board may require; except that the incorporating board may, in its discretion, exempt from making such reports any such company if such company is registered under the Investment Company Act of 1940 to the extent necessary to avoid duplication in reporting requirements.

SEC. 213. No individual, partnership, association, or corporation, except companies chartered under this title, shall hereafter use the words "Federal mortgage investment company", or any combination of such words, as the name or a part thereof under which he or it shall do business. Every individual, partnership, association, or corporation violating this prohibition shall be guilty of a misdemeanor and shall be punished by a fine of not exceeding \$100 or imprisonment not exceeding thirty days, or both, for each day during which such violation is committed or repeated. The provisions of section 709, title 18, United States Code, shall not apply to companies chartered under this title.

TITLE III—MISCELLANEOUS PROVISIONS

SEC. 301. Section 3 of the Securities Act of 1933, as amended (15 U.S.C. 77c), is hereby amended by inserting at the end thereof the following new subsection (d):

"(d) The Commission may from time to time by its rules and regulations and subject to such terms and conditions as may be prescribed therein, add to the securities exempted as provided in this section any class of securities issued by a Federal mortgage investment company under the Federal Mortgage Investment Company Act if it finds, having regard to the purposes of that Act, that the enforcement of this Act with respect to such securities is not necessary in the public interest and for the protection of investors."

SEC. 302. Section 304 of the Trust Indenture Act of 1939 (15 U.S.C. 77ddd) is hereby amended by adding the following subsection (f):

"(f) The Commission may from time to time by its rules and regulations, and subject to such terms and conditions as may be prescribed therein, add to the securities exempted as provided in this section any class of securities issued by a Federal mortgage investment company under the Federal Mortgage Investment Company Act if it finds, having regard to the purposes of that Act, that the enforcement of this Act with respect to such securities is not necessary in the public interest and for the protection of investors."

SEC. 303. Section 18 of the Investment Company Act of 1940 (15 U.S.C. 80a-18) is amended by adding at the end thereof the following:

"(1) The provisions of subparagraphs (A) and (B) of paragraph (1) of subsection (a) of this section shall not apply to Federal mortgage investment companies chartered under the Federal Mortgage Investment Company Act."

SEC. 304. (a) Section 1242 of the Internal Revenue Code of 1954 is hereby amended by adding "or Federal mortgage investment company" in the heading thereof immediately before the word "stock", and by adding in paragraph (1) thereof, immediately before the comma, "or in a Federal mortgage investment company chartered under the Federal Mortgage Investment Company Act".

(b) Section 582 of the Internal Revenue Code of 1954 is hereby amended by inserting at the end thereof the following new subsection:

"(d) MORTGAGE LOSSES OF FEDERAL MORTGAGES INVESTMENT COMPANIES.—In the case of a Federal mortgage investment company chartered under the Federal

Mortgage Investment Company Act, if the losses of the taxable year from sales or exchanges of mortgages held by it exceed the gains of the taxable year from such sales or exchanges, no such sales or exchanges shall be considered a sale or exchange of a capital asset."

(c) (1) The heading of part III of subchapter H of chapter 1 of the Internal Revenue Code of 1954 is hereby amended by adding after "BANK AFFILIATES" the words "AND FEDERAL MORTGAGE INVESTMENT COMPANIES," and by adding the following to the subheading thereof:

"Sec. 602. Deduction for additions to loss reserves of Federal mortgage investment companies.

"Sec. 603. Exclusion for mortgage discounts of Federal mortgage investment companies.

"Sec. 604. Deduction for amounts paid to holders of shares and obligations of Federal mortgage investment companies."

(2) Part III of subchapter H of chapter 1 of the Internal Revenue Code of 1954 is amended by adding the following new sections:

"SEC. 602. DEDUCTION FOR ADDITIONS TO LOSS RESERVES OF FEDERAL MORTGAGE INVESTMENT COMPANIES.

"In the case of a Federal mortgage investment company chartered pursuant to the Federal Mortgage Investment Company Act, there shall be allowed as a deduction an addition to a reserve for losses, relating to the sale, exchange, or total or partial worthlessness of mortgages held by such companies, in amount not exceeding 10 per centum of the taxable income of such companies, computed without regard to this section or to section 604 of this subchapter.

"SEC. 603. EXCLUSION FOR MORTGAGE DISCOUNTS OF FEDERAL MORTGAGE INVESTMENT COMPANIES.

"In the case of a Federal mortgage investment company chartered pursuant to the Federal Mortgage Investment Company Act, gross income shall not include the amount of any discount on a mortgage purchased or originated by such company until such discount has been realized, through sale or exchange of the mortgage or otherwise.

"SEC. 604. DEDUCTION FOR AMOUNTS PAID TO HOLDERS OF SHARES AND OBLIGATIONS OF FEDERAL MORTGAGE INVESTMENT COMPANIES.

"In the case of a Federal mortgage investment company chartered pursuant to the Federal Mortgage Investment Company Act which for any taxable year distributes at least 90 per centum of its taxable income, computed without regard to this section or to section 602 of this subchapter, there shall be allowed as a deduction amounts paid with respect to stock or obligations issued by such company."

S. 3541

DIGEST OF BILL

Section 101.—Amends section 302(b) of the National Housing Act to provide general authority for FNMA to make loans up to 12 months to be secured by FHA and VA mortgages.

Section 102.—Amends section 303(a) of such act to permit FNMA to retire common stock at other than par value.

Section 103.—Amends section 303(b) of such act to establish a ceiling of one-half of 1 percent on the nonrefundable amount to be paid by borrowers toward FNMA capital.

Section 104.—Amends section 303(c) to provide that those who make non-refundable payments, including borrowers, shall be entitled to receive shares of FNMA common stock, subject to any appropriate adjustments if the association should determine that portions of any such payments are to be credited to surplus.

Section 105.—Amends section 303(g) of such act to provide that plans for the transfer of the FNMA secondary market operations to the owners of the outstanding common stock (after the retirement of all preferred stock) should be transmitted to the Congress, for legislative action, by the President of the Association rather than by the President of the United States.

Section 106.—Amends section 304(a) of such act to establish a new FNMA lending operation. FNMA would be granted authority in its secondary market operations to make loans secured by FHA or VA mortgages, in amounts not to

exceed 90 percent of the unpaid principal balances of the mortgages deposited with FNMA as security. Such loans would bear interest at a rate established from time to time by FNMA and would be for not more than 12 months. The volume of such operations and all details, within the statutory authority, would be determined by the Board of Directors of the Association with the express statutory precaution that such lending activities should be conducted in such fashion as to prevent excessive use and to be fully self-supporting.

Section 107.—Amends section 304(b) of such act to permit FNMA to borrow 15 times the amount of its capital and surplus. The present limit is 10 times the capital and surplus.

Section 108.—Amends section 304(d) of such act to repeal the existing prohibition against the purchase by FNMA, under its secondary market operations, of participations in mortgages.

Section 109.—Amends sections 304(b) and 309(c) of such act to authorize FNMA to take into account as a part of its assets the notes which will evidence the loans that are made on the security of mortgages.

Section 110.—Amends section 308 of such act to provide for a full-time three-man Board of Directors, and also provide for an Advisory Council. The President of FNMA would be one member of the Board and the other two would be appointed by the President with the advice and consent of the Senate. Terms of office would be 6 years, on a staggered basis. Also would establish an Advisory Council to be appointed by FNMA's president after selection by the Board of Directors. Such council would consist of 12 members to serve for terms not exceeding 2 years. Members of the council would fairly represent the homebuilding, mortgage banking, real estate, and general financing interests, and the geographic divisions of the Nation.

Section 111.—Amends section 309(d) of such act to place the authority to appoint employees in the President of the FNMA. Under existing law this authority is in the Housing and Home Finance Administrator in his capacity as Chairman of the Board.

Section 112.—Amends section 302(a) of such act to clarify existing law to show that the Association is a mixed-ownership corporation, and to correct obsolete provisions to the contrary in the Government Corporation Control Act.

Title II

Section 201.—Designates this title as the "Federal Mortgage Investment Act."

Section 202.—Authorizes the Board of Directors of FNMA to charter and to regulate, examine, and to supervise Federal mortgage investment companies. The Board would be authorized to levy fees and charges for its services, to provide funds for its expenses; to appoint a Secretary of Incorporations to serve as chief administrative officer for this title; and to empower him to carry out such duties as it may determine necessary.

Section 203.—Gives the usual general corporate powers to Federal mortgage investment companies chartered under this title.

Section 204.—Provides that not less than five natural persons may apply for a charter for a Federal mortgage investment company, and that a minimum capitalization of \$1 million be required for each company.

Section 205.—Authorizes the Board to issue a certificate of incorporation to an applicant Federal mortgage investment company if it determines the company to be lawfully entitled thereto under this title. No certificate of incorporation shall be issued until at least 25 percent of the company's capital stock has been subscribed to and paid for in cash, Government securities, or first mortgages.

Section 206.—Authorizes a chartered Federal mortgage investment company to originate, purchase, service, sell, borrow on, and otherwise deal in mortgages insured by FHA or insured or guaranteed by VA, or (within the limitation provided in sec. 207 that borrowed funds may not be used for that purpose) conventional loans not exceeding 75 percent of value, subject to rules and regulations of the Board. Such companies are also given powers sufficient to carry out their stated purposes, such as to make payments to FNMA; to borrow money; to deal with any property acquired by them; to adopt and use a corporate seal; to adopt, amend, and repeal bylaws; and generally to enter into any transaction and to execute any instruments and do any and all things necessary or incidental to the conduct of their affairs.

Section 207.—Authorizes a Federal mortgage investment company to issue its securities up to 20 times its paid-up capital and surplus, in no event to exceed the unpaid principal balances of FHA and VA loans held by it, plus its cash and the value of its investments in obligations of or guaranteed by the United

States, or of FNMA. Except with the approval of the Board, a company is forbidden to issue any securities until the full amount of subscriptions to its capital stock are paid in full.

Section 208.—Provides that moneys not invested in mortgages or in operating facilities approved by the Board are to be kept in cash or invested in obligations of or guaranteed by the United States, or of FNMA, provided that a minimum reserve shall be accumulated as the Board shall prescribe by regulation.

Section 209.—Exempts such companies from State or local taxation, except that their real or personal property is subject to tax as other such property is taxed.

Section 210.—Permits voluntary liquidation by any solvent Federal mortgage investment company by a two-thirds vote of its stockholders, subject to regulations of and supervision by the Board.

Section 211.—Vests the Board with power to terminate the affairs of any such company found to be violating this title or any rule or regulation promulgated thereunder, or which conducts its business in an unsafe and unbusinesslike manner. If the capital of any such company is substantially impaired and not restored after 30 days' notice, the Board would be required to order liquidation of the company.

Section 212.—Authorizes the Board to prescribe rules and regulations for operations of companies under this title; makes each company subject to examination at the direction of the Board; and requires each company to report to the Board as required by it.

Section 213.—Provides for certain criminal penalties.

Title III

Section 301.—Amends section 3 of the Securities Act of 1933 to permit the Securities and Exchange Commission to exempt the securities of Federal mortgage investment companies from the provisions of such act.

Section 302.—Amends section 304 of the Trust Indenture Act of 1939 to permit the Securities and Exchange Commission to exempt the securities of Federal mortgage investment companies from the provisions of such act.

Section 303.—Amends section 18 of the Investment Company Act of 1940 to exempt the securities of Federal mortgage investment companies from the requirements that (1) securities which represent an indebtedness shall have an asset coverage of at least 300 percent, and (2) dividends (other than stock dividends) may not be declared on common stock if they would reduce asset coverage of such indebtedness below 300 percent, or below 200 percent in the case of dividends on preferred stock.

Section 304.—Amends sections 582 and 1242 of the 1954 Internal Revenue Code to provide (1) that a stockholder owning stock in a Federal mortgage investment company properly chartered under the FMIC Act can receive an ordinary loss deduction, rather than a capital loss, in transactions involving stock of the company and (2) that losses of a Federal mortgage investment company on transactions involving sales or exchanges of mortgages will be treated as ordinary rather than capital losses. Section 304 also adds three sections to the Internal Revenue Code as follows:

Section 602 enables Federal mortgage investment companies to deduct from gross income additions to a reserve for "losses" relative to losses on the sale, exchange, or total or partial worthlessness of mortgages held by such companies. The maximum amount of such deduction would be 10 percent of the annual taxable income of a company. In computing the maximum 10 percent deduction for any taxable year, the company would calculate its taxable income before deducting any amounts to the loss reserve and before deducting payments to shareholders or debenture holders as provided in section 604.

Section 603 would exclude from the gross income of a Federal mortgage investment company the amount of any discount on a purchased or originated mortgage.

Section 604 would authorize a Federal mortgage company to deduct from gross income amounts paid to its shareholders or debenture holders provided certain conditions are met:

1. The mortgage investment company must make distribution of amounts from taxable income. Under section 604 the distribution would be made either to holders of stock, debentures, or other obligations of the company.

2. The amount of the distribution must be at least 90 percent of taxable income. The computation of the 90-percent figure is to be made before calculation of amounts placed in the reserve for losses or the distributions allowable under this section.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM,
OFFICE OF THE CHAIRMAN,
May 26, 1960.

HON. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to your request of May 18, 1960, for a report from the Board of Governors on S. 3541, a bill now pending before your committee to provide additional financial facilities in the Federal National Mortgage Association, to provide for the incorporation of Federal mortgage investment companies, and for other purposes.

Title I of S. 3541 would abolish FNMA's present Board of Directors, consisting of five members, one of whom is the Administrator of the Housing and Home Finance Agency, who serves as chairman and appoints the other four members. In its place, the bill would establish a Board of Directors consisting of three men, appointed for staggered 6-year terms by the President of the United States by and with the advice and consent of the Senate. The bill would authorize this Board of Directors to establish 1 or more advisory committees, and a 12-man advisory council.

In addition, title I would expand FNMA's secondary market borrowing authority from the present limit of 10 times its capital, surplus, reserves, and undistributed earnings to 15 times.

Title I would also expand FNMA's powers by authorizing it to make loans, secured by FHA-insured or VA-guaranteed mortgages, at terms not exceeding 1 year and at an interest rate "consistent with general loan policies established from time to time by the Association's Board of Directors * * *." Such loans could not exceed 90 percent of the unpaid principal balance of the mortgage collateral. The bill provides that the volume of the Association's short-term lending activities, among other things, "should be consistent with the objectives that the lending activities should be conducted on such terms as will reasonably prevent excessive use of the Association's facilities, and that the operations of the Association under this section should be within its income derived from such operations and that such operations should be fully self-supporting." Each borrower would be required to make a nonrefundable capital contribution to FNMA equal to not more than one-half of 1 percent of the amount loaned. This short-term lending program would become part of FNMA's secondary market function, although it would involve mortgage warehousing, rather than secondary market activities.

At this time, the Board questions the desirability of the changes proposed in title I of the bill relating to short-term warehousing-type loans. If made effective, these changes could result in a marked expansion of FNMA's secondary market operations accompanied by a substantial increase in the sale of its stock as well as in its borrowings from the public, with ultimate recourse to the U.S. Treasury of up to the current limit of \$2.25 billion, subject as at present to the approval of the Secretary of the Treasury. Whether or not the consolidation of warehousing and secondary market functions in one agency, as this bill proposes, would create serious potential conflicts with fiscal and monetary policy is a matter that deserves further study.

Title II of S. 3541 would provide for the newly constituted FNMA Board of Directors to charter, regulate, examine, and supervise a new type of Federal financial intermediary, which would be known as Federal mortgage investment companies. These companies would be capitalized at not less than \$1 million each in the form of cash, Government securities, or first mortgages. They would be authorized to originate, purchase, sell, service, borrow on the security of, and otherwise deal in any FHA-insured or VA-guaranteed mortgage, and in any first mortgage loan (or similar first lien) representing not more than 75 percent of the value of the underlying property.

The Federal mortgage investment companies would be authorized to borrow money by issuing obligations in an aggregate amount not exceeding 20 times the amount of their paid-up capital and surplus. The companies would be required

to accumulate and maintain minimum reserves as specified by rules and regulations of the FNMA Board of Directors. To the extent that the companies set aside not more than 10 percent of their taxable income in a reserve for losses, a deduction of the same amount would be authorized from their taxable income. In addition, for companies which distributed at least 90 percent of their taxable income in dividends or interest, a deduction of the same amount would be permitted from taxable income.

The Board questions the desirability of establishing Federal mortgage investment companies as proposed in title II. These companies would apparently have unlimited exemption from Federal income taxation as long as they set aside 10 percent of their taxable income in a reserve for losses and distributed the remaining 90 percent as dividends or interest, or as long as all taxable income was distributed as dividends or interest. This would place such companies in a highly favored tax position as against other types of competing institutionalized mortgage lenders, whose tax benefits are limited in varying degrees. Moreover, serious problems might arise in the event the Federal mortgage investment companies, in order to honor their obligations, attempted to sell or otherwise dispose of their holdings of conventional loans. Unlike federally underwritten mortgages, these loans might not be highly marketable. In any event, the provision granting an equivalent tax deduction only if at least 90 percent of taxable income were distributed in interest or dividends would appear to discourage a conservative dividend and reserve policy.

Special studies by private organizations, especially the University of California at Los Angeles, as well as by public agencies are now underway with regard to the appropriate role and functions of central mortgage facilities in the private secondary mortgage market. A number of other studies are also in process concerning the role of federally chartered and other financial intermediaries in our economy and the problems raised by the large volume of liquid claims resulting from their rapid growth in the postwar period. In the absence of the results of such studies and in the limited time available, the Board has restricted its comments to some aspects of S. 3541 which seem questionable at this time.

Sincerely yours,

WM. McC. MARTIN, Jr.

[S. 3586, 86th Cong., 2d sess.]

Mr. FULBRIGHT (for himself and Mr. SPARKMAN)

A BILL To authorize additional funds for public facility loans, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 203 (a) of the Housing Amendments of 1955 is amended by striking out "\$100,000,000" and inserting in lieu thereof "\$200,000,000".

SEC. 2. Section 203 (b) of the Housing Amendments of 1955 is amended by inserting "be" immediately after "may".

S. 3586

DIGEST OF BILL

Amends section 203 (a) of the Housing Amendments of 1955 to increase the public facility loan fund from \$100 to \$200 million.

[S. 3595, 86th Cong., 2d sess.]

Mr. LONG

A BILL To increase the borrowing authority of the Housing and Home Finance Agency for public facility loans

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 203 (a) of the Housing Amendments of 1955 is amended by striking out "\$100,000,000" and inserting in lieu thereof "\$200,000,000".

S. 3595

DIGEST OF BILL

Amends section 203(a) of the Housing Amendments of 1955 to increase the public facility loan fund from \$100 to \$200 million.

[H.R. 10213, 86th Cong., 2d sess.]

AN ACT To amend the National Housing Act to halt the serious slump in residential construction, to increase both on-site and off-site job opportunities, to help achieve an expanding full employment economy, and to broaden home ownership opportunities for the American people

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Emergency Home Ownership Act".

Sec. 2. (a) The Congress hereby finds that the present policy of the Federal Housing Administration, insofar as it limits mortgage insurance under its regular residential housing program to cases involving loans made by corporate mortgages and other commercial lenders, is preventing the effective operation of the program, particularly in the smaller towns and communities of the Nation. It is therefore declared to be the intention of the Congress and the purpose of this section to make mortgage insurance under the Federal Housing Administration's regular residential housing program more readily available in smaller towns and communities by specifically providing that individuals as well as commercial lenders may be approved as mortgagees for purposes of such program.

(b) Section 203(b) of the National Housing Act is amended by adding at the end thereof the following new paragraph:

"Nothing in paragraph (1) or any other provision of this section shall be construed as prohibiting or preventing the approval of an individual as mortgagee for purposes of insurance under this section."

Sec. 3. The first sentence of section 203(c) of the National Housing Act is amended by striking out all that precedes the first colon and inserting in lieu thereof the following: "The Commissioner is authorized to fix a premium charge for the insurance of mortgages under this title but in the case of any mortgage such charge shall be not less than an amount equivalent to one-fourth of 1 per centum per annum nor more than an amount equivalent to 1 per centum per annum of the amount of the principal obligation of the mortgage outstanding at any time, without taking into account delinquent payments or prepayments".

Sec. 4. (a) Section 301(a) of the National Housing Act is amended by inserting before the semicolon at the end thereof the following: ", and by aiding in the stabilization of the mortgage market".

(b) Section 304(a) of such Act is amended by striking out the last three sentences and inserting in lieu thereof the following: "The Association shall, from time to time, establish and publish prices to be paid by it for mortgages purchased by it in its secondary market operations under this section. The volume of the Association's purchases and sales and the establishment of purchase prices, sales prices, and charges or fees in its secondary market operations under this section shall be so conducted as to promote the interests of the national economy by aiding in the stabilization of the mortgage market to the maximum extent consistent with sound operation, and within the reasonable capacity of the Association to sell its obligations to private investors. The Association shall buy at such prices and on such terms as will reasonably prevent excessive use of the Association's facilities and permit the Association to operate within its income derived from such secondary market operations and to be fully self-supporting. Notwithstanding any other provision of this section, advance commitments to purchase mortgages in secondary market operations under this section shall be issued only at prices which are sufficient to facilitate home financing, but which are sufficiently below the price then offered by the Association for immediate purchase to prevent excessive sales to the Association pursuant to such commitments."

Sec. 5. Section 302(b) of the National Housing Act is amended by striking out "and" immediately before "(3)" and by inserting before the period at the end thereof the following: "; (4) during the one-year period beginning on the date

of the enactment of the Emergency Home Ownership Act, the Association (except as provided in clauses (1), (2), and (3), and subject to the authority of the Association to set a limitation on the age of mortgages which it will purchase) shall purchase any mortgage (or participation therein) described in this subsection which is offered to it unless the loan is in default or in imminent danger of default or title to the property is defective".

Sec. 6. Section 302(b) of the National Housing Act is further amended by inserting before the period at the end thereof (and immediately after the clause added by section 5 of this Act) the following: "; and (5) during the one-year period beginning on the date of the enactment of the Emergency Home Ownership Act the Association may sell or otherwise dispose of any mortgage or participation therein only on a cash basis and only at a price which is not less than the acquisition price of such mortgage or participation (or the average of the acquisition prices when the transaction involves more than one mortgage), except that this clause shall not apply to assignments of mortgages or participations by the Association to the Federal Housing Administration".

Sec. 7. The first sentence of section 303(b) of the National Housing Act is amended by inserting before the period at the end thereof the following: " : *Provided*, That with respect to mortgages which are purchased (or with respect to which commitments to purchase are made) by the Association during the one-year period beginning on the date of the enactment of the Emergency Home Ownership Act, such contributions shall be equal to 1 per centum of such unpaid principal amounts".

Sec. 8. The second sentence of section 305(b) of the National Housing Act is amended by inserting before the period at the end thereof the following: "; except that with respect to any mortgage which is purchased (or with respect to which a commitment to purchase is made) during the one-year period beginning on the date of the enactment of the Emergency Home Ownership Act, the price to be paid by the Association shall be not less than the unpaid principal amount thereof at the time of purchase, with adjustments for interest and any comparable items".

Sec. 9. The third sentence of section 305(b) of the National Housing Act is amended by inserting before the period at the end thereof the following: "; except that with respect to any mortgage which is purchased (or with respect to which a commitment to purchase is made) during the one-year period beginning on the date of the enactment of the Emergency Home Ownership Act, the charges of fees so imposed by the Association for its commitment and purchase shall not exceed 1 per centum of the unpaid principal amount of the mortgage, and (unless the commitment was issued before the beginning of such one-year period) not more than one-fourth of such charges or fees shall be collected at the time of the issuance of the commitment with respect to the mortgage, with the balance of such charges or fees (whether the commitment was issued before or during such period) being collected at the time of purchase".

Sec. 10. Section 305(g) of the National Housing Act is amended by inserting immediately after "\$13,500" the following: "(or \$13,500 per dwelling unit in the case of a mortgage insured under section 213)".

Sec. 11. Section 305(g) of the National Housing Act is further amended—

(1) by striking out "*Provided*, That" and inserting in lieu thereof the following: "*Provided*, That the Association may by regulation increase such amount by not more than \$1,000 in the case of mortgages covering property located in geographical areas where it finds that cost levels so require, and by such additional sum in the case of mortgages covering property located in Alaska, Guam, or Hawaii as may be necessary (because of the higher costs there prevailing) to permit the purchase under this subsection of mortgages covering housing in Alaska, Guam, or Hawaii which is comparable in construction and design to other housing covered by mortgages which may be purchased under this subsection: *Provided further*, That";

(2) by inserting after "shall not exceed \$1,000,000,000 outstanding at any one time" the following: ", which limit shall be increased by \$1,000,000,000 on the date of the enactment of the Emergency Home Ownership Act"; and

(3) by adding at the end thereof the following new sentence: "The Association shall by regulation (1) allocate the assistance provided under this subsection in order to channel such assistance, to the maximum extent practicable, into geographic areas where the problems of excessive mortgage discounts and the shortage of mortgage credit are most severe, and (2) prevent any builder or mortgagee from obtaining a disproportionately large share of such assistance."

SEC. 12. Section 305 of the National Housing Act is further amended by adding at the end thereof the following new subsection:

"(h) Notwithstanding any other provision of this Act, the Association is authorized to make commitments to purchase, and to purchase, service, or sell, any mortgage (or participation therein) which is insured under section 203 (i); but (1) the Association shall not enter into any commitment or make any purchase under this subsection unless the property involved was approved for mortgage insurance prior to the beginning of construction, and (2) the total amount of purchases and commitments authorized by this subsection shall not exceed \$50,000,000 outstanding at any one time. The Association shall not enter into any commitment or make any purchase involving a mortgage (or participation) insured under section 203 (i), under this subsection or any other provision of this section, if any service charge (other than the normal origination fee charged to the mortgagor) was imposed or collected in connection with the making of the loan."

SEC. 13. (a) Section 305 of the National Housing Act is further amended by adding at the end thereof, after subsection (h) (as added by section 12 of this Act), the following new subsection:

"(i) Notwithstanding any other provision of this Act, the Association is authorized to make commitments to purchase, and to purchase, service, or sell, any mortgage (or participation therein) which is insured under section 810; but the total amount of purchases and commitments authorized by this subsection shall not exceed \$25,000,000 outstanding at any one time."

(b) Section 305 (f) of such Act is amended by striking out "title VIII of this Act" and inserting in lieu thereof "section 803 or 809 of this Act".

SEC. 14. With respect to any mortgage insured by the Federal Housing Administration or any loan guaranteed or insured by the Veterans' Administration, where the commitment of the Federal Housing Administration or the certificate of reasonable value of the Veterans' Administration was issued more than sixty days after the date of the enactment of this Act, the originating mortgagee shall report to the Federal Housing Administration or the Veterans' Administration, as the case may be, the amount of any fees, charges, or discounts (except for the normal origination fee charged to the mortgagor) paid by the builder, seller, broker, sponsor, or any other person in connection with or for the purpose of arranging the mortgage or loan.

SEC. 15. Section 809 of the National Housing Act is amended by adding at the end thereof the following new subsection:

"(g) A mortgage secured by property which is intended to provide housing for a person employed or assigned to duty at a research or development installation of the National Aeronautics and Space Administration and which is located at or near such installation, where such installation was a research or development installation of one of the military departments of the United States (on or after June 13, 1956) before its transfer to the jurisdiction of such Administration, may (if the mortgage otherwise meets the requirements of this section) be insured by the Commissioner under the provisions of this section. For purposes of this subsection, (1) the terms 'Armed Forces', 'one of the military departments of the United States', 'military department', 'Secretary or his designee', and 'Secretary' when used in subsections (a) and (b) of this section, and the term 'Secretary of the Army, Navy, or Air Force' when used in section 805, shall be deemed to refer to the National Aeronautics and Space Administration or the Administrator thereof, as may be appropriate, (2) the terms 'civilian employee', 'civilians', and 'civilian personnel' as used in this section shall be deemed to refer to employees of such Administration or a contractor thereof or to military personnel assigned to duty at an installation of such Administration, and (3) the term 'military installation' when used in section 805 shall be deemed to refer to an installation of such Administration."

Passed the House of Representatives April 28, 1960.

Attest:

RALPH R. ROBERTS, *Clerk.*

H.R. 10213

DIGEST OF BILL

Section 1.—Cites the bill as the Emergency Home Ownership Act.

Section 2.—Amends section 203(b) of the National Housing Act (the regular home mortgage insurance program) to make it clear that FHA may insure mortgage loans made by individuals as well as those made by corporate lenders.

Section 3.—Amends section 203(c) of the National Housing Act to give discretionary authority to the FHA Commissioner to reduce the minimum annual premium charge for mortgage insurance granted under any of FHA's title II programs from one-half of 1 percent to one-fourth of 1 percent.

Section 4.—Amends title III of the National Housing Act to provide that it shall be one of the purposes of the Federal National Mortgage Association, in its secondary market operations, to aid in the stabilization of the mortgage market.

Section 5.—Amends section 302(b) of the National Housing Act to require FNMA, during the 1-year period beginning on date of enactment, to purchase any mortgage which is offered to it regardless of the type of housing covered, so long as title to the property is good and the mortgage is otherwise eligible and not in default.

Section 6.—Amends section 302(b) of the National Housing Act to prohibit FNMA, during the 1-year period beginning on date of enactment, from selling or otherwise disposing of any mortgage which it may hold except for cash, and from selling or otherwise disposing of any such mortgage at a price less than its acquisition price. This prohibition would not apply to sales of mortgages to FHA. FHA can pay for mortgages with debentures and pay prices less than par, in accordance with present practice.

Section 7.—Amends section 303(b) of the National Housing Act to fix the amount of FNMA stock which a person is required to purchase when selling a mortgage to FNMA, during the 1-year period beginning on date of enactment, at 1 percent of the unpaid principal amount of the mortgage. Under existing law FNMA has discretion to fix this requirement at any point between 2 and 1 percent of such unpaid principal amount—present policy is 2 percent.

Section 8.—Amends section 305(b) of the National Housing Act to require that FNMA, in the performance of its special assistance functions during the 1-year period beginning on date of enactment, shall not pay less than par for any mortgage.

Section 9.—Amends section 305(b) of the National Housing Act to provide that the maximum charges or fees which FNMA may impose for its commitment and purchase of a mortgage under the special assistance program, during the 1-year period beginning on date of enactment, shall be 1 percent of the unpaid principal amount of the mortgage, with one-fourth being collected at the time of commitment and the remainder at the time of purchase. Under existing law, FNMA has full discretion to fix these charges and fees. (Under current regulations, these fees total 1½ percent with one-half of this amount collected at the time of commitment.)

Section 10.—Amends section 305(g) of the National Housing Act to make it clear that mortgages on cooperative housing insured by FHA under section 213 are eligible for purchase by FNMA under its program 10 special assistance operations. (See sec. 11.)

Section 11.—Amends section 305(g) of the National Housing Act to provide an additional \$1 billion for FNMA's program 10 operations. This program was established by the Emergency Housing Act of 1958 under FNMA's special assistance functions for the purchase of mortgages on new construction. An additional amendment to section 305(g) directs FNMA, by regulation, to channel program 10 assistance into areas where excessive mortgage discounts and credit shortages are creating especially severe problems, and to prevent any one builder or mortgagee from obtaining a disproportionately large share of the program 10 assistance which is made available. The bill retains the present ceiling of \$13,500 per mortgage (or per dwelling unit in the case of sec. 213 mortgages) under program 10, but adds the further provision that FNMA may by regulation increase this ceiling by up to \$1,000 in high-cost areas, and by additional sums in the case of mortgages covering property in Alaska, Guam, or Hawaii so as to permit the purchase of mortgages covering housing in those locations which is comparable in construction and design to housing on the mainland covered by mortgages which FNMA may purchase.

Section 12.—Amends section 305 of the National Housing Act to create a \$50 million special assistance fund for the purchase by FNMA of mortgages which are insured under section 203(i) and which cover new construction. It is specifically provided that no mortgage insured under section 203(i) can be purchased by FNMA, either from the new fund or under any of FNMA's other special assistance operations, if any service charges other than the usual origination fee have been imposed. (Under current regulations, FHA permits a special service charge of one-half of 1 percent on the outstanding balance of the mortgage to be added to the monthly carrying cost on loans of \$8,000 or less.)

Section 13.—Further amends section 305 of the National Housing Act to create a \$25 million special assistance fund for the purchase by FNMA of mortgages insured under section 810 (the new FHA insurance program for defense housing in impacted areas). With the creation of this new fund for section 810 mortgages, the existing special assistance fund for the purchase of title VIII mortgages (in sec. 305(f) of the National Housing Act) is specifically limited to mortgages insured under section 803 or 809.

Section 14.—Requires the originating mortgagee under an FHA-insured or a VA-guaranteed loan to report to the agency involved the amount of any fees, charges, or discounts paid in connection with such mortgage or loan.

Section 15.—Amends section 809 of the National Housing Act to extend the benefits of insurance under that section to mortgages covering housing for employees of the National Aeronautics and Space Administration at research or development installations which have been (or may be) transferred to such Administration from one of the military departments. Section 809 presently provides for the insurance of mortgages otherwise meeting the requirements of section 203(b) even though the property involved is not economically sound or an acceptable risk, where the Secretary of Defense or his designee certifies that the owner of the property is an essential nontemporary civilian employee of a military department and requires the housing. If the FHA Commissioner determines that insurance of the mortgage is not an acceptable risk he can require the Secretary to guarantee the fund against loss.

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM,
OFFICE OF THE CHAIRMAN,
Washington, May 11, 1960.

HON. A. WILLIS ROBERTSON,
*Chairman, Committee on Banking and Currency,
U. S. Senate, Washington, D. C.*

DEAR MR. CHAIRMAN: This is in response to your request of May 3, 1960, for a report from the Board of Governors on H.R. 10213, the Emergency Home Ownership Act. This bill has been passed by the House of Representatives and is now before your committee.

By the terms of this bill, the authority of the Federal National Mortgage Association to hold mortgages under the special assistance program, financed directly by the Treasury, would be increased by \$1,075 million. Of this amount, \$1 billion would be available for FHA-insured or VA-guaranteed mortgages not larger than \$13,500 each (or \$14,500 each in high-cost areas), \$50 million would be available for mortgages, not larger than \$8,000 each, insured by FHA under section 203(i) of the National Housing Act, and \$25 million would be available for FHA-insured mortgages on offbase defense housing in impacted areas.

In addition, the bill would limit the discretion of the Association in the management of its affairs by prohibiting sales of mortgages at less than acquisition cost; prohibiting further exchange of mortgages for Government securities; prohibiting purchase of mortgages under the special assistance program at less than par; prohibiting purchase of mortgages insured under section 203(i) "if any service charge (other than the normal origination fee charged to the mortgagor) was imposed or collected in connection with the making of the loan"; prescribing the fees and charges the Association may impose for commitments and purchase, and the manner of their collection; and severely restricting the grounds on which the Association may refuse to purchase mortgages.

The bill would amend the National Housing Act by explicitly authorizing the Federal Housing Administration to recognize individuals as approved mortgagees,

eligible to hold FHA-insured mortgages, and by authorizing FHA to reduce the insurance premium from one-half of 1 percent to one-fourth of 1 percent. The bill would also require the mortgagee on any FHA-insured or VA-guaranteed mortgage to report any fees, charges, or discounts paid by any person (except the mortgagor) in connection with the arranging of the loan.

The Board believes that enactment of this bill would be detrimental to sound fiscal policy and would further complicate the Treasury's debt-management problems. The bill's restrictions on the Federal National Mortgage Association's management discretion would "lock in" the mortgages the Association already holds, and the addition of over \$1 billion to the FNMA portfolio would require the Treasury to raise additional funds in the same amount. The Treasury is already faced with very difficult problems in view of the continued large refinancing of maturing debt and the limitation on the interest rate it may pay on any long-term securities it may offer. In these circumstances, the maintenance of a surplus is vital to a sound fiscal policy and to a lower level of interest rates generally.

The continued high level of mortgage lending without Government insurance or guarantee suggests that mortgage borrowing is being done on terms satisfactory to both lenders and borrowers. Perhaps if permissible interest rates on FHA-insured and VA-guaranteed mortgages were free to reflect market conditions, many of the difficulties the bill seems designed to remedy would disappear.

For these reasons, the Board does not favor enactment of H.R. 10213.

Sincerely yours,

WM. McC. MARTIN, JR.

VETERANS' ADMINISTRATION,

May 16, 1960.

HON. A. WILLIS ROBERTSON,
*Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.*

DEAR SENATOR ROBERTSON: The following comments are submitted in response to your request for a report by the Veterans' Administration on H.R. 10213, 86th Congress. This bill was passed by the House of Representatives on April 28, 1960.

The purpose of this measure, which would be cited as the Emergency Home Ownership Act, is to stimulate residential construction, and the bill contains several provisions designed to increase the availability of home mortgage financing.

Of particular interest from the standpoint of this agency are section 11(2), which would provide additional funds for Federal National Mortgage Association purchase of low-cost FHA and VA mortgages, and section 14 to require the reporting of the fees, charges, and discounts paid for arranging a loan insured or guaranteed by the FHA or the Veterans' Administration. As we are not directly concerned with the other provisions of the bill, we shall confine our comments to these two sections.

Section 11(2) would provide an additional \$1 billion for the purchase by FNMA, under its special assistance functions, of mortgages on low-cost FHA and VA housing. We are, of course, interested in any proposal which will assure a reasonable flow of mortgage funds for GI loans so that the home-financing needs of veterans will be met. However, an increase in the special assistance authorization would not solve the problems which confront us in administering the GI loan program. Neither would it solve the problems of many veterans who would like to make use of their entitlement.

The amount proposed to be authorized for special assistance is now confined to new construction, and the maximum mortgage limitation is \$13,500 with an authorization for a \$1,000 increase in high-cost areas. Thus the veteran who would like to buy an existing house continues to be faced with a problem of financing. Furthermore, the average GI loan for the purchase of new homes in 1959 was in excess of \$14,000. In many areas the moderate price range of new residential construction is considered to be \$15,000 to \$18,000. This would mean that veterans seeking financing in the moderate or upper price ranges in most areas will have to take their place with nonveterans in competing for alternative types of mortgage financing.

It has been our experience that the GI loan program has operated most successfully during those periods when the mortgages were an attractive investment media to private investors. The relief afforded by Government funds is at best

partial and temporary. It is our firm belief that the best way of stimulating a reasonably active flow of investment capital into the GI loan program would be to make the loans sufficiently attractive to private investors in relation to competitive investments. This would necessitate statutory authority which would permit the Administrator flexibility in fixing the interest rate at a competitive level.

The President in his budget message on January 18, 1960, recommended that the Administrator be given authority for fixing the interest rate similar to that which has been granted the Federal Housing Commissioner. A renewed recommendation to this effect has just been sent to the Congress.

The other provision of the bill which would affect the loan guaranty program is contained in section 14. This would require originating mortgages to report to the FHA or VA the amount of any fees, charges, or discounts, other than the origination fee charged to the mortgagor, paid in connection with or for the purpose of arranging the mortgage loan. Undoubtedly this provision is motivated by the reports of substantial discounts on Government underwritten loans.

We, too, deplore a market condition in which the origination of VA-guaranteed loans is dependent upon the willingness and ability of the seller or builder to absorb a very substantial discount. Under these conditions it is not possible to have the program function in the manner intended. However, the requirement that the discount be reported will not correct the basic cause. The discount is employed as a mechanism to bring the yield on a submarket rate security in line with that obtainable on comparable investments. The most effective way of reducing the discount but augmenting a flow of investment funds is by increasing the interest rate which the security instrument bears.

The requirement that the discount be reported will not make available any increase in the supply of mortgage funds. Nor is it likely that the discount charged will be reduced. An investor who would be concerned about reporting the price for which the mortgage is acquired would not be likely to reduce the discount, but rather would probably invest in other securities yielding the higher return.

The future activity in the GI loan program depends upon either an increase in the supply of investment funds which will result in the GI loan with a 5¼ percent interest rate again attracting investor appeal, or the Administrator being given flexibility in the matter of fixing a competitive interest rate. Although there have been some signs of an easing in bond and mortgage rates recently, the first alternative seems unlikely in the months immediately ahead. Even assuming an improvement in the available money supply, the authority to fix a flexible interest rate would be highly desirable since it would afford leeway as called for by market demands to raise and lower the GI loan interest rate in order to meet prevailing conditions.

In view of the foregoing, we are unable to recommend favorable consideration of H.R. 10213 by your committee.

Advice has been received from the Bureau of the Budget that there is no objection to the presentation of this report to the committee and that enactment of the proposed legislation would not be in accord with the program of the President.

Sincerely,

SUMNER G. WHITTIER, *Administrator.*

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION,
OFFICE OF THE ADMINISTRATOR,
Washington, D.C., May 20, 1960.

Hon. A. WILLIS ROBERTSON,
U.S. Senate, Washington, D.C.

DEAR SENATOR ROBERTSON: I refer to your letter dated May 3, 1960, in which you request a report of this Administration on H.R. 10213, a bill to amend the National Housing Act.

The only part of the bill pertaining to NASA is section 15 which amends section 809 of the National Housing Act.

Section 15 is identical to another bill, S. 3226, concerning which we have previously submitted a report to you dated April 27, 1960. In general our comments with respect to S. 3226 apply as well to section 15 of H.R. 10213. In that report we suggested an amendment to the bill adding language at the end of it which would expressly provide the Administrator of NASA with authority to guarantee and indemnify the armed services housing mortgage insurance fund in

cases where so required. Since submitting our report the staff of the Senate Committee on Banking and Currency has informally suggested alternative language as follows:

"The Administrator of the National Aeronautics and Space Administration, or his designee, is authorized to guarantee and indemnify the armed services housing mortgage insurance fund against loss to the extent required by the Commissioner in accordance with the provisions of subsection (b) of this section in the case of mortgages insured under this subsection."

It is our understanding that the alternative language is intended to have the same effect as our original proposal and that the difference in wording is merely a technical difference in drafting.

NASA would favor enactment of section 15 of H.R. 10213 amended as suggested above. The Bureau of the Budget advises that it has no objection to the submission of this report.

Sincerely yours,

JAMES P. GLEASON,
Assistant Administrator for Congressional Relations.

Senator SPARKMAN. Any statement by anyone before we start with the witnesses?

Senator BUSH. Mr. Chairman, I will take exception to your statement about the lack of interest of this administration in housing and simply say, without attempting to debate it here further, that at no time in the history of this Government has housing been so generously subsidized as it is at the present time by the Federal Government. The fact that it is not as greatly subsidized as others might wish does not indicate a lack of sympathy or interest in the subject by the President of the United States and his administration.

That is all.

Senator SPARKMAN. I related it to his message of May 3, Senator Bush, in which as I pointed out—

Senator BUSH. My statement relates to the overall attitude and to the whole present situation affecting the general subject of housing in all its facets.

Senator CLARK. If I could interject just one sentence, it would seem to me the fact the administration does not want a housing bill this year would tend to confirm the views of the chairman.

Senator SPARKMAN. Very well. We will get started. Our first witness is Mr. Mason, Administrator of the Housing and Home Finance Agency, flanked by the heads of his several constituent agencies.

Mr. Mason, it is always a pleasure to have you and your associates with us. You proceed in your own way.

STATEMENT OF NORMAN P. MASON, ADMINISTRATOR, HOUSING AND HOME FINANCE AGENCY

Mr. MASON. Senator Sparkman, it is always a pleasure to be here, and it is a pleasure to be here today to review with you the legislation pending before your committee on the subject of housing.

I have with me today Commissioners Davern, Zimmerman, Walker, Hazeltine, and Mr. Baughman of FNMA, to help you in any way we can in your consideration of the housing bills you have before you.

We naturally wish to handle our discussion of these bills in whatever way will be most helpful to you. I have a prepared statement which touches on some important points in the bills, and the others

with me will discuss in more detail the bills which have a direct bearing on their programs. Of course, we will submit to questioning at any time. If it is agreeable with you, we will proceed with the prepared statements.

Senator SPARKMAN. Go right ahead, sir.

S. 3379—NATIONAL HOUSING GOALS

Mr. MASON. The first section of S. 3379, introduced by your chairman, would require that the program of the President, as expressed in his annual message to the Congress, include statements and recommendations concerning a residential construction goal. He would also be required to transmit to the Senate and the House of Representatives an annual report which would include: (1) a statement of the minimum number of housing units that should be started during the year, (2) an indication of the manner in which "the law will be administered by the executive agencies to achieve the number of housing units specified," and (3) any recommendations for legislative action necessary or desirable in order that the construction of that number of housing units may be started.

I believe statements of national housing policies and objectives are desirable and helpful. The "Declaration of National Housing Policy" enacted in 1949 sets forth the very desirable objective of providing a decent home in a suitable neighborhood for every American family with maximum dependence upon private enterprise. However, I do not recommend goals expressed in terms of the number of housing units which should be started in a specific 1- or 2-year period. So much more is involved than the number of houses to be built. We must consider the income groups for whom the housing is provided, the quality of the housing, and the special needs of our people, such as elderly families and minority groups. The amount which should be built during a particular year will depend upon many factors affecting our people and our economy.

The requirement in the bill seems to assume that we have the precise tools with which to estimate housing demands and industrial capacities so that a fixed housing production goal could be set within a framework of economic growth and stability. As a practical matter, the House Appropriations Committee has declined to give us research funds so that we could, among other things, better estimate the amount of housing that should be built and that would be supported by the market during a year yet to come.

I would particularly recommend against the requirement that the President indicate how the law will be administered by executive agencies to achieve a specified number of housing starts. This would seem to amount to a commitment by the President that he would assure the starting of a specific number of housing units during the year. Any such assurance would imply some Government regulation of the economy if that is necessary to produce the number of units specified. The requirement would involve judgments by the executive branch not only on housing production but on appropriate production levels in other segments of the economy affecting housing, which in turn may require Government controls in order to be effective. Whatever our goals, I believe Federal assistance should be in a

form that permits them to be pursued within a framework or a free market with due consideration for stable economic growth.

HOUSING RESEARCH

Section 2 of the chairman's bill is designed to authorize the Housing Administrator to identify and undertake research on problems in residential construction, so that the quality of housing can be improved without increased costs. He would also be authorized to encourage others in such research and studies and, when requested, provide technical advice and guidance to them.

The Housing Agency strongly favors the objectives of this provision of the bill. However, there is broad general authority now for the Housing Administrator to undertake a research program under existing law, title IV of the Housing Act of 1949. This is not being done because no funds are available for such a program. In the budget of the United States for the next fiscal year, the President recommended \$600,000 for housing research, but no amount is included for this purpose in the bill carrying appropriations for our Agency next year—the independent offices appropriation bill, 1961, which is presently before the Senate Committee on Appropriations. Of course, certain studies are being carried on in the Agency, but they are only what is necessary in our day-to-day operations.

ADVANCED TECHNIQUES IN FHA HOUSING

We understand that section 3 of the chairman's bill is intended to permit greater use of ideas for advanced design and technology in housing with FHA mortgage insurance. Our Agency would have no objection to a provision for this purpose, but we do believe substantial changes in section 3 would be necessary to make it useful. It will be discussed more fully by the Federal Housing Commissioner.

H.R. 10213—EMERGENCY HOME OWNERSHIP BILL

I will commit briefly on H.R. 10213, known as the emergency home ownership bill, which was recently passed by the House of Representatives and referred to your committee. The testimony of Mr. Baughman and Mr. Zimmerman will discuss specific sections of the bill, including provisions not covered in my statement.

As you undoubtedly know, the Housing Agency recommends against the enactment of this bill, and I have been authorized to advise that its enactment would not be in accord with the program of the President.

This bill has as its purpose a sharp increase in housing production, and is primarily intended to avoid a feared drop in production. It includes the authorization of \$1 billion of expenditures by the Federal National Mortgage Association for the purchase of mortgages on new housing under its "Special assistance functions." Mortgages in amounts up to \$13,500 would be eligible for these purchases, and in high-cost areas, mortgages up to \$14,500 would be eligible. The bill would make other major changes in operations of both the Federal National Mortgage Association and the Federal Housing Administration.

I firmly believe that this legislation is not desirable, and particularly so at this time when the housing and overall economic situation is entirely different from that prevailing in the spring of 1958 when another emergency housing bill was enacted. The annual rate of housing starts, seasonally adjusted, averaged about 1,150,000 starts during the first quarter of 1960 and was 1,115,000 in the last 2 months of that quarter. In contrast, the housing starts were running at a rate well below 1,000,000 at the time that the 1958 Emergency Housing Act was under consideration. Then the economy was in a recession. Now we are in a time of prosperity, and there are strong indications that this will continue. This anticipation is reflected in the latest McGraw-Hill survey on plant expenditures, which indicates that businessmen expect to increase these expenditures by 16 percent in 1960 over 1959. Recent increases in automobile and department store sales show that consumers also are in a mood to buy at a level which will permit a satisfactory level of homebuilding during 1960. The latest available date on the flow of savings into financial institutions show greater net savings growth in March of this year than in March 1959 at savings and loan associations, at commercial banks, and at mutual savings banks. This is in contrast with a previous lag in savings behind the 1959 rate.

I understand that although business expenditures for plant and equipment are increasing, they are being financed to a large extent from the liquid resources of the corporations themselves. Thus far in 1960, long-term corporate security offerings have been about 10 percent below the 1959 level. The same is true of State and local government security offerings. The Treasury's marketable debt was reduced by \$3 billion in the first quarter, the largest first-quarter reduction since 1956, and there was some reduction of yields on Treasury securities.

In the mortgage market, an increased availability of mortgage funds has been reflected in reduced offerings of mortgages to the FNMA secondary market, a substantial reduction in outstanding Federal home loan bank advances to member savings and loan associations, reductions of rates charged on advances by a number of home loan banks, and redemptions of large amounts of Federal home loan bank notes. There has been a sufficient increase in availability of funds to allow the lower downpayment terms for FHA-insured loans to be put into effect. We believe that funds for such loans will be available, and more families with modest accumulations of savings will be able to purchase homes. The increased availability of funds has resulted in a small reduction of mortgage discounts. As of May 1, the average pressures. This sort of program would not seem to best serve the home-mortgages was 3.4 percentage points, compared with 3.7 points on February 1.

The proposed expenditure of \$1 billion under the FNMA special assistance functions over and above what is already contemplated in the President's budget for fiscal 1960 would place an added burden on the whole financial structure of the Government. The President's budget already contemplates an investment of about \$1.9 billion in FHA and VA mortgage loans, including purchases in FNMA programs. This amounts to about one-fifth of the total of such loans made during the year. To increase this expenditure as the bill provides

would mean the necessity of more Government borrowing. In turn the issuance of more Government bonds would add to inflationary pressures. This sort of program would not seem to best serve the home owners of our Nation, who are the very people we all want to help.

S. 3292.—DEPARTMENT OF HOUSING AND METROPOLITAN AFFAIRS

S. 3292, which was introduced by Senator Clark for himself and other Senators, would establish a Department of Housing and Metropolitan Affairs. All functions of the Housing and Home Finance Agency, including its constituent agencies, would be transferred to the new Department. The transfer would be effective 2 full calendar months after the month in which the bill is enacted.

The bill also provides that the—

President shall from time to time exercise his authority under the Reorganization Act of 1949 with a view to further consolidating within the Department such functions and agencies of the Government as will further the purposes of this act.

By January 3, 1961, the President would be required to submit a report to the Congress setting forth what action had been taken or is proposed to be taken with respect to the new Department's organization, and the reasons therefor.

I have made available to your committee a rather detailed report giving my views on the bill, and also discussing its technical provisions as well as major background considerations which I believe to be relevant to the question of whether Housing Agency functions should be given departmental status. It may be helpful if I were now briefly to summarize the conclusions stated in that report.

I do not recommend the enactment of legislation along the lines of S. 3292 at this time. This position in no way arises from disagreement with many of the broad policy arguments which have often been made by proponents of departmental status for our Agency's functions. On the contrary, I believe that the time is near when the principal responsibilities of the Federal Government in the field of urban housing and community development ought to be organized into a new executive department. This is so, in my opinion, because a basic force is operating to give constantly increasing national significance to urban and metropolitan problems. This force is the rapid growth of our population, accompanied by an even more rapid shift between rural and urban living. In 1900, 24.1 million people lived in metropolitan areas. By 1959, this figure had increased more than fourfold to 100 million. Our total population had meanwhile increased by less than one and one-third.

As our urban communities have rapidly spread across municipal, county, and State lines, new problems have arisen and new Federal programs have been devised to help in their solution. Functions of the Housing Agency now have a tremendous impact on the entire national economy. They closely affect the daily lives of many millions of our citizens; they play a vital part in the livability and the economic stability of towns, cities and metropolitan areas throughout the Nation; and they are closely related to the programs of many major departments of the Government. Finally, as your committee knows, our functions are necessarily very complex because they are addressed

to so many difficult and closely interrelated problems affecting our urban communities.

Accordingly, the objections which I see in S. 3292, except for some technical deficiencies referred to in my report, relate to its timing and to the method of approach. In the case of many of our program operations, there is a need for quickly gearing them to rapidly changing conditions in the economy or in the home building or financing industries. However, I believe it is fair to say that the relative advantages of continuing housing and community development functions in a major independent agency or of vesting them in a new department is not a matter which demands action at a particular point in time.

With this in mind, I would not want us to foreclose the alternative of accomplishing the desired result through a reorganization plan submitted by the President. The Reorganization Act has in recent history vested in the President important powers to make the arrangements he feels necessary for the discharge of his constitutional responsibilities. Since the creation of an executive department is certainly a major exercise of such power, it would seem that the possible use of this legal method of bringing about the desired result ought to have very thoughtful consideration.

As your committee knows, the Reorganization Act of 1949 expired last year, and only last week the President has again urged its extension.

I am sure that my comments will not be misunderstood as in any way suggesting that the Congress is not free to enact legislation in this field as it chooses and when it chooses. Rather, the question I do wish to raise relates to whether there is more to be gained from legislating at this time or from making possible recourse to the alternative approach if the President chooses. In this connection, I would like to call the attention of your committee to the fact that section 3(b) of the bill actually contemplates future action by the President in the form of reorganizations of functions and in the form of a progress report to the Congress to be made by January 3, 1961. I believe that nothing substantial would be gained under the bill, including these provisions for future actions and reports, which might not be better accomplished under a possible future proposal by the executive branch.

Senator SPARKMAN. Thank you, Mr. Mason.

What is the pleasure of the committee or of you gentlemen? Should we proceed with all of the statements and then save our questioning for later?

Senator BUSH. I would like that procedure.

Senator SPARKMAN. All right. Who is next, Mr. Mason?

Mr. MASON. Mr. Zimmerman.

Senator SPARKMAN. Mr. Zimmerman, we are glad to have you with us.

Before you start, may I say that I shall probably have to leave shortly for just a few minutes. The Foreign Relations Committee is meeting on a piece of legislation that we need to vote on, and I have been forewarned that I will probably be needed in order to establish a quorum. So if I go it will be for that reason, and I shall be right back.

**STATEMENT OF JULIAN H. ZIMMERMAN, COMMISSIONER,
FEDERAL HOUSING ADMINISTRATION**

Mr. ZIMMERMAN. Mr. Chairman and members of the subcommittee, it is a pleasure to appear before you again and to give you the views of the Federal Housing Administration concerning provisions which affect FHA in the bills you are considering.

FHA insures loans made by private lenders for the repair, alteration, or improvement of homes; for the construction, purchase, or refinancing of homes; and for the construction or purchase of multi-family rental or cooperative housing. Included in the loan insurance programs are special programs to assist housing for the elderly, cooperative housing, housing for the armed services, nursing homes, construction and rehabilitation of housing in urban renewal areas, and the provision of housing for the relocation of families from urban renewal areas and families displaced by governmental action.

FHA TITLE I PROPERTY IMPROVEMENT LOAN PROGRAM

S. 3500 would make permanent FHA's title I property repair and improvement program and would remove the dollar limit on its loan insurance authorization for the program. FHA hopes that S. 3500 will be approved by your subcommittee and the Congress as soon as possible. Under present law the title I program will expire on October 1, 1960, and the amount of insured loans which may be outstanding is limited to \$1,750 million. Over 23½ million loans amounting to \$12.6 billion have been insured. About \$1.5 billion of these loans are now outstanding, leaving only \$250 million unused authorization. Nearly 1.1 million loans were insured in 1959 in a total amount of about \$1 billion. An average of 5,000 loans a day are being insured. Insurance losses during the life of the program have amounted to less than 1 percent of the aggregate loan amounts. Premium income has covered both these losses and FHA's operating expenses. It has also provided adequate reserves for future losses.

Senator CLARK. Mr. Chairman, could I interrupt just to ask one question? When do you expect to run out of authorization at the rate you are going?

Mr. ZIMMERMAN. On the title I program it now appears, sir, that it would be in the neighborhood of September. That is our best guess.

Senator CLARK. Thank you.

GENERAL MORTGAGE INSURANCE AUTHORIZATION

Mr. ZIMMERMAN. S. 3504 would remove the present limitation on the aggregate amount of FHA general mortgage insurance authorization. The bill would permit FHA to insure all mortgages submitted at any time by private lenders if they conform to amounts and standards established by the National Housing Act and by FHA regulations.

Although the best estimates available to us at this time indicate that the present authorization will be sufficient to carry FHA through this year and into next year, FHA recommends the enactment of this bill. It would remove the problems which have recurred almost yearly resulting from near exhaustion of FHA's mortgage insurance authori-

zation. With the removal of this limitation, builders would not be subjected, as they have in the past, to the uncertainties as to whether they would have mortgage insurance available to assist in financing housing they plan to build. It would give the building industry added stability and a better basis upon which to plan further ahead. It would remove the very serious administrative problems which confront FHA when its authorization is nearly used.

HOUSING RESEARCH

The Administrator has commented on section 2 of S. 3379, which would direct us to identify problems in residential construction and undertake research for their solution.

Although FHA now has in operation a technical studies program which, within the limitations of available funds, is working toward the objectives of the proposed research programs, it concurs in the need for more research.

FHA's program identifies, analyzes, and studies construction and materials problems. Examinations of plans and specifications for housing to be financed with FHA mortgage insurance and the construction inspections made by FHA field personnel constantly point up these problems. In order to be able to deal with them in its evaluation of housing for mortgage insurance purposes, it was essential for FHA to establish a technical studies program. Without such a program, it could not be sure that the housing financed with FHA insurance would meet the statutory requirements of economic soundness.

FHA's technical studies program includes testing and acceptance or rejection of new materials, and problems in new combinations of materials and construction methods. It is planned to avoid duplicating research work performed by industry, other Government agents, educational institutions, and research organizations.

FHA INSURANCE OF MORTGAGES ON HOUSING DESIGNED AND CONSTRUCTED IN ACCORDANCE WITH ADVANCED TECHNIQUES

Section 3 of S. 3379 would require that FHA—

in the processing of applications for mortgage insurance, give careful and sympathetic consideration to applications for the insurance of mortgages which are secured by residential property designed and constructed in accordance with advanced techniques to reduce unit cost without sacrificing quality or livability.

While FHA is in accord with the objectives of this provision, the soundness of section 3 as now drafted is open to question.

FHA recognizes that there is not adequate machinery whereby the ideas developed through its technical studies program and by industry can be tried on an experimental basis in full-scale housing. Under present statutory authority, FHA cannot accept materials, design, or construction methods that have not been tested and proved to be satisfactory and acceptable, because of the statutory requirements that property securing insured mortgages must be "economically sound" or an "acceptable risk." Further, it would be inconsistent with the mutuality provisions in the section 203 program for FHA to assume the risk of insuring mortgages on experimental new-type homes.

FHA would not object, however, to an amendment of the National Housing Act which would authorize a limited program of insurance

of mortgages on homes incorporating new and untried materials, equipment, and architectural design. Such an amendment should limit the aggregate amount of insurance on such homes and provide that the expenses of the program would not be charged to the mutual mortgage insurance fund.

FHA REQUIRED TO APPROVE INDIVIDUALS AS MORTGAGEES

Under the provisions of section 2 of H.R. 10213, FHA would be required, notwithstanding any of the provisions of section 203 of the National Housing Act, to approve an individual as a mortgagee for the purposes of FHA mortgage insurance. Section 2 states that its purpose is to make FHA mortgage insurance more readily available in smaller towns and communities.

The provisions of section 2 are unnecessary, since FHA already has legal authority to approve individuals as mortgagees.

Although it has not done so, FHA has used other methods of channeling funds in the hands of individuals into FHA home mortgages, and of making FHA mortgage insurance available in smaller towns and communities.

The most common method of individual investments in FHA home mortgages is through an approved mortgagee which has trust powers. Under this procedure, an individual can create a trust using his own funds and authorizing a corporate trustee, which is an approved mortgagee, to hold mortgages in its trust capacity with the individual as the beneficiary of the trust.

Under another procedure, which has considerable promise, approved mortgagees are permitted to dispose of partial interests in insured mortgages by issuing notes, participation certificates or other forms of securities secured by FHA insured home mortgages. New ways of utilizing investment funds owned by individuals are presently being given careful study. One possible way is permitting investment by individuals in FHA mortgages with approved mortgagees continuing to do the servicing.

Individuals have not been approved in the past as mortgagees because of certain objections. Few individuals are equipped with experience and facilities to provide the detailed servicing required for FHA long-term mortgages. Servicing requires collection not only of principal and interest but also taxes, mortgage insurance premiums, special assessments, fire insurance, and other charges. The mortgagee is responsible for payment of the taxes, insurance, and other charges and reporting to FHA. FHA requires certain funds to be held in escrow. In addition, individuals, because of problems such as death, divorce, and insanity, do not have the legal continuity which is adequate and essential to the servicing of mortgages. FHA is hopeful, however, that ways and means can be found to overcome these kinds of problems.

FHA already has in operation several other effective means of making mortgage insurance available to small towns and communities. Among these are the certified agency program, the fee appraiser program, and cooperation with the voluntary home mortgage credit program.

REDUCTION OF FHA INSURANCE PREMIUM RATE

Section 3 of H.R. 10213 would authorize reduction of FHA mortgage insurance premium rates for home and multifamily mortgages insured under title II of the National Housing Act to as low as one-fourth of 1 percent. Under present law the premium rate cannot be less than one-half of 1 percent.

Section 1 of S. 3042 would permit FHA mortgage insurance premiums to be reduced to not less than one-fourth of 1 percent where the mortgages are insured under the multifamily housing provisions of section 207, 213, 220, and 221 of the National Housing Act, except in the case of profitmaking multifamily housing under section 221.

FHA studies indicate that no FHA mortgage insurance premiums can be reduced on a responsible basis at this time, and that for many FHA programs it is unlikely that premium reductions would be warranted at any time in the foreseeable future. However, FHA would not object to being given discretionary authority to reduce the insurance premium on any of its programs. With such authority, FHA would be in a position to reduce its rates at any time its studies indicate that it is actuarially sound. The authority, if given, should also specify that any reduction in rates under its provisions could be made applicable to existing insured mortgages.

FHA has established its premium rates for its mortgage insurance programs within the statutory limits based on the expenses of administering each program plus assumed losses under depression conditions. It reviews its reserve requirements periodically and they are also examined by the General Accounting Office in the course of its annual audits. Its actuarial processes have also been studied by independent experts outside of the Government. As yet none of these studies has resulted in a judgment that FHA premiums should be reduced.

There is even less justification for considering reduction of the insurance premium rates on the urban renewal, relocation, and cooperative housing programs as proposed by S. 3042. Each of the first two programs (secs. 220 and 221) has an insurance fund established in 1954 that is separate from the section 203 mutual mortgage insurance fund and other FHA mortgage insurance funds.

The financial status of the two funds under sections 220 and 221, the greater risk characteristics involved in the two programs, and the lack of experience with them would make inadvisable a reduction in their insurance premiums at this time. There is no requirement under section 220 or section 221 that the property be economically sound or even an acceptable risk, as is required under most other FHA programs. These factors all add to the risk characteristics of these mortgages which must be considered by FHA in its maintenance of necessary reserves.

REPORTING BY MORTGAGEES OF FEES, CHARGES, OR DISCOUNTS

Section 14 of H.R. 10213 would require that with respect to FHA and VA mortgages the originating mortgagee shall report any fees, charges, or discounts paid by the builder, seller, broker, sponsor, or any other person in connection with or for the purpose of arranging

the mortgage or loan. The only exclusion from this requirement would be the normal origination fee charged to the mortgagor.

FHA considers this provision unnecessary and undesirable. It receives regularly from its field offices current information similar to that which would be required by the bill. Additional information can be obtained quickly at any time.

The information received by FHA under the provisions of the bill would be so voluminous as to defy systematic recording and analysis except at prohibitive costs. The present system requires only the correlation of the summaries submitted by 75 field offices reporting uniformly. The proposed requirement would necessitate the correlation of over 500,000 reports per year from a diverse group of mortgagees. Because the reporting would be at the time of insurance, summaries based on these reports would lag so far behind actual market developments they would make little or no contribution to the current administration of FHA programs.

SECTION 809 HOUSING FOR SPACE ADMINISTRATION EMPLOYEES

S. 3226 and section 15 of H.R. 10213 would authorize FHA insurance of home mortgages under section 809 of the National Housing Act for housing for persons employed at research or development installations of the National Aeronautics and Space Administration. The installation must have been transferred to the Space Administration by one of the military departments.

FHA is in agreement with the purposes of this proposed amendment of section 809. The amendment is deficient, however, in that it does not clearly authorize the Administrator of the Space Administration to guarantee and indemnify the FHA armed services housing mortgage insurance fund against loss on the insured mortgages. Under section 809 it is necessary for the FHA to require such a guarantee if the Commissioner determines that insurance of the mortgages on proposed housing is not an acceptable risk. Language along the lines of that which previously has been furnished to your committee should be added to this amendment in order to remove any possible question on this authority.

That concludes my statement, Mr. Chairman.

Senator CLARK. Thank you, Mr. Zimmerman.

Mr. Mason, whom would you like to have next?

Mr. MASON. Senator Clark, I would like to have Mr. David Walker, Commissioner of the Urban Renewal Administration.

STATEMENT OF DAVID M. WALKER, COMMISSIONER, URBAN RENEWAL ADMINISTRATION

Mr. WALKER. Senator Clark, I am very happy to have this opportunity to appear before you and to answer questions on pending legislation that would affect the urban renewal program. As you know, we are not proposing new urban renewal legislation at this time, because we feel that the legislative framework in which we operate is basically sound, and that this should be a time for concentrating on accomplishments. In February I explained to you the efforts we are making in that direction by simplifying our procedures and require-

ments, delegating more operational authority to our regional offices, and giving the cities more freedom and responsibility to make their own decisions. We believe that the new manual for local public agencies which was issued in March will make it possible to cut as much as a year off the time between the initiation and completion of a typical project.

We have continued to urge the localities to recognize the importance of (1) bringing their existing projects to fruition, in the form of new or rehabilitated structures, and (2) adjusting the size of each new undertaking to the city's actual capacity for carrying out project activities. To assist the cities in putting their program on a basis of continuing accomplishment, we have made much wider use of the general neighborhood renewal plan—the method by which a large area can be renewed in stages—and we intend to make the fullest possible use of the community renewal program grants which were authorized by the Housing Act of 1959.

Our experience in the past few months indicates that this approach is working. On the whole, the cities have been quick to accept our suggestions with respect to the scheduling of projects, and we have been able to continue processing new projects applications at an accelerated rate. We have now approved 142 new projects since the beginning of the fiscal year, with estimated capital grant requirements totaling \$196.1 million. In addition, we have provided \$81.5 million in capital grant increases for projects that were already in existence. It appears even more certain now than it did in February that we will use all but a small part of the capital grant authority provided for fiscal 1960, and that the additional authority which becomes available on July 1 will be adequate for our needs in the coming fiscal year.

Senator CLARK. Mr. Walker, let me interrupt you there to emphasize that last statement that the new authority which becomes available on July 1 will be adequate. We will get into this later at greater length, but you know there is a strong school of thought that thinks this will not be adequate at all. I assume you have given that thought, but nevertheless you stand on this statement?

Mr. WALKER. That is right.

Senator, I have statements on the bills, and I am wondering if you want me to read these or whether you want me to offer them for the record.

Senator CLARK. I will ask the chairman.

Senator SPARKMAN. It is perfectly all right to offer them for the record if you choose. They will be printed in full in the record. You can comment on them, summarize, or you can read your statement, whatever you wish.

Mr. WALKER. I suspect, Mr. Chairman, that many of my comments will be developed in the questioning, so I will offer them for the record.

(The material referred to follows:)

STATEMENT ON BILLS PENDING BEFORE THE COMMITTEE

The first bill I would like to discuss is S. 3278. This bill contains provisions which would affect both the urban planning assistance program, which is administered by the Urban Renewal Administration, and the public facility loan program, which is administered by the Community Facilities Administration. I will limit my comments to the former provisions, which are contained in section 2 of the bill.

These provisions would amend section 701 of the Housing Act of 1954, in order to encourage and assist State and local planning agencies to undertake planning for mass transportation in our urban areas. We believe that planning for the provision of adequate transportation facilities in metropolitan areas is extremely important, and that it is an inescapable and vital part of the overall comprehensive planning work that is assisted by the urban planning assistance program. This sort of planning for mass transportation would be encouraged by section 2 of S. 3278, but it would be simpler, perhaps, for the bill to amend the existing provision of section 701 rather than to add a new subsection. The committee has been supplied with suggested language for this purpose.

I should point out, however, that the adoption of language to encourage the use of grants for mass transportation planning would undoubtedly result in a substantial increase in the demand for funds provided by the urban planning assistance program. At present, the House of Representatives has adopted legislation appropriating \$4 million for the operation of the program in fiscal 1961. If the provisions of S. 3278 or similar provisions are adopted, we believe that additional appropriations would be necessary.

The next bill I would like to discuss is S. 3042, which would affect the urban renewal program in two ways. Section 2 of the bill would increase from \$100 million to \$200 million the amount by which the Administrator may increase the State-by-State limitation on capital grant funds in certain cases. Our figures indicate that the existing limitation of \$100 million will be adequate to meet the needs of any State through the end of the 1961 fiscal year, and there is no foreseeable need for an increase in the limitation.

Section 3 of S. 3042 would increase the maximum limit on relocation payments provided under the urban renewal program, from \$200 to \$500 for families and individuals, and from \$3,000 to \$5,000 for businesses. The first \$200 or \$3,000 of these payments would be paid by 100 percent Federal grants, as is presently the case, while any additional amount up to the new limit would be shared on the same basis as other project costs: That is, two-thirds by the Federal Government, and one-third by the localities.

We believe that the present limit of \$200 is adequate to avoid any serious hardship for families or individuals, and the limit of \$3,000 meets the relocation expenses incurred by most businesses. There are undoubtedly some cases where business concerns suffer real hardship, but in many of those cases the problem would not be solved by an increase of \$2,000. At the same time, there does not appear to be any sound reason for the Federal Government to pay 100 percent of a portion of the relocation expenses, and two-thirds of some additional amount.

Actually, we believe that the entire cost of relocation payments should be shared by the localities in the same way that they share in other project costs. In many States there are constitutional or other legal obstacles to this, and I understand that is the reason Congress provided for the Federal Government to pay 100 percent of the relocation costs, within fixed limits. However, we would not object to legislation that permitted higher relocation payments, where justified, in States that authorize their localities to share in the entire cost of relocation, on the normal two-third—one-third basis.

S. 3458 would amend section 112 of the Housing Act of 1949—with respect to urban renewal areas involving colleges or universities—to make this section applicable to hospitals as well as institutions of higher learning. Section 112 provides for a waiver of the normal predominantly residential requirement in such projects, and also permits the locality to receive noncash grant-in-aid credit for expenditures made by universities for the acquisition and clearance of property either within or in the immediate vicinity of urban renewal projects. We are opposed to this extension of the provisions of the existing law. In effect, section 112 increases the Federal contribution to the urban renewal project—or to other projects in the locality—without financially assisting the university in any way. If hospitals are added to the category of institutions that can create such credits, there could be justification for adding a long list of other types of institutions, and ultimately the local share of project costs could be reduced to little or nothing.

S. 1680 would provide for Federal urban renewal funds to be used to pay for the entire cost of constructing any civil defense shelters in urban renewal areas, including land costs. Our present law and procedures permit such shelters to be constructed by a locality and included in gross project cost as a local non-cash grant-in-aid, which means in effect that Federal renewal funds would pay

two-thirds of all or some portion of the construction cost. By requiring Federal payment of the total cost of a shelter, S. 1680 would distort this normal Federal-local sharing ratio and divert urban renewal funds from their basic purpose. We believe that any program of direct grants for the construction of civil defense shelters should stand on its own merits as a separate program, whether or not this coincides with urban renewal project areas or not.

Mr. WALKER. That completes my statement. I will be glad to answer any questions the committee may have.

Mr. MASON. Next, Senator Sparkman, we would like to have Mr. Hazeltine, the Commissioner of the Community Facilities Administration.

Senator SPARKMAN. All right, Mr. Hazeltine. We are glad to have you.

STATEMENT OF JOHN C. HAZELTINE, COMMISSIONER, COMMUNITY FACILITIES ADMINISTRATION

Mr. HAZELTINE. Mr. Chairman and members of the committee, I consider it a privilege to appear before the committee to assist in your consideration of community facility and college housing legislation. If it suits the preference of the chairman, I would like to discuss first the various bills pertaining to community facilities and then to discuss the bills pertaining to college housing.

Pursuant to title II of the Housing Amendments of 1955, the Housing Administrator, acting through the Community Facilities Administration, is authorized to make loans to municipalities and other local government units to finance essential public works where such financial assistance is not otherwise available on reasonable terms. Processing priority is given to applications from communities which had a population of less than 10,000 at the time of the 1950 Federal census for loans to provide basic public works such as water, sewerage, and gas systems.

Loans may be made for periods up to 40 years at an interest rate set by the Administrator. On February 16, 1960, the Administrator established a new interest rate formula to reflect changes in the municipal market, both in the new issues and the outstanding bond market. Current interest rates under the revised formula are $4\frac{3}{4}$ percent for general obligation bonds and 5 percent for revenue bonds, for bonds with maturities of 30 years or more. Interest rates are adjusted downward one-eighth of 1 percent for each full 5-year differential from the 30-year maturity. For example, a 25-year general obligation loan would currently bear a $4\frac{5}{8}$ percent interest rate.

Title II established a revolving fund of \$100 million to finance these loans. The money is borrowed from the Secretary of the Treasury at a rate of interest determined by him, taking into consideration the current average rate on outstanding marketable obligations of the United States of comparable maturities. As of March 31, 1960, \$76 million of the authorized revolving fund had been committed, leaving an uncommitted balance of \$24 million.

I would like to comment briefly on S. 1955, introduced by Senators Fulbright, Sparkman, and their associates. This bill would increase the funds for public facility loans from \$100 million to \$1 billion, of which \$400 million would constitute a revolving fund. The bill would eliminate the population preference so that loans could be made to

communities of any size for all qualified projects. These would include "the construction, repair, and improvement of public streets, sidewalks, highways, parkways, bridges, parking lots, airports, and other public transportation facilities; public parks and other public recreational facilities; public hospitals, rehabilitation and health centers; public refuse and garbage disposal facilities; water, sewage, and sanitary facilities, and other public utility facilities, civil defense facilities; public police and fire protection facilities; public schools, libraries, offices, and other public buildings; and public land, water, and timber conservation facilities." In addition, the bill would authorize loans to private nonprofit hospitals.

The maximum length of loans would be increased from 40 years to 50 years. The borrower, in addition, would have an option to postpone all payments on a loan during the first 2 years, with interest so postponed to be paid over the balance of the life of the loan.

The bill would also change the formula for calculation of interest rates. All loans would be made at a rate not to exceed the current average yield on all outstanding marketable obligations of the United States as of the last day of the preceding month, plus one-fourth of 1 percent. On the basis of calculations for the end of April 1960, this formula would produce an interest rate of $4\frac{1}{8}$ percent.

The liberalized provisions of the bill regarding interest rates, types of facilities, and size of borrowing communities would expand Government lending for public facilities, and unnecessarily substitute Government funds for available private funds. In the current bond market, a $4\frac{1}{8}$ percent interest rate would mean that most of the general obligation bonds rated Baa or lower, and the revenue bonds rated A or lower, would be acquired by the Federal Government instead of by private investors. Of the \$7.5 billion of municipal bonds expected to be sold in 1960, the issuers of about 12 percent, or \$900 million, would find the Federal Government interest rate more favorable.

In addition, the bill fails to provide for an interest rate differential between general obligation bonds and revenue bonds.

As you are aware, the President in his budget message proposed that legislation be enacted to increase the public facility loan fund authorization by \$100 million, subject to yearly appropriation. This proposal is set forth in S. 3498. Considering the fact that the program has in recent years operated at a level of about \$25 million a year, this sum is a more appropriate increase in the fund authorization than the \$900 million proposed by S. 1955.

I wish to make it clear at this point that we of the Housing and Home Finance Agency feel that the Federal Government has an important role to perform in connection with the provision of community facilities by local governments. As the committee knows, the Community Facilities Administration and its predecessors have had long and successful experience, dating back to the 1930's, in administering various programs of assistance for community facilities, currently including both the public facility loans program and the public works planning program. On the basis of our experience, we are convinced of the desirability of a continuing Federal loan program to help finance such public facilities as are urgently needed and which cannot be successfully financed through regular operations of the private market.

The problem of providing adequate community facilities needs to be related to the factors of economic growth as reflected by population growth and housing construction and the development of new, or expansion of old, communities. The shift of population from the farm to urban areas and from the city to the suburbs has accentuated the problem of providing adequate community facilities. We in CFA have undertaken studies involving long-range thinking regarding community facilities and economic growth and the possible role of the Federal Government. In this connection it would appear that the role of the Federal Government is threefold: (a) Providing assistance that serves as a catalyst to get much-needed projects started by making use of the public works planning program; (b) providing technical advisory services regarding construction and financing aspects of community facilities to help achieve economies; and (c) providing long-term financial assistance where it is otherwise not available at reasonable terms; that is, the Government serves as a lender of last resort.

In contrast to this helpful but nonexclusive role of the Federal Government, the provisions of many of the bills under consideration would establish the Government as a lender of first resort, driving out most presently available private capital for the financing of public owned water, sewage, hospital, and mass transit and other community facilities. This consequence should be carefully weighed since I believe that the committee shares my feeling that such a development would be highly undesirable.

I would now like to comment briefly on S. 3278, introduced by Senator Williams and his associates, particularly section 3 which deals with a program administered by the Community Facilities Administration.

S. 3278 would amend the existing public facility loans program by authorizing an additional \$100 million of loan authorization to help finance the construction of mass transportation facilities in metropolitan areas. The bill would also revise the basis on which interest rates to be charged for public facilities loans would be made, irrespective of whether such loans are for mass transit facilities or for water and sewer facilities. The revised interest rate formula would require that all loans be made at an interest rate that may not exceed the total of one-fourth of 1 percent plus the average annual interest rate on all interest-bearing obligations of the United States then forming a part of the public debt, as computed at the end of the immediately preceding fiscal year. For the balance of the fiscal year 1960, this formula would produce an interest rate to borrowers of $3\frac{1}{8}$ percent. If the average interest rate on Treasury borrowings at the end of June 1960 is the same as that at the end of April 1960, this formula would produce an interest rate of $3\frac{5}{8}$ percent for fiscal year 1961.

By virtue of the proposed revision of the interest rate formula, this bill would immensely expand Government lending not only for mass transit facilities, but for other types of public facilities. The statutory-required interest rate of $3\frac{1}{8}$ percent for the current fiscal year is lower than the market yield of the highest grade of outstanding municipal obligations since May 1, 1959. Since that date, the yield on the Moody AAA municipal bond index has been higher than 3.18 percent. For lower rated bonds, market yields have been

commensurately higher. Thus, a current interest rate of $3\frac{1}{8}$ percent would mean that most, if not all, of financing of water, sewage, and mass transit facilities would be coming from the Federal Government rather than from the capital market, despite the Federal income tax exemption according to municipal obligations. In 1959, municipal bonds issued for water, sewage, and mass transportation facilities totaled about \$1.2 billion, and a comparable amount of bonds can be expected to be issued in 1960. Under the proposed legislation these bonds would in large part be acquired by the Federal Government, resulting in an undesirable substitution of Government funds for available private funds. The reason that the Government would find itself in such a situation is that little private capital is available at a $3\frac{1}{8}$ percent interest rate.

Since World War II, the United States has experienced what many have called a population explosion, which has involved not only a tremendous increase in population but also a consequent growth of major metropolitan areas, which has brought, in its wake, massive problems of urban renewal, of adequate transportation, and of other community facilities. The problem of providing adequate transportation facilities for getting to and from work, shopping and leisure activities, and moving goods into, within, and out of the city is exceedingly complex.

S. 3278 proposes to provide Federal financial assistance for transit facilities in metropolitan areas throughout the United States. To provide all these facilities with Federal moneys would undoubtedly require funds far exceeding the \$100 million to be authorized by S. 3278. The administration believes that such facilities must be financed from State, local, and private sources.

I refer briefly to S. 467, introduced by Senator Chavez, a bill to amend the public facility loans program to authorize an additional \$100 million for loans or grants for public facilities made necessary by activities of the Atomic Energy Commission. This amendment is unnecessary, since adequate financial assistance is already available under the existing public facility loans program if augmented by current legislation now before this committee.

I would like now to turn to the college housing program that was established pursuant to title IV of the Housing Act of 1950. That act authorizes the Housing Administrator to make loans to assist institutions of higher education to provide housing and related facilities for students and faculty where such assistance is not otherwise available on equally favorable terms. To date, funds committed under the program provides assistance for about 1,200 projects, including housing accommodations for about 285,000 students and faculty and also over 100 related facilities, such as student unions, dining halls, and health centers.

As of April 1, 1960, about \$740 million has been disbursed for these loans, of which about \$16 million has been repaid. Nearly all of the rest of the \$1,175 million authorized for the program had been committed by November 1959.

Taking into account the increased birth rate during the war years and the higher percentage of students expected to enroll in colleges, it is estimated that college enrollments will expand from 3.4 million in 1959 to over 6 million students by 1970. College housing requirements are expected to rise in the same proportion.

As you know, the President's budget does not contemplate an extension of the college housing program, and no new authorization has been requested. The program would be replaced by a new-type program consisting of loan guarantees for taxable bonds and grants for various types of college facilities under the administration of the Department of Health, Education, and Welfare. S. 2911 and S. 2950 would continue the present program under which an educational institution is required to repay the entire Government loan.

S. 2911, introduced by Senator Javits, would increase the college housing loan authorization by \$250 million to a total of \$1,425 million, including an additional \$25 million for student-nurse and intern housing, and an additional \$25 million for other educational facilities.

S. 2950, introduced by Senators Fulbright and Sparkman, would increase the college housing loan authorization by \$500 million. S. 2950 does not provide any additional authorization for other educational facilities or for student-nurse and intern housing.

S. 2912, introduced by Senator Javits, would increase from 10 percent to 12½ percent the limit on apportioning loan funds to any one State under the present program. The present 10-percent limitation has been virtually reached in the case of New York State and may soon be reached in the case of California. About 12½ percent of all U.S. college and graduate students are educated in New York State, and over 10 percent more are educated in California. If no further authorization is provided for the present program, then, of course, a change in this State limitation would serve no purpose. If, however, additional authorization is provided, it would be helpful if the State limitation were also changed as proposed in S. 2912.

With respect to S. 914, introduced by the late Senator Langer, I believe that the problem prompting this bill was resolved last year, as detailed in Administrator Mason's letter of May 14, 1959.

This concludes my prepared statement, and I will try to answer any questions the committee may have on this legislation.

Senator SPARKMAN. Thank you, Mr. Hazeltine.

Mr. MASON. Senator Sparkman, Commissioner Davern has no statement, because no bills seem to have much to do with public housing. We will conclude with Mr. Baughman, of FNMA.

Senator SPARKMAN. Let me say, Mr. Davern, we are glad you are with us.

Mr. Baughman, we will be glad to hear from you.

STATEMENT OF J. STANLEY BAUGHMAN, PRESIDENT, FEDERAL NATIONAL MORTGAGE ASSOCIATION

Mr. BAUGHMAN. Mr. Chairman and members of the committee, I appreciate this opportunity of appearing before you today to present our views on FNMA provisions in the housing legislation that is being considered by this committee.

FNMA is a mixed-ownership corporation that purchases, manages, and sells FHA and VA mortgages. Common stock subscriptions from private investors now aggregate about \$63 million. The preferred stock, of which \$143 million is outstanding, is owned by the Treasury.

The committee will recall that during its February hearings I had the privilege of presenting before it a statement in the nature of a

status report on FNMA's three separate operations. They are (1) the privately financed activity, which in time is to become privately owned, called the secondary market operations, (2) the special assistance functions which are operated exclusively for the account of the Government with Treasury money, to accomplish various broad national housing policies or objectives, as determined by the Congress or the President, and (3) the management and liquidating functions, which provide mainly for managing and liquidating the portfolio of mortgages resulting from the Association's overall operations prior to November 1, 1954.

I mention the Association's three separate operations at this time as it is particularly important that their differing characteristics be kept in mind while considering the FNMA amendments in the bill, H.R. 10213, to which I now wish to turn. Of the 15 sections in H.R. 10213 as passed by the House, sections 4 through 13 relate directly to FNMA.

SECTION 4 OF H.R. 10213

Section 4 of the bill would effect an amendment of the FNMA Charter Act's provisions relating to the privately financed secondary market operations. The present statutory purpose is to provide supplementary assistance to the general secondary mortgage market—by providing a degree of liquidity for mortgage investments, thereby improving the distribution of investment capital available for home mortgage financing. The change would add—

and by aiding in the stabilization of the mortgage market.

The amendment would also strike out of the corporate charter the present fundamental criterion governing purchase prices, which states—

In the interest of assuring sound operation, the prices to be paid by the Association for mortgages purchased in its secondary market operations under this section, should be established, from time to time, within the range of market prices for the particular class of mortgages involved, as determined by the Association.

The implications of these proposals should be matters of grave concern, in our judgment, especially because in our opinion they are unnecessary. FNMA's continuing purchases of mortgages in sizable volume under the secondary market operations, which again in 1960 are expected to exceed \$1 billion a year, made within the range of market prices, are already contributing significantly to the promotion of stability in the general secondary mortgage market. Such a consequence is natural and inevitable.

We think, in addition, that the proposals are unwise. They are unwise because they imply that the privately financed secondary market operations, with respect to which there are some 6,200 shareholders, are intended to accomplish a typically governmental objective of planned aiding in the stabilization of the mortgage market. Aside from questionable legality, it would obviously be wrong to require FNMA in its relationships to these private shareholders, with no voting rights, who hold an equity investment of approximately \$63 million, to perform any act that may not be consistent with their interests. Such a possibility is implicit in the proposed deletion

of the present requirement that purchase prices shall be within the range of market prices.

These proposals could not be adopted without giving private investors generally the impression that FNMA's corporate purposes and organization lack essential stability. The reactions of investors would adversely affect the market value of the capital stock, issued and to be issued, and would make more difficult future sales of corporate obligations of the secondary market operations. There are now outstanding more than \$2 billion of such secondary market operations obligations, some having unexpired terms of almost 12 years.

SECTION 5 OF H.R. 10213

Section 5 would affect not only the Government-financed special assistance functions but also the secondary market operations. It would require FNMA, for 1 year, to purchase any offered mortgage unless (a) in default, (b) in imminent danger of default, or (c) the title to the property is defective.

Occasionally, as you know, FNMA has declined to effect purchase of a mortgage offered to it. The concern of the seller is understandable, because all such mortgages are either insured or guaranteed by an agency of the Federal Government. In every instance, however, the reason for the declination has some essential relationship to the marketability of the mortgage in the general secondary mortgage market.

The proposal in the bill properly recognizes that the Government insurance or guaranty with respect to home mortgages does not protect the owner of the mortgage against underlying defective title.

Similarly it recognizes that FNMA should not be expected to purchase a mortgage in default or in imminent danger of default. In this same field, however, are other cases differing only in degree—in which the mortgagor's credit standing is unfavorable, generally having become so subsequent to its consideration a number of months earlier by the FHA or VA. For example, the mortgagor may unwisely have overwhelmed himself with obligations for installment purchases, he may have become unemployed or have developed marital difficulties, or he may even have died.

The proposal in the bill does not recognize situations such as one in which the mortgagor has wantonly abused and neglected his property that constitutes the security for the loan. Or the property may have been abandoned and vandalized. There have been cases in which physical environmental problems of a serious nature have arisen, including flooding, sewerage difficulties, and drainage problems. Shifting terrain or landslides may have damaged or even destroyed the properties constituting the mortgage security.

I think it is entirely possible to have FHA mortgages which, because of local proximity of the property to the lender or other individual circumstances, are wholly acceptable to particular investors—and are FHA-insurable—but which would not be and should not be expected to be acceptable to mortgage investors generally. In such an instance, FHA insurance has performed a valuable function. But neither the FHA insurance nor the VA guarantee can assure the marketability that, at least under the privately financed secondary market operations, is properly FNMA's criterion.

It is our judgment that under the secondary market operations the proposal is wholly inappropriate. The present charter requirement for reasonable marketability is necessary and, of course, is entirely prudent and in conformance with accepted business principles. Both the private shareholder and those who hold outstanding obligations are entitled to rely upon a continuation of this charter requirement. In addition, the needed assurance of continuity of operations would be lacking unless FNMA-owned mortgages were reasonable resaleable.

Under the special assistance functions, it is not now required that mortgages necessarily be readily acceptable to investors generally. FNMA's declinations are few. We think the proposed amendment is not needed. Under this heading there is never a final declination for credit reasons until after the case has been carefully considered in the principal office of the corporation here in Washington.

In general, I must recognize there may possibly be instances in which we have erred in declining to purchase some particular mortgage or mortgages. I say now as I have said before to many mortgage lenders, and to some members of this committee, that whenever we are furnished with information concerning any such situation, it will receive my immediate personal attention.

SECTION 6 OF H.R. 10213

Section 6 also relates not only to FNMA's Government-financed functions but also to the privately financed secondary market operations. The amendment would provide that FNMA, for one year, may sell mortgages only for cash and at prices not less than FNMA originally paid. We understand that this legislation is designed to reduce the absorption of funds through sales of FNMA's mortgages that otherwise might go to finance additional home purchases, and also to preclude exchanges of mortgages for outstanding Government bonds.

Although we regard this proposal as much less objectionable than the complete prohibition of mortgage sales for a 1-year period, which was in an earlier bill (H.R. 9371) that was superseded by H.R. 10213, we strongly recommend against its enactment. In our opinion, this amendment is unsound. This legislation could bar FNMA from making possible sales of some of its mortgages, at small discounts, that could be advantageous to all concerned. Especially in its secondary market operations, FNMA must have the requisite degree of business flexibility to be responsive to constantly changing situations in the general secondary mortgage market. The ability of FNMA to effect its sales at times when and in places where excess investment funds are seeking mortgage investments enables it to have funds in readiness for mortgage purchases at times when and in places where there are shortages of mortgage investment funds.

Clearly, as to the secondary market operations, the proposal is not consistent with accepted business operating principles. In any event, we urge that the secondary market operations should be excepted from the application of the provision.

As to the special assistance and management and liquidating functions, it is perhaps conceivable that circumstances could arise which might justify a curtailment of sales. As a matter of fact, on at least two previous occasions FNMA has suspended sales from what is now

the management and liquidating functions portfolio. No legislation was needed then or now to accomplish any desirable restriction or cessation of mortgage sales.

With the exception of the mortgages that were recently exchanged on a premium basis for U.S. Treasury bonds, FNMA has never sold mortgages on other than a cash basis. At this time, no further exchanges of mortgages for bonds are contemplated.

SECTION 7 OF H.R. 10213

Section 7 of the bill would accomplish an amendment of the corporate charter that would have a direct and immediate effect on the secondary market operation's financing arrangements. It would provide that, for 1 year, the required stock subscription rate should be 1 percent of the amount of mortgage purchase or commitments. The subscription rate is now 2 percent, under the existing charter provision which permits the corporation to determine a rate between a minimum of 1 percent and a maximum of 2 percent.

The objective of the bill's proposal is undoubtedly to reduce the cost of doing business with FNMA. The market price for FNMA's stock that is subscribed for at \$100 per share is quoted in the current market at between \$52.50 and \$56 per share. Adoption of the proposal, which could be effected by the corporation without need for legislation, would thus reduce the transaction costs of those that sell mortgages to FNMA by somewhat less than one-half percent.

Let us examine the other side of the coin. The bill's proposal would reduce the rate of buildup of the corporation's capital through stock subscriptions by exactly 50 percent. For example, if a \$10,000 mortgage transaction be assumed, the dollar difference between the subscription rates of 2 percent and 1 percent would be \$100. Since borrowing potential is 10 times capital, payment into FNMA's capital of the \$100 would have provided, in addition, \$1,000 of such borrowing potential, or a total of \$1,100 that would have become available for additional purchases of mortgages.

In present circumstances, it has been our judgment that the existing 2 percent stock subscription rate is reasonable and provides for the continuous progressive accumulation of suitable amounts of necessary FNMA capital in relation to the increasing demands for mortgage investment funds. The advantages of assuring the availability and continuity of the secondary market operations by retaining the 2 percent stock subscription rate appear far to outweigh the current slight cost reduction to mortgage sellers that would result from reducing the rate to 1 percent.

SECTIONS 8 AND 9 OF H.R. 10213

Section 8 of the bill would impose for 1 year, under the Government financed special assistance functions, a requirement that all mortgages be purchased at par or 100 percent of the unpaid principal balance, without regard to interest rates; and section 9 would establish inflexible limitations on fees, which could not exceed (a) 1 percent in the aggregate, and (b) one-fourth of 1 percent for a commitment.

The administration has consistently and firmly opposed any requirement for purchases at a fixed par rate, as you know.

If there be kept in mind the real purposes that the special assistance functions are designed to serve, we cannot but question whether mortgages bearing differing interest rates, varying as to current new FHA and VA mortgages from $5\frac{1}{4}$ percent to $5\frac{3}{4}$ percent, can consistently be purchased at any single uniform price—whether that price be par or some other amount. Certainly they are neither valued nor purchased on such a basis by institutional investors.

The special assistance functions provide for the purchasing of selected types of mortgages pending the establishment of their acceptability in the general mortgage market. If the establishment of such acceptability is to be advanced, special assistance purchases should be conducted in circumstances that are planned to encourage private investment in the same types of mortgages. If the circumstances were to include fixed purchase prices that were disproportionately high in relation to the market, FNMA's purchases would necessarily supplant or deter private investment.

Because the circumstances often involve the purchase by FNMA of mortgages that are valued by investors generally at less than par, adoption of the proposed pricing requirement, supplemented by the proposed limitation on fees, would create a situation in which the investment of non-Government funds in such mortgages would become impracticable to any large extent. This result would follow even though the mortgages were of the more desirable types eligible for special assistance.

Also, investors that are in a position to make available either mortgage credit or other types of credit will not prefer the mortgage field whenever mortgage investments are not reasonably competitive with other types of investments. If the Federal Government, acting through FNMA, under its special assistance functions, were to establish mandatory and inflexible purchase prices supported by Treasury funds, it would thereby tend strongly to preempt that part of the mortgage market covering the special assistance types of mortgages. In addition, the proposed provision that would establish FNMA's fees below those of other mortgage institutions would further aggravate the situation, in our opinion. Specifically, the usual fee for purchase commitments is 1 percent, but under the bill FNMA's maximum commitment fee could not exceed one-fourth of 1 percent.

In consequence, it is our view that under the bill the Government, in its endeavor to be helpful to special types of home purchasers, would be unwittingly reducing the total credit actually available for those special types of home purchasers. In the long run, substantially more financing will be available for the special assistance types of mortgages if we help to maintain an environment favorable to private investment funds.

SECTIONS 10, 11, 12, AND 13 OF H.R. 10213

As Mr. Mason has already pointed out, the bill would authorize substantial additional Treasury financing by FNMA, under the special assistance functions. Mr. Mason has stated the administration's position that such outlays of Government funds in the present circumstances of general economic well-being would be unwarranted.

S. 3499

The bill S. 3499 would authorize such increases in the existing overall special assistance authorization of \$950 million that is subject to Presidential discretion as may be specified from time to time in appropriation acts of the Congress. In this connection, the \$150 million increase that is currently being recommended will be required principally to furnish additional financial assistance in support of housing programs for urban renewal and for elderly persons.

This concludes my statement, Mr. Chairman.

Senator SPARKMAN. Thank you, Mr. Baughman.

Anything further, Mr. Mason?

Mr. MASON. No, Senator Sparkman. We will be happy to answer questions, of course, that the committee may have.

Senator SPARKMAN. I want to ask you a very few questions before I turn it over to the other members of the subcommittee. I want to go back to your statement, Mr. Mason. It has to do with the bill, S. 3379, that I introduced in reference to setting goals.

In the early part of your statement, you questioned the advisability of setting a numerical goal. I suppose that is a fair statement. I, of course, recognize this difficulty of working everything out just to make it hit right on the number. But it does seem to me that we would be much better off if we set a numerical goal and plan a program working toward that.

I had some encouragement for that in the press statement made from the White House on February 3, 1960, when the President announced the appointment of Dr. Henry Wriston, president of Brown University, and president of the American Assembly, as Chairman of the Commission on National Goals. In that statement, this sentence is contained:

The President is asking the panel to develop a broad outline of national objectives and programs for the next decade and longer and hopes that in the process, the Commission will set up a series of goals in various areas of national activity.

It seems to me that the President there was certainly suggesting a national goal.

I notice in Business Week of February 13, just following Dr. Wriston's appointment, this statement was made:

Wriston hopes for a book of manageable proportions that will hit hard on the vital issues, including such hotly controversial areas as defense, housing, and education.

A further statement was made, and I am quoting the vice chairman, Frank Pace:

The real job, says Pace, is to get the United States thinking and talking about the tasks to be done in the country's near future.

I notice this statement that came from the Housing and Home Finance Agency made by Mr. Cole back in 1957 in a press release:

As things stand at this moment, I am compelled to revise downward my prediction for housing starts in 1957. My earlier estimate was 1,100,000 starts. However, this was based on anticipated improvement in market conditions during the year.

I notice this quote from Mr. Zimmerman as contained in the Wall Street Journal of May 2, 1960:

Mr. Zimmerman says the new downpayment schedule "will have some effect and will serve a useful purpose" in stepping up home construction. He said

he knows no reason to change the Administration's target of 1,200,000 housing starts for 1960.

I have several quotations on this that I would like to have in the record.

(The material referred to follows:)

STATEMENTS ABOUT ANNUAL HOUSING PRODUCTION BY HHFA OFFICIALS

August 2, 1954: In a press release on the Housing Act of 1954, Albert M. Cole said that among other things the act provided "ample federally insured credit to stimulate the building of more than 1 million new homes a year and the rehabilitation of existing but still sound homes."

November 8, 1955: Before the U.S. Savings & Loan League meeting in Miami, Fla., the following is quoted from a press release: "Turning to housing, Mr. Cole said he believed that the rate would continue at about 1,200,000 starts a year or a little higher but he believed it could be maintained at that rate during the months ahead without having an inflationary influence on the economy."

January 25, 1956: Before NAHB at Chicago, a press release quoted Mr. Cole as saying he believed builders will "probably start 1,300,000 new homes this year." The press release continued, "HHFA Administrator acknowledged that his own estimate of 2 months ago that 1956 housing starts would not rise above 'a little more than 1.2 million * * * is too little a figure.'"

March 26, 1957: In a press release, Mr. Cole announced: "As things stand at this moment I am compelled to revise downward my prediction for housing starts in 1957.

"My earlier estimate was 1,100,000 starts. However, this was based on anticipated improvement in market conditions during the year."

January 22, 1958: A press release says: "In a speech by Al Cole but delivered by Walker Mason, Deputy Administrator, before the NAHB Chicago convention, Housing Administrator Albert M. Cole predicted rising housing production in 1959 and foresaw greatly increased redevelopment of the Nation's cities in the years ahead under a 6-year expansion of the Urban Renewal Administration program recommended to the Congress by the President. Mr. Cole said that housing production has 'turned a corner' since the declining trend a year ago and that he anticipates a 10 percent increase for 1958 in homebuilding over last year. The Administration, he said, is developing legislative proposals to support more homebuilding."

October 3, 1958: A press release states: "Before an NAHB conference in San Antonio, Tex., Mr. Cole said: 'In January of this year I told you homebuilders at your Chicago convention that I anticipated housing starts for 1958 would better those in 1957 by about 10 percent. This put my 1958 estimate at approximately 1,100,000. As things stand at this moment this estimate may prove to be on the conservative side. It is possible that we may reach 1,120,000 housing starts.'"

October 23, 1959: A press release states: "Before the American Title Association in New York City, U.S. Housing Administrator Norman P. Mason said today that the year 1959 will set one of the highest records of housing production in history.

"Private homebuilding this year is almost certain to exceed 1,300,000 units even assuming more than a seasonal decline in starts in the remaining 3 months.'"

Senator SPARKMAN. I do not quite get the distinction between what I have proposed and what you have been doing. You have been setting targets; you have been setting goals. The only thing I provide for is that this be scientifically arrived at. As I understand it, that is the purpose for which President Eisenhower has appointed the Wriston Commission.

Will you comment on that?

Mr. MASON. Senator Sparkman, I would not want to debate with you why the Wriston Commission was appointed, but we have been working with them, naturally. When we heard about it, one of the

first things we did was to say that we thought the housing of America was certainly a part of the program that this Commission should be working on.

But it is my understanding that this Commission is not specifying the number of housing units needed to be built in this country, but it talking about the type of housing that we need to have, whether we have this in the field of the current free market that is paid for by individuals or whether this is subsidized housing, and this sort of thing.

We have had just one meeting with them in which we offered to work with them. I would not claim that I knew everything about their objectives, but this certainly was the opinion that I formed from talking with them, that they were not coming out to say how many houses were needed to support a certain style of living.

Senator SPARKMAN. Of course, we do not know what the Wriston Commission is going to do, so I will fall back on the FHA, then Mr. Zimmerman, just a week ago today, referred to the target of 1,200,000 units. He was not timid about setting down the number of units that we ought to work toward.

May I say this: He was saying that in connection with an action taken by FHA lowering the required downpayments on certain classes of houses. Apparently—I think this would be a correct inference—it was felt that the lowering of these downpayments would make it possible, or would help make it possible, to meet that target, which he saw no reason to lower, of 1,200,000 starts in 1960.

Mr. MASON. Senator Sparkman, I am certainly not saying, and neither is anybody here, that we do not feel that there is a necessity to look ahead to try to estimate what type of housing is needed by the American public. We have, as you know—Mr. Cole before me and myself at various times—estimated what we thought would be the housing production in number of starts. I think it also is important, and one of the things that we have not talked enough about, for a certain part of our economy to estimate the number of dollars that are going to be spent in this field. That is a different part of the economy than would be interested in the number of units. But these are things that are important to industry to know what we think will be accomplished.

So, I agree with you. I think that we have, in a way, set desirable levels of attainment, goals in the economy.

Senator SPARKMAN. Goals, desirable goals.

Mr. MASON. These goals have been variously stated by different people. The administration will frequently have one, the homebuilders another, the American Federation of Labor and Committee for Industrial Organization a still different one. I mean, they all have set numbers that we should strive to reach.

But I think it is quite a different picture when we come by legislation to arrive at exactly what the American public should have because, if we come to this, and I am sure you agree with me in this, that we need to specify, not just the overall number, but the various sectors of the economy and parts of our Nation that these are going into. This becomes important, also. We can carry this to an extreme, in other words.

Senator SPARKMAN. It seems to me there is, perhaps, not as much difference between us as there may seem, except in detail. I certainly would not advocate legislation that would say the President would have to designate a certain number, and then the administration, through the various agencies, will have to see to it that exactly that number, no more and no less, is built. That is not the purpose at all.

The purpose is to approach this from a scientific basis and as a result of study and planning arrive at the number of units that will be necessary in order to work toward that housing goal that you referred to in your statement, of essentially providing a decent home amidst decent surroundings for every American family. And that whatever changes in legislation may be necessary, be recommended to Congress.

Take this action I just referred to, the lowering of downpayments, for instance. That was a piece of legislation which was enacted 2 years ago, was it not?

Mr. MASON. Last September.

Senator SPARKMAN. Last year.

Mr. MASON. Last September.

Senator SPARKMAN. It was carried substantially in the Emergency Housing Act of 1958 and was carried forward in the 1959 act. Something akin to that, anyhow. It was enacted last September when the bill was signed into law. Of course, there was nothing compulsory there. It was made discretionary, and I think we were wise in doing that.

Mr. Zimmerman and his agency exercised that discretion as they thought best and, undoubtedly, his putting lower downpayments into effect was in order to make certain that we would approach that goal or, as he calls it, that target, of 1,200,000 starts during this year.

The only purpose of my bill is that the program be scientifically and carefully approached, that it be the result of study and good and careful planning. But I do not care about the question of—

Mr. MASON. I believe, Senator, of course, we would like to have more funds to scientifically study this market without—

Senator SPARKMAN. I know it, and, by the way, I am glad you mentioned that.

Has the Senate Appropriations Committee started hearings yet?

Mr. MASON. No, it has not.

Senator SPARKMAN. You have not been before that committee?

Mr. MASON. No, but we are on record with the committee that we want to talk to them about that.

Senator SPARKMAN. I earnestly hope that the Senate Appropriations Committee will provide the research funds. We went over that in February. I think our committee was unanimous in its agreement that there ought to be more research and study than you are permitted under the present law.

Mr. MASON. Senator Sparkman, you may help us. The hearings are set for May 17.

Senator SPARKMAN. I will certainly be glad to, and I plan to speak to the chairman of the appropriate subcommittee today if I see him on the Senate floor.

Mr. MASON. Thank you, sir.

Senator SPARKMAN. Senator Clark.

Senator CLARK. Mr. Chairman, I have quite a number of questions for each of these witnesses, and I think it would be better if I yield to Senator Bush and defer my questions until he and Senator Muskie have had an opportunity to inquire.

Senator SPARKMAN. All right.

Senator Bush.

Senator BUSH. Thank you, Mr. Chairman. I will be quite brief, I think. I appreciate the courtesy of my friend from Pennsylvania.

Referring to the statement of the chairman about this matter of goals. This bill, S. 3379, it seems to me, and I ask you if you share this impression, Mr. Mason, that the implications of this bill as outlined in your statement are that they should not only state the minimum number of housing starts that should be undertaken, but also indicate what legislation is necessary to carry out and accomplish the whole program.

In other words, the language, to me, indicates a rather complete guarantee, beginning with the statement of what you need and then implementing this by legislation that will guarantee the completion of this goal. Is that the way you view that?

Mr. MASON. We certainly felt that that was Senator Sparkman's desire, yes, as we read the bill.

Senator BUSH. I think there is a difference between setting goals as recommended by the President's Committee, headed by our eminent friend and very distinguished educator, Mr. Wriston. I would have no more confidence in anybody than I would in that gentleman in an undertaking of that kind. But there is a lot of difference between stating goals and in insisting that they be accomplished, no matter what the cost may be or what the effect may be on the U.S. Government.

It might be desirable to say, for instance, after studying the educational needs of the country, that we set a goal of 150,000 new classrooms for the next 5 years, or something like that. That is one thing. But to say that the Federal Government must then come up with ways and means of accomplishing that undertaking, of fulfilling that goal of guaranteeing the performance of that, is another thing. Because part of that certainly has to be done, as it always has been done, by the localities and possibly with the assistance of State governments.

So I quite agree with you that this bill has very serious implications in that it virtually puts the Government into the housing business up to its neck in setting the goals and then saying we are going to guarantee that we attain these goals, no matter what the cost.

Senator SPARKMAN. Would the Senator yield for just a moment?

Senator BUSH. Yes.

Senator SPARKMAN. I would like to quote from Dr. Wriston.

By the way, let me say to the Senator from Connecticut that I share the very high regard that he states for Dr. Wriston. He has done some remarkable jobs for the Government.

Senator BUSH. That is right.

Senator SPARKMAN. But he says this, and I quote again from Business Week of February 13:

But Wriston says the report will be as little platitudinous as possible. It will be concerned with American values which Wriston defines as infinite objec-

tives, but more directly with goals or reachable objectives. It will be concerned, not only with ends, but also means. The Commission, of course, will not draft legislation, but Wriston hopes that it may succeed in laying out a set of conclusions that will be a close cousin to legislative proposals.

Senator BUSH. I wish to share the hopes of Mr. Wriston very heartily.

Senator SPARKMAN. My bill is not completely in line with Dr. Wriston's suggestion there. I just do not see how it can be. The President, every year, lays out goals for foreign aid—\$4,175 million this year. He lays out goals for defense, \$41 billion. He lays out various other goals in amounts and programs, and we are able to debate them—debate them in committee, debate them on the floor of the Senate. Why not lay out a program for housing?

The only program the President recommends in his must list is to repeal college housing. Completely negative.

I say we ought to have a positive program that we can debate, consider, and let Congress decide whether it is good, whether it is bad, or whether changes ought to be written into it. And then submit it to the President for his approval or veto as he sees fit.

Senator BUSH. Mr. Chairman, I simply observe one could subscribe fully to what you read by Dr. Wriston.

Senator SPARKMAN. And to what I said; that is all I ask.

Senator BUSH. Wait a minute. I say I subscribe, and one can subscribe fully, to what Dr. Wriston says, which you quoted, without in any way agreeing to this approach to the attainment of these goals.

I would be glad to see Dr. Wriston sit right down there and see what he has to say about it.

Senator SPARKMAN. I hope when he finishes his Commission work we might have the benefit of—

Senator BUSH. I would like to hear him right now when we are considering this bill. There is no doubt in my mind what he would say would be in context with the statement you read.

Senator CLARK. Does the Senator want to do anything about calling him?

Mr. MASON. Could I add, Senator Bush, I do not believe Dr. Wriston's Commission is going to come out with numbers. They may change their mind, so I do not want to go out on a limb on this, but in the discussion I had with them, they did not plan on that.

Senator BUSH. May I say this, Mr. Chairman, in conclusion on this point, if I still have the floor—

Senator SPARKMAN. Yes, you have, Senator Bush.

Senator BUSH. I think it is hardly appropriate to try to translate that vague language in Dr. Wriston's statement, that general language in his statement, into testimony valid before this committee. I think if we want Dr. Wriston's views on this kind of legislation, let us ask him to come up and give them.

Mr. Chairman, I would like to just make one more observation on the questioning of Mr. Mason.

Will you identify for the record the bills which the administration specifically proposes? Have you done that already? I do not think you have.

Senator CLARK. It is in Senator Sparkman's statement.

Senator BUSH. Will you do it again for my information, then? I am sorry. I think I have them, but I want to make sure.

Mr. MASON. Yes. S. 3498, S. 3499, S. 3500, and S. 3504.

Senator BUSH. It is your recommendation, as the head of this Agency, that those bills suggest all the legislation that is necessary at this time in the common interest, is that right?

Mr. MASON. Senator Bush, we feel, in the Housing Agency, that the programs are going forward well, that last year the Congress passed in some parts of our programs measures covering more than 1 year where funds were necessary or authorizations were necessary and that these acts do the required job for a good housing program for this country.

Senator BUSH. Mr. Chairman, I will conclude by saying that I congratulate the administration on submitting separate bills dealing with separate subjects. I once more express the hope that this committee will not come out with an omnibus bill in which there are various important matters dealt with in one bill. This makes it very difficult for the President to exercise his constitutional responsibility. I ask the committee once more that whatever else we do here we separate the issues and come up with separate bills dealing with the separate issues so that each one of these bills and issues may be considered on their true merits and not commingled in order to invite difficulty in appraising an overall measure.

I yield the floor.

Mr. MASON. Senator Sparkman, could I say one thing, and then Mr. Zimmerman would like to—

Senator SPARKMAN. Yes.

Mr. MASON. I think it is important, in reviewing this matter of goals, to realize the fact that in general a great deal of the housing built in America is built without Government assistance. There is a great deal of opinion, not among this committee, I know, but among the people at large that this is all either FHA or VA or some kind of a program.

Last year, we had a record which we had to go back to 1925 to find a year when we built more privately financed housing. Last year set a record in this regard, and about two-thirds of the housing that was built, was built without any direct Government program under the Housing Agency.

Senator SPARKMAN. Yes, I am glad you make that statement, Mr. Mason. A good many times before this committee, I have called attention to the fact that we ought to be aware of the fact that in spite of all the Government help, the Government programs that are provided, the majority of the housing in this country is built under—

Mr. MASON. I would not want to create the idea that the Government programs are not important by any means, but it is the leadership of the Government program that has a great influence on the other. But I know the committee understands this. However, I thought it might be well to have the public record clear.

Senator SPARKMAN. Another thing that we might recall, a good part of what we refer to as conventional financing is handled through savings and loan associations which, while they are private institutions and use the savings of the people, they do have recourse to a certain amount of Government credit and Government assistance.

Mr. MASON. Yes, they do.

Mr. ZIMMERMAN. Mr. Chairman?

Senator SPARKMAN. Mr. Zimmerman wants to say something.

Mr. ZIMMERMAN. Mr. Chairman, before you leave the subject you and the Administrator have been discussing, I would like to make a comment. I know the basic questions involved are more properly within the concern of the Administrator, but I am afraid that some misconception may be left regarding my administration of the FHA programs. I would therefore like to make this comment.

Senator SPARKMAN. Yes.

Mr. ZIMMERMAN. The reference in the Wall Street Journal that the chairman read used the word "target." This was, I think, their own selection of words. If not, then it was a bad selection on my part. I think a more accurate word, when we talk in terms of projected annual starts figures would be "guess" or, perhaps, a more dignified word may be "estimates," which are obviously based on the existing factors which influenced the ultimate level of construction activity.

I think it would be improper on my part as Commissioner of the Federal Housing Administration to attempt to so administer our programs as to achieve any such identified goals or targets. I do not have this in my mind as we consider such actions, which the chairman also referred to, as the recent implementation of the authority to lower the downpayments.

It is true that when we first obtained this authority, September 23 of last year when the President signed the Housing Act of 1959, I exercised my own discretion, as the committee intended that I do, and elected not to implement that authority. But the main reason I did not was simply because, in my judgment, it would not have served a useful purpose at that time. We were going into an increasingly tight money market situation which continued to worsen until, I think, around the first of February. Also, we had unmistakable evidence of sustained strong market demand, sufficiently strong, at least, to end the calendar year with record high levels.

When these trends were reversed, more money was becoming available, some softening of the mortgage market as to price was evident and, admittedly, a falling off in starts was reflected by the monthly estimates, seasonally adjusted. Then I had to stop and think what the Congress intended I should do, what kind of discretion I was supposed to exercise. At this time, it was my judgment that with these conditions existing Congress intended that I go ahead and implement the authority.

But the point that I am making is that it was not in relation to these "guesses" which seem to be almost like annual sweepstakes events, when all of us try to pick a housing starts figure, but rather the exercise of discretionary authority in keeping with the intent of Congress.

Senator SPARKMAN. Thank you, Mr. Zimmerman.

Senator Clark?

Senator CLARK. I yield to Senator Muskie.

Senator SPARKMAN. Senator Muskie.

Senator MUSKIE. I am not going to take too much time because I am interested in hearing Senator Clark's questions.

But, to clarify my own thinking, Mr. Mason, you are not really opposed to dealing with numbers in this field, are you?

Mr. MASON. I think this is a part of the job. It is certainly necessary to study this, to know, in relation to the number of needs of the country, something about how many houses we think should be started in that period; yes, sir. In other words, I agree with you. I do not know how your question was asked, but I mean—

Senator MUSKIE. You suggested the target should not be so pinpointed to enable us to use a rifle; we should use a shotgun.

Mr. MASON. I think if we got to setting targets officially that at this point we should be sure not to come just to one number, but to break that number down into a lot of things.

Senator MUSKIE. In other words, the bill, S. 3379, ought to provide for more information than is suggested in its present form.

Mr. MASON. No, I do not think we should do it that way. You see, I think there is a difference in this as to whether an Administrator sits and considers conditions and needs and this sort of thing and an Administrator who sets a definite figure which he has to reach.

I think it would be very difficult, if not impossible, to set this goal accurately in the way it ought to be, if we were to set a goal.

Senator MUSKIE. There is nothing in Senator Sparkman's bill to suggest that all production in the housing field ought to be by governmental action or even that governmental action should preempt a larger share of the housing field.

Mr. MASON. Senator Muskie, as I read Senator Sparkman's bill, I felt he said that we should set a goal and then we should administer our programs in such a way as to reach that goal.

And this would, in my mind, mean that we have to reach the goal which includes 67 or 66 percent of conventional financing, or private financing as well as the Government-assisted programs.

Senator MUSKIE. Is there anything in the bill to suggest that if, as a result of studies, there is a gap between the number of units that ought to be built and the number of units that the President expects will be built, the President must submit recommendations designed to close that gap?

Mr. MASON. As I read the bill, there is; yes, sir.

Senator MUSKIE. Then, you read the bill differently than I.

On page 2 of the bill, beginning with line 11, the President is asked to make any recommendations for legislative action that he determines are necessary or desirable. If the President should determine that the gap of which I speak should not be filled by governmental action, he does not have to make, under this bill, recommendations to that effect, does he?

Mr. MASON. Before this, does it not say that the executive department is supposed to bring these to pass?

Senator MUSKIE. There are three requirements for the record. One, that it include a statement indicating the minimum number of housing units which should be started.

Mr. MASON. No. 2?

Senator MUSKIE. It does not say they should be started by governmental action.

Mr. MASON. That is correct.

Senator MUSKIE. No. 2, an indication of the manner in which the law will be administered by the executive agencies to achieve the number of housing units. This does not say that the law must be administered to achieve that number of units, does it?

Mr. MASON. I draw the inference that the executive agency would not be carrying out its charge correctly if it did not attempt to, certainly.

Senator MUSKIE. If this second provision simply provided that the report ought to give an indication of the manner in which the law would be administered and the number of housing units likely to be produced as a result of it, would this meet your objection?

Mr. MASON. This probably is a matter of semantics, Senator Muskie. I think that it could be stated so we could agree.

Senator MUSKIE. If I may turn to Mr. Zimmerman for just a moment, was the recent lowering of the downpayment on FHA housing a result of a study on your part?

Mr. ZIMMERMAN. Yes, sir.

Senator MUSKIE. Did that study indicate there was an increase in supply of mortgage money, justifying this?

Mr. ZIMMERMAN. It indicated there was a reversal of the trend from a worsening market to an improving market. The facts were reflected in modest changes. The most recent reports that we had at the time we took this action were April 15. But I was relying more heavily upon the reversal of the trend rather than upon any significant change.

Senator MUSKIE. Would your judgment be that the result will mean a soaking up of some increase of supply of mortgage funds or increase in demand for a relatively stable supply of mortgage funds?

It is going to result in an increasing demand, is it not?

Mr. ZIMMERMAN. I am not sure I understand your question, Senator.

Senator MUSKIE. The lowering of downpayments will make it easier for people to buy.

Mr. ZIMMERMAN. It will have an effect on demand, I think, yes. But, more importantly, at least in my own consideration, was a fact such as this: We had fewer and fewer FHA offices reporting adequate supply of money from the time the bill was first signed until about the first of February. If my memory serves me correctly, I think we got down to as low as 41 or 42 of our 75 offices indicating an adequate supply of mortgage money. This was the low point. From that point on until April 15th, we had more and more offices, indicating adequate supply of mortgage money, until I think on the 15th of April there were around 60.

This is an important factor as well as the slight improvement in price. But it also reflects that reversal of the trend that had been in evidence from September until about February.

Senator MUSKIE. Do you think your action will have any effect on interest rates?

Mr. ZIMMERMAN. I do not believe that it will have a significant effect on interest rates. I do not believe that it is going to be a strong factor. However, I do look for some continued, modest improvement in interest rates, at least for the next 4 or 5 months.

Senator MUSKIE. Is it fair to say that before taking this action, you were interested in numbers?

Mr. ZIMMERMAN. Yes. It would be unfair, at least, to say that I was not.

We are pleased to be able to report, based on our forecast that this entire year is going to be a good, strong, healthy year. I had to assume that when Congress decided to give to the FHA, this kind of authority, that they were not oblivious to its possible need sometime in the future, not only for reasons of the money market, but also for reasons of demand. This was a factor, also, of course.

Senator MUSKIE. Mr. Mason, could I pinpoint again your objection to Senator Sparkman's bill S. 3379? Are you afraid that if the evaluation of need in terms of number of units is substantially greater than the number of units which are likely to be produced, including those produced by Government action, that pressure would be increased for more Government action?

Mr. MASON. Senator Muskie, what I am afraid of is that we will have to have a completely managed economy. This is not too far different from price control. These things start small, and you reach out a long ways before you get the action carried out.

Senator MUSKIE. Are you saying that an unmanaged economy can be assured only if it is a blind economy?

Mr. MASON. Senator Muskie, I do not believe we have a blind economy now, but I am looking for an economy where private industry, where markets, have things to say to builders as well as the desire of the builder to build houses.

Senator MUSKIE. The information produced by the study under such legislation as Senator Sparkman's would be useful to private builders, the private housing market, as well as to Government.

Mr. MASON. Senator Muskie, we have been trying for quite a few years to get money to get these figures so that private builders could have them. I think it is important that the private industry have better figures than they have now on which to base their judgments.

I was out on the west coast just this last week and listened to lumber manufacturers who did not listen to me or anybody else, apparently. They have overproduced lumber, and they are now very unhappy because it is not selling as fast as they had hoped it might.

Senator MUSKIE. We are in such agreement on that it is too bad the members of this subcommittee are not on the Appropriations Committee.

May I ask one more question of Mr. Baughman at this point with respect to his testimony on section 5 of H.R. 10213. I wondered if it would be useful to us, the members of the committee, to be able to evaluate, really evaluate, the impact on our declination policy or various other factors you say are overlooked in the housing bill.

For example, you refer to the fact that the mortgagor may have overwhelmed himself with obligations for installment purposes and may become unemployed or have developed marital difficulties. You list several of these factors.

Are these factors representative of an important segment of your declination of mortgages?

Mr. BAUGHMAN. Our declinations are relatively small, Senator, and it is those exceptional cases that come to us which, in our judgment, we feel we should not purchase that we do decline. The percentage of declinations run somewhere in the neighborhood of 5, 6 percent. So you see, it is small. The includes all types of declinations.

Senator MUSKIE. Really, this is not an important criticism of the bill in terms of numbers.

Mr. BAUGHMAN. I think it is important in criticism, that the Congress would be asking us to do something we do not believe we should do.

Senator MUSKIE. I yield to Senator Clark.

Senator CLARK. Mr. Mason, I would like to pinpoint our philosophical differences in a friendly way on the subject of Senator Sparkman's bill, S. 3379. I am going to make an observation, and then ask you to comment on it. I am not going to argue with you because I know we disagree drastically. But I would like the record to show the nature of our disagreement.

Senator SPARKMAN. Senator Clark, before you put your question, would you yield to me to call attention to the fact that while I introduced this bill, it presently seeks to put into legislative effect that recommendations of this subcommittee.

Senator CLARK. I was about to come to that, Senator Sparkman. I am glad you mentioned it.

I suggest, Mr. Mason, that the fundamental difference between the majority of this subcommittee and you gentlemen is that we believe in planning, and you do not, that you think that a free, unregulated, more or less chaotic economy can take care of the housing needs of this Nation, and we do not.

I call your attention to the study of mortgage credit prepared by the subcommittee and adopted by it with a qualification which is not important for our present discussions. The subcommittee's recommendation No. 1 was to state its belief that a minimum of 16 million permanent, nonfarm housing units should be constructed during the 10-year period beginning in January 1961.

We think, and I guess you do not, that it is part of your agency's job to see that that is done with every available tool presently at your command and to request additional tools which are needed to achieve that. Senator Sparkman's bill gives you another tool and, in my judgment, gives the President the same planning authority in the housing field which he ought to be exercising and is not in connection with the Employment Act of 1946 administered through the Council of Economic Advisers. So we, on this subcommittee, think that plan is good and not bad. We think that plan should include a statement of the housing needs of this country and include aggressive and positive action on the part of your agency to see that those needs are met.

I take it you do not agree, and I ask for your comment.

Mr. MASON. Senator Clark, I think that it is in the measure of the planning that our differences of opinion lie rather than the fact that the subcommittee majority believes in planning and the agency believes in no planning. Certainly, we do not believe in what you refer to as "a chaotic condition." We believe that there should be a greater dependence upon private economy of the country. We believe that part of the economy should have information on which it can base its judgments, which it does not now have. We would like to see this done. So would your committee, I know.

But the difference in opinion between the committee and myself, I believe, is whether or not we believe that the American economy, the

building industry, the lending industry, the real estate industry, whether these great industries can, of themselves, with Government leadership, accomplish the job of providing homes for America, or whether we must specifically set out for them what they have to do each year.

We have people in the building industry, unfortunately, who would love to have the same number of houses to build each year and have so stated that they do not like the fluctuating ups and downs which come with dependence upon private markets.

But it is the belief of the Administration, and our difference of opinion, certainly, is in the degree, I think, in which we believe that dependence should be put on the private enterprise system.

Senator CLARK. No, I do not think so at all. I think the difference of opinion between us is the degree to which planning is desirable. I think you would agree with that; would you not?

Mr. MASON. Well, yes; I guess that statement could be correct. The degree by which we decide how far we go with Government planning.

Senator CLARK. Government direction, the Government leadership, the Government planning, not the Government control, not the Government ukase, but leadership in terms of planning. We think that the Government ought to go a lot further than you think it ought to go. Is that not fair?

Mr. MASON. Senator Clark, I happen to believe in Government leadership. I think this is important and healthful to a free enterprise system.

Senator CLARK. Do you not think the Government has to know which way it is going to lead and does it not have to plan in order to find that out?

Mr. MASON. I think the Government does know in which way it is trying to lead at the present time, and I think our difference of opinion relates to, and the thing I fear, is danger of domination by Government of the housing industry completely if we go too far in the line in which you suggest.

Senator CLARK. And this is the thing which the subcommittee does not fear, and why do we not leave it that way?

Mr. MASON. We will, thank you.

Senator CLARK. On another subject, Mr. Mason, you did not dignify with comment the bill close to my heart, S. 1342, to which you expressed strong objections last September. I assume that your objections are as strong today as they were then. Is that correct?

Mr. MASON. This is S. 1342?

Senator CLARK. Yes. That is the middle income housing bill introduced by Senator Javits and me. You did not undertake to comment on it today, but you gave us a long and quite closely reasoned letter last September on your position.

Mr. MASON. We have not changed our opinion, Senator Clark. We are still opposed to it.

Senator CLARK. You still feel, as stated in your letter, that the present satisfactory system of FHA which has insured and guaranteed private loans has adequately taken care of the needs of middle income families?

Mr. MASON. Yes, Senator Clark, and I think maybe here is one of these other places we need definitions because there is a difference of opinion about the words "middle income."

Senator CLARK. Yes. We attempted to define it in the bill. I take it you do not agree with it.

Mr. MASON. That is right, we do not.

Senator CLARK. I think this points up another sharp disagreement between, at least, one of the members of the subcommittee and the Agency. I believe very deeply that our middle income families are not getting the opportunities to buy either existing or new housing to the extent that is essential to meet what is called our national housing goals, and you believe they do. So let us leave it at that.

May I turn to a third subject, which is S. 3292, my bill for a Department of Urban Affairs. I was very much interested in listening to you testify, and I came to the conclusion, and I want you to check me if my conclusion is wrong, that you are in favor eventually, but not now, of a Department of Urban Affairs. But you want the President to set it up through an amendment to the Reorganization Act; and not Congress.

Is that a fair statement of your position?

Mr. MASON. Of course, Congress, too, does work under the Reorganization Act, Senator Clark. We think it would be desirable that such an agency be created by the President, proceeding under the Reorganization Act, if it is reimplemented. We think this would be the more desirable way to do it, and I think that is what I said. Aside from this, I do not oppose the program.

Senator CLARK. In other words, if you will excuse my temporary interjection of parties and politics into this, you want a Republican President, rather than a Democratic Congress, to set up a Department of Urban Affairs?

Mr. MASON. I was not thinking of a political viewpoint, sir, but of a viewpoint of good procedure under any administration. Other reorganizations have been affected under the Reorganization Act of 1949 quite successfully, as you know.

Senator CLARK. So what you would want us to do would be, not only to extend the Reorganization Act of 1949, but to amend it so as to permit the President to create a Department of Urban and Metropolitan Affairs, in spite of the strong objection to such Department publicly enunciated by the President's advisor, Mr. Merriam, in a public lecture only 6 weeks ago. You would contemplate with equanimity the possibility he might change his mind?

Mr. MASON. Senator Clark, the principles expressed in my prepared statement are approved by the administrative part of the Government. So whatever Mr. Merriam may have said in a public speech has no bearing as to the possibilities.

Senator CLARK. I am happy to hear that my good friend, Mr. Merriam has been overruled in the White House. This is excellent news.

I expect later today to introduce a housing and urban renewal bill, and I know that it is unfair to ask you gentlemen to comment on proposed legislation which you have not seen. I assume that in due course, we will get the views of your Agency, mostly adverse to the proposed provisions of that bill. But there are a couple of general points of policy which I suspect you and your associates might be prepared to comment on today.

Let me say right away if you do not want to comment because you want to give the matter further study, I will certainly understand. But I would like to give you the opportunity, at least, to comment. My guess is that your views on some of these subjects are pretty well confirmed.

Mr. MASON. I would like to try to.

Senator CLARK. First, I would like to ask Mr. Zimmerman this: This bill, S. 3509, would provide an additional \$4 billion of mortgage insurance authorization. It is based on the concept that while you have not used all of your existing authorization of \$15 billion, you testified last February that the existing authority might not suffice to carry you over into next year. I would like to ask you whether you have refined the views you expressed to this committee last February and can give us a more up-to-date educated guess.

Mr. ZIMMERMAN. I can do so, Senator, although, at best, these forecasts are speculative. In fact, I think that I could very carefully say they are, at times, grossly speculative. There is less uncertainty now than there was in February due, mainly, to the passage of time. We have 3 more months' experience under our belt than we had then and 3 months less to speculate on.

At the present time, it appears that our insurance authorization will be adequate to take care of the workloads that we anticipate for this year and on into the early part of next year.

Senator CLARK. Give me an educated guess as to what you mean by "the early part of next year." I want to make up my mind whether Congress can safely adjourn, with the new administration coming in, regardless of what party it represents, without increasing the mortgage insurance authorization, assuming we are not going to take the ceiling off. I think you can make that assumption.

Mr. ZIMMERMAN. I would prefer not to make the assumption. I think it is a very responsible and considered proposal that the administration has made, due mainly to the difficulty of making such assumptions.

Senator CLARK. I do not mind your not making the assumption, but we are prepared to make it, I think.

Mr. ZIMMERMAN. Senator, let me first start with the figures that we had as of March 31, which are the last firm figures that we had. At that time, the outstanding balance of this general insurance authorization was \$4.9 billion. We had, at that time, \$1 $\frac{1}{3}$ billion in outstanding agreements to insure, which have to be honored if they are presented to us.

We are now estimating that approximately 40 percent of them will ripen into insurance, which would be in the neighborhood of \$500 million, leaving us, then, an effective balance of authorization at that time of about \$4.4 billion. Those are the only facts that we have.

Based upon our present volume of business and estimating an increase in this present seasonal adjusted level of 40 percent by next September and a continuation, then, at that level for the balance of this calendar year, we would have somewhere in the neighborhood of \$750-million insurance authorization remaining at the end of this year.

You asked specifically how far I think this would go into next year. As I always say, this is a difficult type of question to answer. I think

that I should go no further than to say only into the early part of the year, the first or second month of the year.

Senator CLARK. I think—again, I am speaking only for myself—that the committee does not want you to run out of mortgage insurance authorization much before May or June of next year. I ask you whether you think the \$4 billion figure contained in my bill would be conservative and adequate to take you to about this time next year, or whether you want more or whether you would be satisfied with less. If you do not want to answer that question today, perhaps you would send us a letter up within the next few days.

Mr. ZIMMERMAN. That would be fine. It probably would be better because you are basing your question upon a factor I was not aware of, a specific dollar amount of authorization. If it is agreeable with the Senator, I think it would probably be better if we respond in writing within the next few days.

(The information referred to follows:)

FEDERAL HOUSING ADMINISTRATION,
OFFICE OF THE COMMISSIONER,
Washington, D.C., May 27, 1960.

Hon. JOHN J. SPARKMAN
U.S. Senate,
Washington, D.C.

DEAR SENATOR SPARKMAN: Prompting my appearance before your Housing Subcommittee on Monday, May 9, Senator Clark requested a more detailed statement concerning the prospective use of the insurance authorization provided to FHA by section 217 of the National Housing Act and of the increase in authorization which would suffice for FHA operations until about this time in 1961.

As of April 30, 1960 there remained an estimated unused insurance authorization of \$4.3 billion under section 217. At the same date outstanding agreements to insure amounted to \$1.2 billion, of which not more than \$400 million are expected to result in commitments and become chargeable against the insurance authorization.

With due regard for money market conditions and prospects, for trends of savings, for current housing market conditions, and for current and prospective economic conditions, it is anticipated that FHA applications will increase appreciably (on a seasonally adjusted basis) during the next few months. A modest upturn in existing-home applications has already been evident for nearly 2 months, and a corresponding improvement in new-home applications should soon be apparent.

On the assumption that home mortgage applications rise by 46 percent between April and September (seasonally adjusted) and remain at that level through December, that conversions of agreements to insure amount to \$400 million after April 30, and that expirations will rise to a 35-percent rate by fall, the unused authorization at the year end will be between \$500 million and \$750 million (depending on the extent of expirations of commitments issued pursuant to agreements to insure). It is my judgment that these assumptions constitute reasonable expectations for this period.

Since application levels would be at a seasonally low level during the year-end months, this unused authorization at December 31, 1960, could be expected to accommodate commitment processing until the end of February or the middle of March, with the timing of imposition of controls, if necessary, being determined toward the end of this period.

If the fiscal year 1961 projections of FHA applications are attained, a net use of authorization of \$3.1 billion in excess of that now provided by section 217 would occur by June 30, 1961. To accommodate this rate of authorization use, an increase of \$4 billion as suggested by Senator Clark would be appropriate.

Sincerely yours,

JULIAN H. ZIMMERMAN *Commissioner.*

Senator CLARK. I would appreciate it if you would. Even though you hate to make the basic assumption, please do for the purposes of helping the committee.

Mr. ZIMMERMAN. We will do the best we can and will give you all the information, either all the facts we now have, or all of the information that we think should be considered. As the Senator knows and although he hates to consider this possibility, there would be much uncertainty removed if the Congress would remove the ceiling, and we would be able to avoid this kind of "guesstimation."

Senator CLARK. For the purpose of answering my inquiry, you just get that out of your mind.

I should ask you this additional question, though, whether you are going to start rationing if you do not get increased authorization. You have done it, and I wonder if you would contemplate doing it this year when you get down around \$750 million, or whether you would start it sooner. I do not think we want you to ration.

Mr. ZIMMERMAN. Of course, when FHA starts that daily control, which the Senator refers to, depends entirely upon the accuracy of our present forecasts. If these forecasts are realized, which I think are as sound as we are able to make at this time, no such procedures, extraordinary procedures, on our part would be necessary this year.

Senator CLARK. Even if you got down to \$750 million?

Mr. ZIMMERMAN. That is right.

Senator CLARK. Do you recall when you started rationing in the past?

Mr. MASON. Senator Clark, maybe I can answer better than Mr. Zimmerman.

Senator CLARK. Fine.

Mr. MASON. I do not know exactly what you mean by rationing. We did start the procedure of issuing agreements to insure in October of 1958.

Senator CLARK. In anticipation, of our increasing your authorization—

Mr. MASON. This was when Congress was not in session, and we had completely run out. Congress had given us an increase in authorization in May, and it seemed to us that it would be ample. Congress was not in session, and we did this by way of keeping in business.

Congress has since told us that we cannot do this any more. So that cannot be done.

What Mr. Zimmerman refers to are the times when they actually run out. When FHA runs out of authorization, it then stops until it accumulates more out of turnover and then issues that.

Senator CLARK. Meanwhile, you issue agreements to insure.

Mr. MASON. No; we do not issue agreements to insure any more. Congress has said not to do that.

Senator CLARK. You are right; I forgot.

What I meant by rationing was bringing in the control to Washington. I gather from what Mr. Zimmerman said that, subject to his right to change his mind, he does not now anticipate that it would be necessary to bring controls into Washington before the end of this year. Is that right?

Mr. ZIMMERMAN. Yes, Senator. On the basis of our forecast volume of business at the present time, we would be probably issuing commitments somewhere in the neighborhood of \$40, \$45 million a day. All we do, as we near the point of exhaustion, is administratively pick what we consider to be a fairly safe point. Then, because this

business is flowing in from all over the country, we establish a field reporting system which allows us to release daily only commitments we are talking about when we say "daily control." We get so close to the end that we think there would be some risk of exceeding the legal limits, and that is the only purpose for the control.

Based on these kinds of estimates, I would say that we do not anticipate that we would be confronted with that situation this year.

Senator CLARK. All right.

I want to ask you about another—

Senator SPARKMAN. Will the Senator yield to me right there?

Senator CLARK. Yes.

Senator SPARKMAN. Did I understand you correctly to say you would be using \$40 to \$45 million a day?

Mr. ZIMMERMAN. That is what I said is the average daily volume of commitments.

Senator SPARKMAN. That is good enough. I was just thinking—

Senator CLARK. Nobody has a gun back there.

Mr. ZIMMERMAN. I was just looking for my economist.

Senator SPARKMAN. You said at the end of the year you would have \$750 million left over. That is only 18 days of operation. That is the thing that was of interest to me because the next year we have—

Mr. MASON. There is more coming in, though.

Senator SPARKMAN. The next year, we not only organize Congress anew, but a new President will be inaugurated on the 20th of January. We cannot possibly get action next year in time to take care of that if it is going to run out by the 20th of January.

Mr. MASON. In some of the early months of this current year pay-offs of mortgages have actually increased the amount of insurance authorization rather than using it. This amount Mr. Zimmerman is talking about is in the busy, active season in the fall. That is the top figure.

Senator SPARKMAN. That is when you are going to be approaching the end, the busy season in the fall.

Mr. MASON. In January and February, this actually builds the other way. You get more authorization out of turnover.

Senator SPARKMAN. Very good.

Mr. ZIMMERMAN. I will add just another comment or two because I can't help but feel personally that the identification of these difficulties and the confusion that arises perhaps emphasizes the importance and perhaps the merit of the administration's bill. The forecast is \$750 million of outstanding authorization at the end of this year. Then, Mr. Thornton, one of our experts and well known on the staff, indicates that going into the first part of next year, we probably would not have a net use greater than \$200, \$250 million, taking into consideration the rollover from the terminations of insurance contracts and current amortization. All of these various factors, which, Senator, we will wrap up in the response to your question and try to give you all the information that we have in making these estimates.

Senator CLARK. Thank you.

I yield now, briefly, to Senator Williams.

Senator WILLIAMS. I appreciate that, Senator Clark, and I will be very brief.

I regret I was late this morning, Mr. Chairman, because of a late plane, and I am particularly unhappy that I was not here to hear the generally favorable testimony with respect to S. 3278, a bill I have introduced with others for dealing with our mass transportation problem.

I have reviewed hurriedly the testimony of Mr. Walker, and I gather it is your position that you are generally favorable to the planning section of our bill that we will bring mass transportation under the urban planning assistance program.

Mr. WALKER. That is correct, sir.

Senator WILLIAMS. That is the testimony I regret very much that I did not hear. We appreciate the support of the Agency, of course, for the recognition of the need of planning in mass transportation related to the other urban developments that we are all concerned about.

Mr. WALKER. I hope the Senator was equally conscious of my word of caution.

Senator WILLIAMS. It was suggested, if it is included within the legislation, more money would be needed, but I did not read any statements that you would be opposed to that.

Mr. WALKER. That is right.

Senator WILLIAMS. I did notice, too, that Mr. Hazeltine did not dispute the need of vast improvements in mass transportation. But the testimony is critical of the method of arriving at the interest rate, how the interest rate derived and, as might be expected, is opposed to the Federal Government being the source of the money, suggesting State, local, and private sources.

Mr. HAZELTINE. That is our position, Senator, and we believe there is money available from other sources rather than direct loans from the Federal Government.

Senator WILLIAMS. In view of the fact we will have detailed hearings on this later in the month, we will not deal with certain of the weaknesses here in the situation we feel now suggests the need for Federal sources.

Thank you.

Senator CLARK. Mr. Zimmerman, going back to this new bill of mine, S. 3509, I wonder if you would comment on a provision which would extend FHA section 220, which, as you know, refers to urban renewal areas. Maybe this is not for you; maybe this is for one of the others.

I want to talk about extending section 220. Who shall I address my question to, Mr. Mason?

Mr. MASON. Any one of us—Mr. Walker.

Senator CLARK. I will ask the question, and you decide who will answer it.

This provision would extend the section 220 program, which is presently confined to urban renewal areas so that it would be available in neighborhoods designated as conservation areas. It would also provide a higher loan value ratio for certain type of mortgages in these areas.

The thought behind it is that FHA has never been used effectively in the rehabilitation and conservation of older neighborhoods, which are very important, indeed, from the standpoint of the total housing supply. The purpose of this amendment would be to make it possible for private builders to move aggressively into conservation and re-

habilitation work as a phase of a comprehensive urban renewal program.

How do you gentlemen react to that?

Mr. MASON. Senator Clark, have we studied this bill, or is this a new one?

Senator CLARK. As I said earlier, it has not been filed yet, and I will understand thoroughly if you don't want to comment on it. But it occurred to me that a brilliant fellow like Mr. Walker would have, off the top of his head, a comment that we would not hold him to later.

Mr. MASON. If you will not hold us to it later, we will be glad to comment.

Senator CLARK. I understand the caution of your comment.

Mr. MASON. Senator Clark, we believe this is one of the real problems for getting financing for what the experts call gray areas, and your proposal is pointed to that point.

Mr. Walker, do you have an opinion on this?

Mr. WALKER. Yes; I have a very definite opinion on this.

I think, Senator, what you are saying is that we ought to try to make some of these facilities available for areas before they become clearance sections.

Senator CLARK. That is right.

Mr. WALKER. I could not agree with you more. We are contemplating two approaches to this. One is the use of the community renewal program, and the other is the extended use of the greater neighborhood renewal plan. But I have not had a chance to study your bill, and I could not comment on it.

But, as an objective, our objective, I think, is the same as yours.

Senator CLARK. Do you not think, offhand, and again I will not hold you to it, that section 220 might be useful in these areas?

Mr. WALKER. We think section 220 would be very useful.

You made a comment, and I would like to give my thanks to Commissioner Zimmerman and advise you that at this moment we have top staff people meeting weekly to devise a better approach to the whole problem of conservation, and of financial availability of insurance, as well as our own responsibilities which lie in the field of defining what can be conserved and what will be clearance within a decade.

Senator CLARK. It would be unkind for me to comment, "better late than never."

Thank you very much, Mr. Zimmerman and Mr. Walker.

Mr. Baughman, in this bill, S. 3509, an additional \$150 million would be provided for FNMA special assistance program. This, as I understand it, is the same amount that the administration wants, but the administration wants us to get the money through appropriations rather than direct borrowing.

I guess that you are committed to the administration line in that regard; are you not?

Mr. BAUGHMAN. That is correct.

Senator CLARK. Although this is a change in the assistance program, is it not?

Mr. BAUGHMAN. It is a change from the way we usually get the money authorization.

Senator CLARK. A change from the way you always received the money in the past.

This money would be available for purchase of FHA-insured mortgages on housing constructed in urban renewal areas. It is for relocation housing, for families displaced by urban renewal, and also for housing for the elderly.

Do you, as an FNMA executive, have any objection to that type of special assistance subject, of course, to your directive that you have to get the money by appropriation?

MR. BAUGHMAN. No. Of course, we are making every effort to have the types of mortgages that are eligible under these programs, as many of them as possible, financed privately, and we only want to use the assistance that is authorized us by Congress in cases where people are not able to get private financing. This particular program comes under the Presidential directive. He has an authority now of \$950 million, and we are recommending an increase of \$150 million. There are several programs under his direction.

At the present time, there are unused funds from this \$950 million already authorized of approximately \$375 million. So this \$150 million will be in addition to what he already has available for these programs.

Senator CLARK. Let me ask, Mr. Walker, whether you would agree with me that there is a very real need for better financing for housing, both constructed in urban renewal areas, and for relocating housing for families displaced by urban renewals. It has been my experience that this is really one of our critical needs. How do you feel about it?

MR. WALKER. I would agree that we need to take a look at the availability of housing, not only for dislocation brought about by urban renewal, but brought about for dislocation by any governmental action.

Senator CLARK. The highway program.

MR. WALKER. Yes; and foreclosure and enforcement and others.

Senator CLARK. Is this not one of the areas where we really are not making appropriate progress? I remember going out on behalf of this subcommittee a couple of years ago. We went to Portland, Maine, and went to Pittsburgh and several other places. I thought that the relocation housing problem was really a threat to the urban-renewal program.

I wonder if you would agree. We just are not able to put these people in decent sanitary houses when we kick them out. Yet, we are required to under the law, and my guess was that the law was being evaded, if not avoided in a great many cases. The lower end of Pittsburgh is a good example.

MR. WALKER. Senator, you are asking me if I now have a deep concern with respect to the availability of relocation housing. The answer is, "Yes."

Senator CLARK. Thank you, Mr. Walker.

Let me ask you this again. When you were up here in February, we had a friendly little disagreement as to whether you needed any more urban renewal authorization. I think it was then your view that you did not. We have had, as you know, a survey made by the American Municipal Association and the U.S. Conference of Mayors. (See p. 386.) They think that the \$300 million authorization which will become available to you on July 1, plus whatever you have left over from this year's authorization, is going to be inadequate. They think you ought to have \$600 million for fiscal 1961.

I would like your comments on that, unless you would rather wait and make them later.

Mr. WALKER. Whatever you want, sir.

Senator CLARK. I would rather have them now.

Mr. WALKER. I am even more convinced today that we will have an adequate supply of urban renewal money through fiscal 1961 than I was in February. If you would like, I will go over this in detail with you, Senator, and show you exactly what we believe is happening in this business.

I might point out to you that the concern I just expressed as part of the reason why I am not too much interested in a billion-dollar program in 1961 is because—I think you and I will quickly agree—the relocation problem alone, and it is not the sole problem, would exclude from feasibility any billion-dollar program next year. But there are other reasons.

However, I would like to get off the negative side and get on the positive side and talk to you a little bit about what moneys are available and what makes up the applications.

Senator CLARK. I do not want to take the time of the committee to do it today, but I wonder if you would make an appointment and come up and see me. I will get my people in, and let us see if we can get closer to a meeting of minds than we clearly are this morning.

Mr. WALKER. I would be glad to.

Senator SPARKMAN. May I suggest, too, that you prepare a table or statement for the record in order that we may have the figures before us.

Mr. WALKER. Be glad to do that. (See p. 158.)

Senator CLARK. I think perhaps we could prepare a statement as a result of such a meeting which would save the committee some time because I am going to want to get your comments on the survey of the American Municipal Association and U.S. Conference of Mayors.

Frankly, if it is all right with you, I would like to have some of their representatives sit in when we meet so we can see just where we disagree.

Mr. WALKER. Perfectly willing, Senator.

Senator CLARK. Mr. Davern, you have had the luxury of remaining quiet all morning. I would like to ask you this: When you came up here in February you told us you would give us a status report on pending applications for public housing early in May after you cleared out the deadwood. I wonder if you are ready to do that today.

Mr. DAVERN. Yes, sir, Senator; and I might say that the forecast which I gave the committee in February was somewhat on the optimistic side.

In February there was filed in the record a list of pending applications for financial assistance for low-rent housing and reservations totaling 67,581 units. Since that time we have received new applications for approximately 9,000 units. Of the total of 67,581, plus the 9,000, there are in active planning today programs for a total of approximately 26,000 units. Of the balance, applications for 2,739 units have been deferred at the request of the cities concerned. Reservations for 460 units have been deferred at the request of the communities concerned. There are also outstanding 5,280 program reservations in large cities which have backlogs of annual contribution contracts

that will engross their development capacities during the next several years and, therefore, cannot be considered for contracting purposes under the 1959 act.

The balance on the list have either been canceled or will be canceled in the near future.

Senator CLARK. From which statement do you conclude that there is no need for additional authorization of public housing units for fiscal 1961?

Mr. DAVERN. I did not understand you.

Senator CLARK. Let me restate it. What are your views as to whether it is desirable to increase the presently existing authorization for the construction of public housing units?

Mr. DAVERN. My opinion on that is the same as it was in February. The present authorization will meet the demand and the ability of the agency through the next fiscal year.

I would like to add a little to that. The 26,000 units which we are now working on is not a large program in point of number of units. However, it does involve over 300 different localities. That means more than 300 workable programs, more than 300 local government body approvals of loans, more than 300 cooperation agreements, more than 300 site selections and site approvals, et cetera. The workload represented is far beyond the number of units involved.

Senator CLARK. Mr. Chairman, would it be appropriate to ask Mr. Davern to furnish a written statement as to the state of the public housing program which would amplify to some extent what he has testified to now?

Mr. MASON. We would be happy to.

Senator SPARKMAN. Fine.

(The information referred to follows:)

Current status of backlog of low-rent housing program applications and program reservations under Housing Act of 1959, as of May 10, 1960

	Reductions and cancellations	Deferred	In active planning
Applications and program reservations pending as of Feb. 1, 1960:			
1. Applications for which program reservations have been approved.....			8,574
2. Applications on which action has been deferred pending further study.....		2,637	8,711
3. Program reservations in active planning.....			
4. Program reservations on which action has been deferred at the request of the locality.....		1,612	
5. Program reservations which at this time are not considered for contracting under the 1959 act.....		5,460	
6. Inactive applications and reservations (some of these have been withdrawn or canceled).....	30,184		
7. Applications on which units applied for have been reduced on basis of market surveys.....	10,403		
Status as of Feb. 1, 1960, inventory.....	40,587	9,709	9,891
Applications received since Feb. 1, 1960.....			27,176
Total in active planning.....			27,176

APPLICATIONS AND PROGRAM RESERVATIONS PENDING AS OF FEBRUARY 1, 1960

1. Applications for which program reservations have been approved. These are in active planning

Locality	Number of units	Locality	Number of units
Alabama :		Louisiana :	
Albertville.....	80	Cotton Port.....	14
Ariton.....	150	Simmesport.....	100
Atmore.....	80	Maine: Van Buren.....	40
Boaz.....	60	Michigan: River Rouge.....	100
Brewton.....	80	Mississippi :	
Bridgeport.....	150	Ackerman.....	24
Childersburg.....	30	Baldwin.....	24
Cullman.....	85	Booneville.....	60
Demopolis.....	80	Cleveland.....	50
Greensboro.....	50	Gloster.....	34
Leeds.....	30	Hernando.....	20
Lineville.....	16	Liberty.....	18
Opp.....	60	Meridian.....	90
Ozark.....	100	Water Valley.....	140
Parrish.....	25	Vicksburg.....	350
Sylacauga.....	60	Nebraska: Kearney.....	70
Arkansas :		New Jersey :	
Morrilton.....	50	Asbury Park.....	60
Newport.....	150	East Orange.....	300
California: Rodeo.....	250	Edison Township.....	40
Connecticut: Rockville.....	100	Glassboro.....	60
Florida :		West New York.....	100
Bristol.....	10	New York: Herkimer.....	50
Carrabelle.....	12	North Carolina :	
Chattahoochee.....	50	Durham.....	650
Fort Pierce.....	250	Salisbury.....	60
Graceville.....	20	Ohio: Ironton.....	130
Lake Butler.....	30	Pennsylvania: Easton.....	50
Levy County.....	350	Rhode Island: Woonsocket.....	150
Lynn Haven.....	18	Tennessee :	
Milton.....	42	Bolivar.....	32
New Smyrna Beach.....	80	Carthage.....	18
Wewahitchka.....	40	Cleveland.....	150
Georgia :		Columbia.....	140
Adairsville.....	30	Cookeville.....	75
Americus.....	100	Decaturville.....	6
Bainbridge.....	45	Fayetteville.....	100
Camilla.....	50	Gainesboro.....	18
Columbus.....	100	Halls.....	26
Canton.....	66	Harriman.....	100
Carrollton.....	88	Huntingdon.....	50
Eastman.....	12	Jackson.....	224
Ellaville.....	20	Jamestown.....	40
Fairmont.....	12	Laurenceburg.....	60
Fayetteville.....	14	Livingston.....	100
Grantville.....	20	McMinnville.....	100
Hinesville.....	30	Mount Pleasant.....	50
Lyons.....	200	New Tazewell.....	14
Newnan.....	45	Parsons.....	24
Richland.....	20	Ridgely.....	28
Ringgold.....	30	Savannah.....	50
Reynolds.....	20	Watertown.....	18
Rockmart.....	25	Waverly.....	34
Swainsboro.....	100	Texas :	
Unadilla.....	22	Crosbyton.....	12
Illinois: Mount Vernon.....	150	Crystal City.....	20
Indiana: South Bend.....	350	Frisco.....	8
Kentucky :		Palmer.....	10
Hickman.....	38	Tulia.....	18
Irvine.....	32		
Martin.....	30	Total.....	8,574
Pineville.....	30		

2. Applications on which action has been deferred pending further study.

Locality	Number of units	Locality	Number of units
Alabama:		Georgia--Continued	
Lafayette.....	100	Norman Park.....	12
Red Bay.....	40	Ochlochnee.....	18
California: Stockton.....	200	Nashville.....	100
Florida:		Roberta.....	50
Crestview.....	300	Louisiana: Gueydan.....	50
Miami Beach.....	160	Mississippi: Magnolia.....	100
Vernon.....	100	Montana: Glasgow.....	60
Georgia:		Tennessee:	
Atlanta.....	500	Jamestown.....	25
Barwick.....	14	Lafollette.....	35
Cave Springs.....	10	Lake City.....	25
Douglas.....	50	Morristown.....	330
Greenville.....	50	New Tazewell.....	12
Harlem.....	100	Oneida.....	20
Jonesboro.....	100	Texas: Breckenridge.....	50
Meigs.....	20		
Morven.....	6	Total.....	2,637

3. Program reservations in active planning.

Locality	Number of units	Locality	Number of units
Alabama:		Illinois--Continued	
Ashland.....	28	Joliet.....	92
Blountsville.....	20	Quincy.....	60
Brent.....	50	Salem.....	20
Clanton.....	80	Staunton.....	24
Collinsville.....	20	Tamaroa.....	10
Hobson City.....	20	Kentucky:	
Mobile.....	500	Catlettsburg.....	50
New Brockton.....	20	Morehead.....	30
Northport.....	60	Murray.....	62
Arkansas:		Nicholasville.....	50
Dequeen.....	24	Paintsville.....	52
Dierks.....	26	Paris.....	30
Mineral Springs.....	8	Louisiana:	
Nashville.....	34	Berwick.....	30
California:		Jefferson Parish.....	300
Atwater.....	15	Kenner.....	60
Eureka.....	60	Kinder.....	16
Connecticut:		Oberlin.....	14
East Hartford.....	50	Patterson.....	30
New Haven.....	130	Maryland: Rockville.....	125
Florida:		Michigan:	
Fort Lauderdale.....	66	Baraga.....	10
Miami.....	168	Bessemer.....	30
Titusville.....	54	Mount Clemens.....	100
Georgia:		Minnesota:	
Bowman.....	14	Hibbing.....	50
Dublin.....	100	Minneapolis.....	1,054
East Point.....	150	St. Paul.....	701
Lawrenceville.....	50	Virginia.....	50
Lincolnton.....	30	Winona.....	40
Savannah.....	400	Missouri: Kansas City.....	100
Sparta.....	24	New Jersey:	
Villa Rica.....	40	Camden.....	164
Illinois:		Franklin Township.....	30
Brooklyn.....	100	Rahway.....	79
Centralia.....	20	New York:	
DeWitt County.....	25	Cohoes.....	130
East Alton.....	50	Lackawanna.....	150
Golconda.....	20	Rome.....	180
Granite City.....	100	Troy.....	80

3. Program reservations in active planning—Continued

Locality	Number of units	Locality	Number of units
North Carolina :		Tennessee—Continued	
Apex.....	10	Manchester.....	40
Laurinburg.....	73	Oneida.....	25
Wake Forest.....	40	Sparta.....	50
Wendell.....	12	Texas :	
Zebulon.....	16	Daingerfield.....	20
Ohio : Dayton.....	200	Levelland.....	40
Pennsylvania :		Post.....	28
Nanty Glo.....	50	Robstown.....	70
Portage.....	40	Roby.....	10
South Carolina : Chester.....	76	Rotan.....	36
Tennessee :		Virginia : Roanoke.....	300
Chattanooga.....	500	West Virginia : Fairmont.....	100
Franklin.....	16	Wisconsin : Milwaukee.....	300
LaFollette.....	50		
Lake City.....	40	Total.....	8,711

4. Program reservations on which action has been deferred at the request of the locality

Locality	Number of units	Locality	Number of units
Arizona : Tolleson.....	20	Pennsylvania :	
Hawaii :		Altoona.....	250
Hilo.....	120	Connellsville.....	100
Honolulu.....	40	Smith Township.....	60
Kentucky :		Tennessee : Springfield.....	50
Cumberland.....	60	Virginia :	
Prestonsburg.....	40	Charlottesville.....	200
Michigan : Alpena.....	38	South Norfolk.....	30
Missouri : Kansas City.....	226		
Oregon : Portland.....	398	Total.....	1,612

5. Program Reservations which at this time are not considered for contracting under the 1959 act

Locality	Number of units	Locality	Number of units
Alabama : Mobile.....	1,680	Wisconsin : Milwaukee.....	568
Illinois : Chicago.....	1,425		
New York : New York City.....	1,787	Total.....	5,460

6. Inactive applications and reservations (some of these have been withdrawn or canceled)

Locality	Number of units	Locality	Number of units
Alabama :		Arizona : Maricopa County.....	150
Adamsville.....	115	Arkansas :	
Anniston.....	26	Camden.....	80
Birmingham.....	750	Lewisville.....	16
Carbon Hill.....	50	Little Rock.....	72
Cherokee.....	60	Lockesburg.....	10
Columbiana.....	20	California :	
Cordova.....	40	Bryte.....	26
Detroit.....	30	Calipatria Area.....	25
Flomaton.....	20	Holtville Area.....	50
Gadsden.....	200	Imperial Area.....	25
Gardendale.....	62	Port Chicago.....	20
Geneva.....	34	Colorado : Denver.....	1,500
Goodwater.....	18	Connecticut :	
Graysville.....	74	Ansonia.....	60
Kennedy.....	50	Groton.....	500
Kimberly.....	62	New London.....	178
Leighton.....	30	Norwich.....	500
Mulga.....	230	Southington.....	50
Newville.....	6	Willimantic.....	50

6. Inactive applications and reservations (some of these have been withdrawn or canceled)—Continued

Locality	Number of units	Locality	Number of units
Delaware: Wilmington -----	500	Massachusetts:	
Florida:		Cambridge -----	325
Altha -----	75	Fall River -----	200
Jacksonville -----	1,266	Lowell -----	116
Monticello -----	150	Medford -----	54
Ocala -----	98	Newburyport -----	100
Pensacola -----	328	Pittsfield -----	200
Georgia:		Somerville -----	142
Ashburn -----	20	Taunton -----	76
Austell -----	18	Minnesota: Chisholm -----	4
Buchanan -----	8	Mississippi:	
Cumming -----	30	Bude -----	120
Elberton -----	20	Collins -----	18
Ellijay -----	10	Laurel -----	176
Grayson -----	40	Leakesville -----	120
Macon -----	400	Louin -----	30
Manchester -----	20	Meadville -----	60
Patterson -----	50	Mount Olive -----	10
Royston -----	34	Newton -----	30
Thomson -----	21	Prentiss -----	16
Vernon -----	50	Tupelo -----	30
Wadley -----	50	Tylertown -----	100
Warwick -----	10	Missouri: St. Louis County -----	110
Illinois:		New Jersey:	
Brighton -----	6	Atlantic City -----	278
Carlinville -----	10	Burlington -----	100
Gillespie -----	30	North Bergen -----	40
Joliet -----	250	New York:	
Maywood -----	100	Buffalo -----	1,583
Pinckneyville -----	14	Niagara Falls -----	100
Rock Island -----	220	North Carolina:	
Stonefort -----	8	Jacksonville -----	50
Streator -----	25	Wayne County -----	45
Virden -----	10	North Dakota: Williston -----	16
Waukegan -----	260	Ohio:	
Indiana:		Cleveland -----	2,074
Kokomo -----	25	Columbus -----	648
New Albany -----	75	Lorain -----	12
Kentucky:		Portsmouth -----	190
Covington -----	50	Pennsylvania:	
Frankfort -----	75	Abington Township -----	50
Louisiana:		Altoona -----	250
Abbeville -----	50	Ambridge -----	44
Arnaudville -----	12	Carnegie -----	90
Basile -----	75	East Pittsburgh -----	100
Breaux Bridge -----	50	East Stroudsburg -----	50
Church Point -----	60	Greensburg -----	100
Duson -----	30	Jeannette -----	100
Elton -----	8	Philadelphia -----	2,230
Esterwood -----	3	Pittsburgh -----	748
Grand Coteau -----	6	Scalp Level Borough -----	200
Iota -----	7	Scranton -----	100
Lake Arthur -----	25	Sharon -----	50
Mermentau -----	5	Rhode Island:	
Morse -----	5	Pawtucket -----	222
Plaquemine -----	124	Providence -----	206
Scott -----	60	South Carolina:	
Sunset -----	7	Bennettsville -----	65
Ville Platte -----	30	Charleston -----	557
Maine: Norway -----	175	Duncan -----	10
Maryland:		Tennessee:	
Baltimore -----	749	Algood -----	100
Cumberland -----	65	Etowah -----	20
Hagerstown -----	30	Gallatin -----	40

6. Inactive applications and reservations (some of these have been withdrawn or canceled)—Continued

Locality	Number of units	Locality	Number of units
Tennessee—Continued		Virginia :	
Knoxville.....	577	Charlottesville.....	25
Paris.....	64	Harrisonburg.....	50
Texas :		Puerto Rico :	
Alice.....	200	Arecibo.....	300
Anahuac.....	10	Carolina.....	200
Bryson.....	4	Cayey.....	250
Dallas.....	250	Ceiba.....	80
Del Rio.....	70	Guanica.....	150
Dodson.....	50	Humacao.....	200
Donna.....	50	Isabella.....	200
Fort Worth.....	200	Lares.....	80
Jacksonville.....	200	Las Marias.....	30
McGregor.....	12	Loiza.....	100
Mercedes.....	100	Manati.....	200
Port Arthur.....	132	Ponce.....	500
San Antonio.....	1,500	Salinas.....	50
Sinton.....	36	San Lorenzo.....	200
Terrell.....	140	San Sebastian.....	200
White Settlement.....	100	Yauco.....	250
		Total.....	30,184

Applications received since Feb. 1, 1960

Locality	Number of units	Locality	Number of units
Alabama :		Illinois :	
Brent.....	20	Champaign.....	20
Clanton.....	48	Herrin.....	40
Clayton.....	100	Johnston City.....	24
Greenville.....	140	Marion.....	20
Linden.....	150	Indiana : Evansville.....	100
Northport.....	60	Kansas : Kansas City.....	30
Reform.....	75	Louisiana :	
Arkansas : Lepanto.....	75	Bogalusa.....	60
California :		Bunkie.....	80
Cutler.....	6	Cheneyville.....	50
Huron.....	20	Le Compte.....	50
Mendota.....	40	Mansura.....	50
Connecticut :		Moreauville.....	50
Bridgeport.....	312	Thibodeaux.....	40
Danbury.....	60	Massachusetts :	
Hartford.....	50	Boston.....	1,000
Norwich.....	75	Chelsea.....	50
Stratford.....	250	Lawrence.....	300
Florida :		Newton.....	125
Branford.....	100	Michigan :	
Levy County.....	50	Dearborn.....	50
Mayo.....	150	Muskegon Heights.....	200
Niceville.....	150	Mississippi :	
Stuart.....	100	Bassfield.....	6
Trenton.....	150	Biloxi.....	65
Georgia :		Missouri : Fulton.....	80
Albany.....	150	Nevada : Las Vegas.....	25
Buena Vista.....	12	New Hampshire : Portsmouth.....	
De Kalb County.....	750	New Jersey :	
Dublin.....	50	Boonton.....	50
Leesburg.....	12	Edison Township.....	60
Reidsville.....	30	Elizabeth.....	250
Tallapoosa.....	35	Irvington.....	60

Applications received since Feb. 1, 1960—Continued

<i>Locality</i>	<i>Number of units</i>	<i>Locality</i>	<i>Number of units</i>
New Jersey—Continued		Tennessee:	
Jersey City-----	282	Lebanon-----	60
Long Branch-----	60	Nashville-----	800
Morristown-----	50	So. Pittsburg-----	150
Woodbridge-----	36	Texas:	
North Dakota: Southwest Fargo--	24	El Paso-----	330
Ohio: Dayton-----	800	Gorman-----	100
Pennsylvania:		Maud-----	16
Lancaster-----	300	Nocona-----	100
Lehighton-----	50	Omaha-----	14
Nanty Glo-----	6	Taft-----	100
Portage-----	8	Washington: Hoquiam-----	10
Rochester-----	80	West Virginia: Keyser-----	70
Swatara-----	50	Wisconsin: Superior-----	60
South Carolina: Pickens-----	80	Total-----	9,397

Senator CLARK. Thank you.

In that regard, I imagine you are still of the view, are you not, which I think you were in February, that while there is no apparent demand for these public housing units, there is, nonetheless, a very great unfilled need.

Mr. DAVERN. There are still quite a few families living in slums and under substandard housing conditions.

Senator CLARK. I think that is the understatement of the year.

Would you state briefly how you account for the gap between the needs and the demand?

Mr. DAVERN. Thank you, Senator. I always wanted to answer that question, and I will make it very briefly in one word—integration.

Senator CLARK. I think you are candid, anyway.

Mr. Davern, this bill of mine, S. 3509, would make special provision for the admission of elderly families into public housing by authorizing an additional subsidy of \$120 per elderly family where this is necessary to prevent the project from operating at a loss. I would make this observation and ask your comment. Since rentals are based on income, public housing authorities often cannot admit a higher proportion of elderly persons into their projects without throwing the operations in the red.

Again, if you would prefer not to comment on this today, I would be happy to have your comment later. How do you react to this today, if you are prepared to say?

Mr. DAVERN. Senator, I think I stated in February that there was a financial feasibility problem in connection with an elderly housing program. I made that statement in connection with the McNamara committee report which appeared to be recommending a separate elderly housing program from the regular housing program.

I also stated at that time, and it is my opinion today, that with the consolidated program of elderly and other low-income families, the agency has been able to meet the financial feasibility problem, and I think we can continue to meet it under the present financial setup to the extent of the contemplated demand.

Senator CLARK. So you see no need for this additional subsidy?

Mr. DAVERN. Not at this time, Senator.

Senator CLARK. How do you feel today about authorizing public housing authorities to sell units to tenants in cases where the income of the tenants rises above the ceiling permissible for public housing occupants? This is particularly designed for projects that consist of scattered single-family houses rather than high-rise apartments.

Mr. DAVERN. As the Senator knows, legislation on that subject has been introduced, I think for the last several years.

Senator CLARK. Every now and then it was approved by the Senate.

Mr. DAVERN. The agency has consistently opposed the legislation.

Senator CLARK. But this was before you became Administrator, I think. I hope there has been some change of view.

Mr. DAVERN. Senator, in my opinion, low-rent housing should not be sold until there is no longer a need for it for low-rent housing purposes.

Senator CLARK. I think this pinpoints another philosophical difference between, at least, one member of the committee and the agency. I do not think we need to go into it further unless you want to comment further.

Mr. DAVERN. I hope, Senator, that we will be afforded an opportunity to comment in detail on the provisions in your bill which, of course, we have not seen as yet.

Senator CLARK. You will get the bill. You will have lots of fun preparing your adverse report.

Mr. Chairman, I think that is all I care to get into right now.

Senator SPARKMAN. Thank you.

Anything else, Senator Muskie?

Senator MUSKIE. No.

Mr. MASON. I have some remarks off the record.

Senator SPARKMAN. All right.

(Discussion off the record.)

Senator SPARKMAN. There is some on the record.

For tomorrow morning, we shall have the representatives from the National Aeronautics and Space Agency and also from the Department of Agriculture. We had hoped to have Secretary Flemming from the Department of Health, Education, and Welfare, but because of a conflict in his schedule, he will not be here. But we will have the other two agencies here.

The committee stands in recess until 10 o'clock tomorrow morning.

Thank you, gentlemen, very much.

(Whereupon, at 12:54 o'clock p.m., the hearing recessed to reconvene at 10 a.m., Tuesday, May 10, 1960.)

HOUSING LEGISLATION OF 1960

TUESDAY, MAY 10, 1960

U.S. SENATE,
COMMITTEE ON BANKING AND CURRENCY,
SUBCOMMITTEE ON HOUSING,
Washington, D.C.

The subcommittee met, pursuant to recess, in room 5302, New Senate Office Building, at 10:05 a.m., Senator John Sparkman (chairman of the subcommittee) presiding.

Present: Senators Sparkman and Capehart.

Senator SPARKMAN. Let the subcommittee come to order, please.

I have a letter, received from Thomas S. Gates, Secretary of Defense, regarding a legislative proposal to amend title VIII of the National Housing Act to increase the interest rate under section 303(b) from 4½ percent to 5½ percent.

It will go in the record at this point.

(The letter referred to follows:)

THE SECRETARY OF DEFENSE,
Washington, May 10, 1960.

HON. RICHARD M. NIXON,
President of the Senate.

DEAR MR. PRESIDENT: There is forwarded herewith a draft of proposed legislation to amend title VIII of the National Housing Act, as amended, and for other purposes.

This proposal is a part of the Department of Defense legislative program for 1960. We have been advised by the Bureau of the Budget that enactment of this proposal would be in accord with the program of the President.

PURPOSE OF THE LEGISLATION

The purpose of the legislation is to permit the interest rate on armed services housing mortgages to be set at levels which will enable builders to obtain financing for urgently needed family housing for military personnel without the payment of the large discounts presently required. The present statutory maximum of 4½ percent was established by Public Law 85-364, approved April 1, 1958, and it is universally recognized that the cost of money has increased substantially since that time. At present, it is possible to obtain 4½ percent financing for armed services housing only with the payment of 7½ to 8 points discount.

Early in 1959, at the time the Department of Defense testified with respect to the armed services housing program, the interest rate was currently 4½ percent, and the mortgages sold at a discount of approximately 4 to 4½ points. In March 1959, the rate was administratively raised to the statutory maximum of 4½ percent, but as a result of the steadily deteriorating market the mortgages soon sold at a discount of 5 or more points, and by July 1959 marketability had further deteriorated, as indicated by the Department of Defense in its comments on legislation before the Congress at that time. The situation has worsened considerably in the intervening months, and any further tightening of the money market may well mean that bids will reflect such high financing charges that they may exceed the statutory mortgage ceiling, thereby bringing the program to a halt.

The proposed legislation submitted herewith provides for raising the ceiling on interest rates for title VII housing from $4\frac{1}{2}$ percent to $5\frac{1}{2}$ percent. The President recommended in his budget message to the Congress on January 18, 1960, that the present ceiling be removed, and the legislation proposed herewith is intended to accomplish the purpose of the President's recommendation. It should be noted that Public Law 86-372, approved September 23, 1959, raised the interest rate maximum on other FHA-insured mortgages. Notwithstanding the fact that the effective interest rates for these programs have been set at the recently enacted maximum, it understood that investors in these other programs are at present demanding substantial discounts in light of rapidly changing financial conditions. It is clear that the only method of assuring the continued marketability of title VIII mortgages without excessive discounts is to provide for the increase of the ceiling on interest rates. Investors are currently obtaining a yield of $4\frac{1}{4}$ to $4\frac{1}{2}$ percent on long-term Government bonds, and $4\frac{1}{8}$ percent on recently issued AAA corporate bonds, and since experience has shown that the market demands a higher yield from title VIII mortgages than from these securities, an interest ceiling of $5\frac{1}{2}$ percent is necessary to provide the flexibility that will assure continuation of the title VIII program.

It should be pointed out that the Attorney General, in his opinion of October 22, 1959, concluded that guaranties by the Department of Defense of armed services housing mortgages "constitute valid and subsisting obligations of the United States"; nevertheless, on the basis of the limited experience acquired since the rendering of this opinion, it appears that the opinion has had no perceptible effect upon the size of the discounts on these mortgages. In the present state of the money market, therefore, it appears that the continued successful development of the armed services housing program depends upon the enactment of legislation authorizing the increase of the ceiling on the interest rate, so that the rate may be set administratively at a level which will attract investment.

Sincerely yours,

THOMAS S. GATES.

A BILL To amend title VIII of the National Housing Act, as amended, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the last paragraph of section 803(b) of the National Housing Act, as amended, is amended by striking out the words " $4\frac{1}{2}$ " in the second sentence and inserting the words " $5\frac{1}{2}$ percentum" in lieu thereof.

Senator SPARKMAN. This morning the subcommittee will hear the views of representatives from the Department of Agriculture upon section 4 of my bill, S. 3379, and the views of representatives from the National Aeronautics and Space Administration on a bill that I introduced, S. 3226. While the subcommittee would welcome comments upon any other legislation being considered in these hearings, we are particularly interested in the views of these agencies on S. 3379 and S. 3226.

May I say that we had also scheduled Secretary Flemming for this morning, but because of a conflict we had to rearrange that date. That is why the hearings should be rather brief today.

Mr. Kenneth L. Scott, Director of the Agricultural Credit Service, Department of Agriculture. Will you come around, Mr. Scott? For the record, give the names and titles of those who accompany you.

STATEMENT OF KENNETH L. SCOTT, DIRECTOR, AGRICULTURAL CREDIT SERVICE; ACCOMPANIED BY STEPHEN C. HUGHES, FARMERS HOME ADMINISTRATION; AND JAMES TURNBULL, AGRICULTURAL RETAIL SERVICE, DEPARTMENT OF AGRICULTURE

Mr. Scott. Thank you, Mr. Chairman. My name is Kenneth L. Scott, Director of Agricultural Credit Service, Department of Agriculture. I have with me Mr. Stephen C. Hughes, from the staff of the Farmers Home Administration, and James Turnbull of the Agricultural Research Service of the Department.

Mr. Chairman, members of the committee, I appreciate the opportunity to make a few remarks concerning the Department of Agriculture's position on S. 3379.

Long-term loans have been very helpful in financing the repair and improvement of existing farm homes and service buildings and the construction of new farm homes and farm service buildings. We believe there should be continuing authority to furnish long-term financing for farm buildings which supplements and is noncompetitive with privately financed loans. This is the way the Farmers Home Administration operates all of its loan programs. It is furnishing sound financing to many farm families who cannot get needed credit elsewhere.

During May 1959, I had the privilege of testifying before this committee concerning the effectiveness of title V of the Housing Act of 1949 to provide farm families an opportunity to acquire better housing. At that time, I stated that loans under this authority "have proved to be an effective means whereby families who are not able to qualify for credit from conventional sources can improve their housing conditions."

I can again report that this lending authority has continued to be an effective means of financing needed farm homes and other farm buildings. Of the \$450 million made available for farm housing loans for a 5-year period beginning July 1, 1956, approximately \$153 million will have been loaned during the 4-year period ending June 30, 1960. During this period farmownership loans made under title I of the Bankhead-Jones Farm Tenant Act included approximately \$34 million for farm building purposes. This total of approximately \$187 million has been very helpful in financing housing needs of farm families who could not get needed credit elsewhere.

In addition to credit, the Farmers Home Administration has provided technical services. Since 1937 the FHA and its predecessor agency have been furnishing comprehensive building plan service to its borrowers who were in need of new or improved farm housing and other farm buildings. In the earlier years the Agency maintained an Engineering Division which developed detailed plans and specifications well adapted to the particular needs of farm families. During more recent years the Farmers Home Administration has discontinued its Engineering Division because of the work in this field being done by the Agricultural Research Service of the Department and the State agricultural colleges. The Agency continues to furnish building plans and otherwise assist borrowers in developing building plans that will fit their particular requirements. Furthermore, the

Agricultural Extension Service provides plans and other information regarding farm housing and other buildings as a part of their regular educational work with all rural people.

Research on farm housing needs has been underway in the Department of Agriculture on a limited scale since 1913. The first farm housing survey, conducted in 1934, indicated the degree of substandard housing which existed on American farms. At the State experiment stations, under the leadership of Kansas and Illinois, States in the Midwest intensified research on farm housing needs during the 1930's and the Midwest plan service and the plan exchange service were established. However, research on means of improving design, construction, and/or functional requirements proceeded very slowly until passage of the Research and Marketing Act of 1946.

With the passage of this act some additional funds were made available to the stations for regional research in farm housing and structures and each of the four regional groups promptly initiated such research. Each regional project has been investigating the problems peculiar to its region and a number of publications have been issued by each of these regional groups.

At the present time 13 States are actively conducting research on farm dwellings, 28 are conducting research on structures for farm animals, and 25 States are working on other building and building materials problems which affect farmers. The Department of Agriculture, through its Livestock Engineering and Farm Structures Branch and through the Institute of Home Economics, is actively cooperating with the State agricultural experiment stations in the solution of farm structures and housing research.

The Department of Agriculture and the State agricultural experiment stations have been working with the Housing and Home Finance Agency since November of 1957 in the development of plans for the use of research funds made available to the Housing and Home Finance Agency. Representatives from the State experiment stations and the Department of Agriculture have reviewed with the Housing and Home Finance Agency areas where research was needed in farm housing and have participated in the research project development. We intend to cooperate fully in the further development of facts which will help improve the plans and materials available to farm families for better farm housing.

With further reference to our lending experience, you will be interested in the fact that many farm families who have applied to the Farmers Home Administration for housing loans needed to increase their income before they could undertake to repay the installments on such a loan. Often this need for income called for an enlargement of the farm business, such as an increase in the number or quality or both of the livestock owned. There were many examples where a more intensive program of crop production was called for. Sometimes the necessary income could be obtained only by acquiring additional acreage. While title V of the Housing Act of 1949 contains provisions for recognizing a need for extra income, it has been the experience of the Farmers Home Administration that the provisions of the Bankhead-Jones Farm Tenant Act have been adequate and more practical in meeting the needs for enlargement or improvement of the farm or the further development of the farm business.

The foregoing is one of the reasons why the Department considered it necessary to recommend against enactment of section 4 of S. 3379. A further reason is that there is now pending in the Congress bills which would substantially simplify and improve the present authority of the Farmers Home Administration to meet the credit needs of eligible farm families, including their housing requirements. I refer to S. 2144 and to H.R. 11761, which has been reported out by the House Agriculture Committee under the title "Consolidated Farmers Home Administration Act of 1960." While I realize this bill is not being considered by this committee, since it provides broad authority to finance farm housing as well as other farm requirements, with your permission, Mr. Chairman, I should like to briefly refer to the more important provisions of S. 2144.

The principal purpose of S. 2144 is to simplify the lending operations of the Farmers Home Administration through consolidation of existing authorities. The authority for farm housing loans contained in title V of the Housing Act of 1949 would be consolidated with the nearly duplicate authority contained in the Bankhead-Jones Farm Tenant Act. S. 2144 includes the same authority as is contained in title V of the Housing Act of 1949, as amended, except that loans could not be made on larger than family-size farms. Also included in this consolidation would be loans for soil and water conservation purposes now contained in the Water Facilities Act of 1937, as amended. Loans could be made from Government funds or from funds advanced by private lenders which would be insured as now authorized under the Bankhead-Jones Farm Tenant Act and the Water Facilities Act.

S. 2144 contains the existing authority for farm enlargement and development as well as the authority contained in title I of the Bankhead-Jones Farm Tenant Act, for refinancing the applicant's existing indebtedness on the farm. This refinancing authority is not contained in title V of the Housing Act of 1949, but it is important and is often needed to assure a sound loan.

S. 2144 recognizes that fiscal year 1961 is the last year in which funds are authorized for loans under title V of the Housing Act of 1949. It provides that the unused balance of the authority to borrow from the Treasury for loans will be available for the consolidated real estate loan program in that bill up until June 30, 1961. Thereafter funds would be available in whatever annual amounts the Congress might approve.

One of the significant changes which we are recommending be made to S. 2144 pertains to the insured loan program. In order that there may be adequate funds for insured loans, we are proposing that the interest rate on these loans be set by the Secretary of Agriculture taking into consideration the prevailing private and cooperative interest rates for loans for similar terms and purposes. The interest rate on real estate loans which includes housing loans made from appropriated Federal funds under the terms of S. 2144 would not exceed 5 percent, which is the current rate for farm ownership loans under title I of the Bankhead-Jones Farm Tenant Act.

Title V of the Housing Act of 1949, you will recall, sets the interest rate on farm housing loans at not to exceed 4 percent. In recent years this rate has often been inadequate to cover the Treasury's cost of ob-

taining loanable funds. Furthermore, the 4-percent rate has generally been lower than the rates on other housing loans, including some guaranteed or insured by the Federal Government. This has encouraged applications by individuals who could obtain necessary financing from other sources. We want to see farm families get their financing at reasonable rates, but we think the rate should not be less than the cost of loanable funds.

The credit services of the Farmers Home Administration will benefit substantially from the consolidation of loan authorities, and the resulting simplification of operations as provided for in S. 2144. We believe that this authority will be adequate to finance the credit requirements, including the farm housing needs of applicants eligible for loans from the Farmers Home Administration. Being broader authority than title V of the Housing Act of 1949, it will be more useful in financing related credit needs such as providing sources of additional income required to meet repayments on long-term housing loans. Although we commend the assistance that title V of the Housing Act of 1949 has been in financing rural farm housing, we are not recommending the extension of this authority as proposed in S. 3379 because we believe that S. 2144 will permit the Farmers Home Administration to provide financing that is better adapted to the particular needs of many farm families.

Mr. Chairman, Mr. Hughes and Mr. Turnbull and I will be glad to respond to questions that you may have. I would like to explain that Mr. Hansen, the Administrator, is attending another committee hearing this morning. We have had to divide up between the two hearings. Otherwise, he would have been here with me.

Senator SPARKMAN. Thank you, Mr. Scott.

Mr. Hughes and Mr. Turnbull, do you have any statements to make or are you simply available for questioning?

Mr. SCOTT. Just questions.

Senator SPARKMAN. Mr. Scott, I would like to ask a few questions. Of course, I am very much interested in title V, farm housing, which originated in this committee some 2 years ago. According to your testimony here, it has been a good program.

Mr. SCOTT. It has been. It has been very helpful, Mr. Chairman.

Senator SPARKMAN. A great many farm families have been able to get farm homes and farm buildings that could not have gotten them under any other program. Is that not right?

Mr. SCOTT. It has been very helpful to the farmers in financing their housing requirements, yes, sir.

Senator SPARKMAN. Do you remember in 1956—I am not sure you were present but you may have been.

Mr. SCOTT. I think I was, sir.

Senator SPARKMAN. And Mr. Hansen was with you at the time, I believe.

Mr. SCOTT. Yes, sir.

Senator SPARKMAN. You recommended then that we not extend title V but go into some kind of comprehensive program such as you are proposing here. But you stated that one of the principal difficulties with title V was the fact that it was temporary and you had a hard time working at over a 1-year extension or 2-year extension or such as that, and that the advantage of the comprehensive program

you were recommending was it would be a permanent program. And I asked you this question: "If we extended the program 5 years, would that be long enough to permit you working room?" and you said it would be. I say "you." I mean whoever was testifying.

We extended it 5 years. Have you had any difficulty administering it during that 5 years?

Mr. SCOTT. No, sir, Mr. Chairman. It has been a very helpful program. The main reason that we feel that title I of the Bankhead-Jones Farm Tenant Act is often more useful in financing the credit requirements of applicants is that before some of them can soundly undertake the repayments on a housing loan they need to increase their farm income. I am sure you realize that is very essential in many instances. That is our primary reason for favoring this new bill, S. 2144, which is in effect a combination of what we now have as title V and the Bankhead-Jones Farm Tenant Act authority. We are putting them together.

Senator SPARKMAN. Of course, I recognize the need you mention, but does not title V do something that the Bankhead-Jones Act does not do?

Mr. SCOTT. It does continue authority, if you are referring to the additional authority that is contained there to extend grant assistance to families.

Senator SPARKMAN. Well, yes, that and to aid potentially efficient farms.

Mr. SCOTT. That is correct.

Senator SPARKMAN. My recollection is that 4 years ago it was brought out in the testimony that under title V, loans could be made to part-time farmers that could not be covered under the Bankhead-Jones Tenant Act. Is that not right?

Mr. SCOTT. Yes, we can make loans to larger size farms. We can make loans for housing on larger size operations than we can under the Bankhead-Jones Farm Tenant Act.

Senator SPARKMAN. And is it not true you can make them for the smaller ones, too?

Mr. SCOTT. Perhaps so.

Senator SPARKMAN. My recollection is that testimony 4 years ago brought out the point, that there were a good many—shall we call them fringe farmers—with small acreage, who farmed halftime and worked halftime perhaps, who could be helped under title V that could not be reached under the Bankhead-Jones Farm Tenant Act or under your proposed legislation.

Mr. SCOTT. Mr. Hughes tells me that is correct, Mr. Chairman, that there is this authority.

Senator SPARKMAN. Is it not true that during this time, when so many farmers are being hard pressed, one of the objectives of the Department of Agriculture is to develop that type of agriculture? Is that not part of our rural development program, to encourage part-time farming?

Mr. SCOTT. You are correct, Mr. Chairman. The rural development program specializes in that.

Senator SPARKMAN. And is it not true that many of those people, the very people you are trying to help under the rural development program, would be left out of any housing programs if this change is made?

Mr. SCOTT. Under this new bill that I refer to, this consolidation, we would have the authority to loan to these smaller units, Mr. Chairman.

Senator SPARKMAN. You change the definition of farming, do you not, in the new act?

Mr. SCOTT. Yes. Under this new bill that I referred to, S. 2144, that is pending, we will have the same authority to make loans on smaller than family size units that is now contained in title V of the Housing Act. The difference being we would not be able to go above what is determined to be a family size farm. That would be a ceiling beyond which we could not go and which under title V and title IV, I believe, of your new bill, we could go.

We have dropped that out in the belief that there is very little need for FHA to finance housing on large farms. We have received very few applications, and furthermore because Farmers Home Administration concentrates on financing family sized and smaller units.

Senator SPARKMAN. I am not greatly concerned about that angle. Offhand, I would say that I would be in sympathy with that provision, because it is intended primarily to help the small farm and not the big farm. You have other provisions in the farm credit system that make it possible for them to obtain loans.

Is it not true, too, that under the bill that you propose, and particularly under the amendments that you propose, amendments that were incorporated in the House bill, as I understand, that you make it impossible for a direct loan to be made if insured loans can be obtained, and furthermore that the Secretary be assured that the loan can be sold without undue delay? Do we have such a provision as that in any other housing program, where they must show that they can sell the mortgage within a short time?

Mr. SCOTT. Mr. Chairman, I believe there is a misunderstanding on the intention there. It is the policy to make as much use of the insured loan program as we can, and that would be our intended purpose if we should get this new authority. We would go as far as we could in financing our loan requirements with insured funds. That is Administration policy, as your perhaps realize.

Senator SPARKMAN. As you know in the past I have supported insured loans under the Bankhead-Jones Act. In fact, I believe the first insured loan made was made in my State, down around Geneva, Ala. I was present when it was closed. That must have been 10 years ago, was it not, or more?

Mr. SCOTT. Yes, sir, I think so.

Senator SPARKMAN. You have not done much under that program, have you?

Mr. SCOTT. No, Mr. Chairman. The difficulty with our present authority is that we have a rigidity that just does not permit us to follow the investment market rates up and down. If you are going to make an insured loan program work you must have the authority to move with the general interest rate in the investment market. Otherwise, you are going to find yourself off on the side. Investors are going to be putting their money into something else. We would not follow rates up beyond the State statutory rate. That is the authority we need and are seeking, Mr. Chairman, in this new bill, which we have not had and which has been a considerable handicap to keeping the insured program going year in and year out.

Senator SPARKMAN. Your rate under the Bankhead-Jones Act is 5 percent, is it not?

Mr. SCOTT. Yes, sir, of which we keep 1 percent.

Senator SPARKMAN. What?

Mr. SCOTT. Of which we retain 1 percent in the insured fund. So it means a rate of not over 4 percent to the lender.

Senator SPARKMAN. In other words, the lender gets 4 percent?

Mr. SCOTT. That is right.

Senator SPARKMAN. And you not only take the insured rate but you do the servicing also, do you not?

Mr. SCOTT. That is right.

Senator SPARKMAN. So the 4 percent is net yield to the lender?

Mr. SCOTT. That is right.

Senator SPARKMAN. When you originally proposed S. 2144 you retained that 5-percent rate, did you not? That is the way I construe your statement.

Mr. SCOTT. That is correct. On further study, it was one of our subsequent recommendations that we be given latitude in setting the interest rate, as I have just explained.

Senator SPARKMAN. And the House accepted that in the bill?

Mr. SCOTT. Yes, sir.

Senator SPARKMAN. That is without any limitation whatsoever except the statutory rate in the several States?

Mr. SCOTT. That is right.

Senator SPARKMAN. And that statutory rate runs as high as 8 and 10 percent, does it not?

Mr. SCOTT. Eight percent I think is the general ceiling; some a little lower. I believe it is 6 percent in some States.

Senator SPARKMAN. I know in my State the statutory rate without contract is 6 percent, but they may contract as high as 8 percent. I was under the impression some States went higher than that.

Mr. SCOTT. In testifying on this bill, I indicated it would be our policy to keep pretty close to the Federal land bank rates. We think that is a good criterion as to the rate at which farm mortgage credit is being furnished. That would be a guidepost. I do not mean we would just follow their rate necessarily, but that would be an indication that we would take into consideration.

Senator SPARKMAN. Does the bill that you are recommending, with the amendments that you are recommending, carry forward any research provision?

Mr. SCOTT. I am quite sure it does not, Mr. Chairman.

Senator SPARKMAN. Is that not one of the great needs in farm housing?

Mr. SCOTT. Yes; we are sure that there is need for continuing research. We did not carry it forward in this bill because from the standpoint of the Department we would expect the Agricultural Research Service to be the one that would be performing that, along with the agricultural colleges.

Senator SPARKMAN. But does the Department of Agriculture have any research provision for farm housing?

Mr. SCOTT. Mr. Turnbull?

Mr. TURNBULL. Yes; the Department is conducting quite a sizable amount of research in the field of farm housing.

Senator SPARKMAN. To what extent? I will tell you the reason I ask this question. In the last two Housing Acts we have passed, as I recall, we have had a provision for farm housing research, and there is a research program going on now under that provision, but we had great difficulty getting the Housing Agency to act. I pleaded with the Secretary of Agriculture to undertake it, and nobody seemed to want to act. Finally we did get a provision for certain land-grant colleges to carry it on, and they are doing that now. But is there any farm housing research beyond that?

Mr. TURNBULL. Yes, sir. There is some farm housing research being conducted by the Institute of Home Economics and by the Livestock Engineering and Farm Structures Research Branch of the Agricultural Research Service. It is a rather small program. It represents probably \$150,000 a year.

Senator SPARKMAN. Does that include farm housing as well as farm buildings?

Mr. TURNBULL. This is just farm housing.

Senator SPARKMAN. Farm housing?

Mr. TURNBULL. Yes, sir.

Senator SPARKMAN. Where is that being done, and how is it being done?

Mr. TURNBULL. A good bit of it is being done down in Georgia, and part of it is being done—

Senator SPARKMAN. At the experiment station?

Mr. TURNBULL. Yes, sir. Part of it is being done at Beltsville. They have five experimental houses, for example, at Beltsville, which they are working on.

Senator SPARKMAN. Are they experimenting on materials that might be indigenous to the area or even to the farm, so as to cut down the costs?

Mr. TURNBULL. Mostly the State experiment stations are conducting that work, but there is some work being done on that; yes, sir.

Senator SPARKMAN. I know in the past we have had testimony from some of the leading officials of land-grant colleges that have testified that one of our greatest needs was research along that line.

Mr. TURNBULL. I think they are right. I do not think we are spending nearly enough on it.

Senator SPARKMAN. I certainly agree with you, and I hope that any farm housing program that is set up may include a research provision, so that we can make some headway against slums in the farm areas.

I want to say to you that I regret exceedingly to see the Department and the Farmers Home Administration recommend the repeal of title V housing. Certainly I would be in sympathy with a program that would consolidate the programs, provided the benefits of title V, which have been good, were not lost, and provided the coverage might be the same. I rather wish that any proposal to change title V or change the provisions might have been referred to this committee, where title V originated and where it has been amended from year to year to meet the recommendations of the Farmers Home Administration. I feel it has been a good program, and I think we would be making a great mistake to eliminate it.

Mr. SCOTT. Mr. Chairman, I would like to emphasize again that we recognize and have been very pleased with the results of title V, the authority and the funds. It is just that we have found so many

instances where the family needed this other type credit that clearly is outside of the housing financing field, this need for enlargement of their business. It is for that reason that we are favoring this other bill that is in the process of being considered by the Congress, and not that we are opposed to this authority.

I should say in commenting on the other provisions of title V, the authority to make some grants temporarily to help families get their housing earlier, we have not administratively felt that that was as desirable a course to follow as to use the authority that we have in Farmers Home to help farm families get their business in such shape so they could, out of the farm income, finance proper housing. So it has just been a little different approach. We have been helping farm families build up income first and sometimes get the housing on a delayed basis, maybe part of it at the initial stage and the other later when they have their income up. The housing bill would provide authority to meet the objective quickly with the use of subsidy funds. We think we are getting at the same point more soundly.

Senator SPARKMAN. You do the same job through a different channel.

Mr. SCOTT. Through the building up of the family business first.

Senator SPARKMAN. Of course, I have not made any wide survey, but from the people with whom I have talked in the field down in my State I find that this title V program has been one of the most popular.

I think you would be interested in this. I was driving in my State and was having lunch at a cafe in a little town. At the table near me were some three or four gentlemen eating, and when I started to leave the cafe—I did not know them, but they recognized me—one of them said to me, "What about this bill S. 2144"?

I was not familiar with the bill. As a matter of fact, I knew 3 or 4 years ago you were proposing to rewrite this and consolidate it, but these people apparently were with the Farmers Home Administration. I did not know them. I do not know their names yet. I do not know where they were from. They may have been passing through the town just as I was, but they said, "We certainly don't want to see title V destroyed. It is the best program we have."

I just wondered if there has been any survey made with the people who have to work with this thing right down in the grassroots level as to what they think of it. I was rather impressed with what these fellows said. I may say that it was not until a few days before that that I knew about the pendency of this legislation. I had to go to Alabama in connection with the election, and I left a memorandum with the staff here to analyze this legislation and let me know what it was about. Here we were about to have a program passed repealing a piece of legislation that we enacted, without our knowing about it. I regret very much to see this action taken.

Mr. SCOTT. Mr. Chairman, I am sure that we should have by all means consulted with you on our view of consolidating this title into our bill. I want to assure you there was not any intention to deliberately go around this committee.

Senator SPARKMAN. I am not trying to lodge any complaint. Of course, I knew 4 years ago you were advocating that, but I thought when we extended it for a 5-year term it would give you plenty of elbowroom. I thought everything was working fine, and I have not heard any complaint against it at all during that time.

Mr. SCOTT. Mr. Chairman, I feel that the very fact that we are proposing to include what we feel to be all of the most useful phases of title V in this new bill is evidence that we value that authority. I am sure that our thinking is very much as you found these Farmers Home people in the country, that we look upon this as a very good authority. As I have explained, there are two subsidy provisions which we have not found a need to use because we have used other lending authority, but aside from that we value this authority and hope that it may be contained in our new bill when it is finally enacted.

Senator SPARKMAN. Thank you very much, gentlemen. I appreciate your appearing before us; and your statement.

I wonder if you would prepare for the record an up-to-date accounting of the progress made under title V. It will go in the record here.
(The material referred to follows:)

U.S. DEPARTMENT OF AGRICULTURE, FARMERS HOME ADMINISTRATION

Number of farm housing loans made and amounts loaned, by fiscal years, adjusted for cancellations effective through June 30, 1959

Fiscal year	Building loans					Land development or purchase		Total		Grand total, initial and subsequent	
	Sec. 502		Sec. 503		Sec. 504	Initial	Subsequent	Initial	Subsequent	Number	Amount
	Initial (1)	Subsequent (2)	Initial (3)	Subsequent (4)							
1950:											
Number	3,509	0	217	0	65	(147)	0	3,791	0	3,791	
Amount	\$16,161,811	0	\$833,401	0	\$46,480	\$187,782	0	\$17,229,474	0		\$17,229,474
1951:											
Number	4,838	137	230	5	86	(193)	(1)	5,154	142	5,296	
Amount	\$22,865,203	\$183,487	\$634,853	\$5,914	\$61,148	\$354,088	\$148	\$23,915,292	\$189,549		\$24,104,841
1952:											
Number	3,784	201	188	3	79	(181)	0	4,051	204	4,255	
Amount	\$19,469,209	\$316,795	\$505,529	\$2,420	\$60,285	\$422,616	0	\$20,457,639	\$319,215		\$20,776,854
1953:											
Number	3,112	166	126	7	34	(123)	(1)	3,272	173	3,445	
Amount	\$17,992,932	\$315,193	\$439,550	\$19,425	\$27,960	\$313,240	\$1,720	\$18,773,682	\$336,338		\$19,110,020
1954:											
Number	2,676	125	0	4				2,676	129	2,805	
Amount	\$15,720,218	\$325,636	0	\$8,205				\$15,720,218	\$333,841		\$16,054,059
1956:											
Number	506	39						506	39	545	
Amount	\$3,451,434	\$208,597						\$3,451,434	\$208,597		\$3,660,031
1957:											
Number	3,105	196						3,105	196	3,301	
Amount	\$20,178,702	\$703,061						\$20,178,702	\$703,061		\$20,881,763
1958:											
Number	4,504	349						4,504	349	4,853	
Amount	\$31,066,520	\$1,345,394						\$31,066,520	\$1,345,394		\$32,411,914
1959:											
Number	7,693	493						7,693	493	8,186	
Amount	\$58,794,155	\$1,880,311						\$58,794,155	\$1,880,311		\$60,674,466
1960 through Apr. 30, 1960:											
Number	4,172	302						4,172	302	4,474	
Amount	\$32,921,013	\$1,158,487						\$32,921,013	\$1,158,487		\$34,079,500
Total:											
Number	37,899	2,008	761	19	264	(644)	(2)	38,924	2,027	40,951	
Amount	\$238,621,197	\$6,436,961	\$2,413,333	\$35,964	\$195,873	\$1,277,726	\$1,868	\$242,508,129	\$6,474,793		\$248,982,922

NOTE.—The entire amount of loans in fiscal year 1960, 1959, 1958, and \$19,451,492 of the loans in fiscal year 1957 were made from the authorization of \$450,000,000 available from 1957-61. The balance of \$1,430,271 in 1957 was available from 1956 and prior year unobligated balances.

The unobligated balance of the \$450,000,000 loan authorization, 1957-61 as of Apr. 30, 1960, was \$303,382,628.

1954 fiscal year includes obligations of \$39,266 for recoverable loan costs only actually incurred in fiscal year 1955. No loans were made during fiscal year 1955.

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Senator SPARKMAN. By the way, I am going over to another committee in a short time to give my statement on this. I am asking that there be inserted in the record at this point the statement that I intend to give.

(The statement referred to follows:)

STATEMENT OF SENATOR SPARKMAN BEFORE THE SUBCOMMITTEE ON AGRICULTURAL CREDIT AND RURAL ELECTRIFICATION OF THE SENATE COMMITTEE ON AGRICULTURE AND FORESTRY

Mr. Chairman, I appreciate the opportunity to appear before the subcommittee today. My appearance here is to express my opposition to S. 2144—a bill which, I understand, was recommended by the Secretary of Agriculture for the stated purpose of simplifying, consolidating, and improving the various farm credit programs now administered by the Department. My concern in this measure, as well as in a similar bill now pending before the House of Representatives, stems from the fact that both would repeal the farm housing program as provided by title V of the Housing Act of 1949.

The pending Senate bill was introduced during the 1st session of the 86th Congress. About the same time, a companion bill, H.R. 7628, was introduced in the House of Representatives. Subsequent to hearings by the House Committee on Agriculture earlier this session, a second bill, H.R. 11761, was introduced on April 14, 1960, which has since been reported by the committee and is now pending on the House Calendar. The bill pending on the House Calendar differs in several respects from S. 2144 and the original House bill. It is my understanding that the changes which appear in H.R. 11761 were the result of suggestions made by the Department of Agriculture. It is my further understanding that the same changes will be recommended as amendments to S. 2144.

Consequently, my opposition is not only addressed to the pending Senate bill, but also to H.R. 11761, or, for that matter, to any measure which purports to repeal title V of the Housing Act of 1949, without providing for a similar, or reasonably similar, program. Neither S. 2144 nor the bill on the House Calendar would accomplish this end.

Certainly, I favor any legislation which simplifies or reduces the complexity of administration that results from a multiplicity of Federal programs relating to the same subject. However, I am against any measures which purport to simplify or consolidate, when such measures are no more than subterfuges for elimination of beneficial programs. After careful analysis and study of S. 2144 and H.R. 11761, I find that each would repeal the farm housing program provided by title V of the 1949 Housing Act. Yet, neither bill would incorporate or consolidate the provisions of title V in the new farm credit program proposed.

As you know, I am deeply interested in the housing problems of our farmers. Farm housing in the United States has been notoriously poor for years, and I see no evidence that indicates any substantial improvement in the future unless more is done to help the farmers. Millions of farm families live in substandard or dilapidated housing. Poor housing is particularly bad among those living on marginal farms, but exists among all economic classes of farmers. I have a table here, which I should like to insert in the record, containing data from the Bureau of the Census on the quality of farm housing in the United States by economic class of farm. In 1950, 77 percent of farm housing was substandard, that is, was either dilapidated or lacked inside plumbing facilities.

Number of farm families and quality of housing by economic class, 1950

	Number	Percent dilapidated	Percent lacking flush toilet
Commercial farms:			
Class I (value of farm products sold in 1949, \$25,000 or more).....	103,231	3	35
Class II (value of products, \$10,000 to \$24,999).....	381,151		
Class III (value of products, \$5,000 to \$4,999).....	721,211		
Class IV (value of products, \$2,500 to \$1,999).....	882,302		
Class V (value of products, \$1,200 to \$2,499).....	901,316		
Class VI (value of products, \$250 to \$1,199).....	717,201		
Other farms:			
Part time.....	639,230	16	70
Residential.....	1,029,392	23	75
Abnormal (institutional farms, etc.).....	4,216		
Total	5,379,250		

Source: Bureau of the Census.

Since 1950, there have been some improvements, but the 1960 census, which has just been conducted, is expected to show that farmers still live in some of the poorest housing in this Nation. We do not need statistics to tell us of the farm housing problem. Those of us who have traveled in the United States and in our own States need no statistics to attest to the plight of the farmer and to his housing needs.

The farm housing problem is no less complex than the farm problem in general—it is basically an economic problem. We know that low farm income is the principal cause of poor housing among farmers, but we have evidence that, in some respects, housing of farmers is worse than warranted by economic conditions.

The best tools to meet this problem are research, education, and credit. A great deal could be accomplished if these three tools were aggressively applied.

In 1949, a broad comprehensive housing program was developed to carry out an aggressive and all-out attack on slums and blight and substandard housing for all families in the United States. The program covered farm housing, as well as nonfarm; but because of special problems in farm housing, a special program was developed for it. Title V of the Housing Act of 1949 authorized loans and grants to owners of farms for the construction, improvement, alteration, repair, or replacement of dwellings and other farm buildings. Funds for this program were made available in 1950, 1952, 1955, and 1956. The latest action was taken in 1956, when \$450 million of direct Treasury borrowings were authorized to be used for direct loans for farm housing for a 5-year period up to 1961.

Title V authorized loans to three types of applicants: (1) Those living on adequate farms whose incomes are sufficient to meet regular amortization payments of principal and interest; (2) those on potentially adequate farms who must make basic changes in their farm program before their incomes will be sufficient to meet annual payments of principal and interest; and (3) those owner-occupants on marginal farms who cannot qualify for loans under (1) or (2) above, and who need assistance for such purposes as repairing roofs, providing toilet facilities, providing a sanitary water supply, and other repairs or improvements. The third group is eligible for grants limited to \$500 a family, or grants in combination with loans up to \$1,000.

In addition to a program of loans and grants, the Housing Act of 1949 authorized the Secretary of Agriculture to provide technical services to farms for the construction and improvement of farm buildings and the reduction of cost of farm dwellings. Furthermore, the act directed the Secretary of Agriculture to prepare and submit to the President and to the Congress estimates of national farm housing needs and recommendations for executive and legislative action for the furtherance of the national housing objectives.

These legislative provisions were hailed as a great forward step by the Federal Government in extending a helping hand to farmers to give them a chance to live in decent quarters at least as good as the rest of the population.

Looking back now, I must admit I have been disappointed in the administration of this great law. Of the more than \$1 billion authorized for farm housing loans under title V, only about \$250 million will be loaned through the end of this fiscal year. Furthermore, since 1953 no loans or grants were made for farm housing under section 503 and section 504 of title V, that is, no help has been extended to these farmers living on any but the farms with the highest income. The great masses of farmers who have the greatest need have been denied assistance, not because of the law but because of the administration of the law.

Last year, the Subcommittee on Housing of the Banking and Currency Committee, of which I am chairman, conducted a study on mortgage credit requirements for the decade of the 1960's. Among the subjects studied was the credit requirements for farm housing. Testimony from experts in this field were received and hearings were conducted to determine what action, if any, needed to be taken to insure credit so that all families in our economy could expect to obtain decent housing in the future.

One of the witnesses who testified, Dr. E. V. Smith, dean of the school of agriculture, Auburn University, Auburn, Ala., said: "* * * millions of farm families live in substandard or dilapidated housing. Since these homes are dispersed on the countryside, they do not make the same impression on our national consciousness that slums in the cities do. Nevertheless, people who live in them are just as uncomfortable as if they lived in similar houses in the city."

Based on the conclusion of this study, I introduced legislation to extend the provisions under title V of the Housing Act of 1949 for 10 more years. Furthermore, I urged that the administration of this law be carried out more consistently with the intent of Congress. The Subcommittee on Housing is conducting hearings on this legislation, along with other proposals, at the present time.

Now, let me turn again to the legislation pending before you which, among other things, would repeal title V of the Housing Act of 1949.

I firmly believe that such a repeal would be a serious mistake. I am all in favor of one of the purposes of this bill—to consolidate existing laws with respect to loans to farmers. This is good. But let us be careful that such action not be used as an excuse for eliminating one of our best programs. The proposed legislation before you would eliminate many of the benefits under title V of the Housing Act of 1949.

The administration proposals would provide very little assistance for farm housing. The only provisions which could be considered analogous to the present program are those contained in title I. Even here, however, the program is geared to real estate loans and farm buildings. The word "housing" is not even mentioned in the bill.

The bill would provide for direct loans and insurance of loans. The direct loans would be severely limited to a small number of eligible farms. Let me list some of the limitations:

(1) The proposed bill would limit loans primarily to family-type farms and to those which have a value no greater than the average value of efficient family-type farm management units in the county as determined by the Secretary of Agriculture. The title V program established a minimum size of farm for eligibility purposes as one which produced agricultural commodities of gross value of \$400 expressed in 1944 prices. I fear that any such limitation as indicated above could rule out a very substantial number of bona fide farmers.

(2) The proposed bill would limit loans to farmers unable to obtain sufficient credit elsewhere to finance his needs at rates and terms prevailing in his community. Title V permits loans to an owner of a farm which is without decent housing and who cannot obtain the necessary credit for such housing from other sources upon terms and conditions which he could reasonably be expected to fulfill. Under the above provision I assume that a farmer would be denied a loan as long as he could obtain credit, regardless of the terms, as long as such terms prevailed in that community. This could work a real hardship on farmers in some areas where credit is expensive.

(3) The proposed bill prohibits the Secretary from making a loan unless he has reasonable assurances that the loan can be sold without undue delay, and limits the amount of outstanding loans to \$10 million. The bill also requires the borrower to agree to refinance his loan at any time it shall appear to the Secretary that the borrower can obtain credit from other sources at reasonable terms and rates. There are no such restrictive provisions in the title V program, and the amount that may be loaned, at the present time, is \$450 million.

(4) There are no provisions in this bill similar to those in the title V program which would (a) provide for contributions in the form of debt forgiveness for farmers in temporary financial difficulty, (b) provide for grants up to \$500 in combination with loans to cover the cost of repairs and necessary improvements, or (c) provide credit for property improvements, alterations, or remodeling for adequate and potentially adequate farms.

(5) the proposed bill would permit insurance of loans but at interest rates limited only by the State usury laws. There is no similar provision in the title V program but I would have serious reservation about a **Federal insurance** program which would establish no ceiling on interest rates, provide all collection and servicing work be carried on by the Federal Government at no cost to the lender, and charge a full 1-percent premium on the unpaid balance to the farmer for such a service. I assume that the lender would assume no risks under such a program.

The administration proposals, in contrast to title V, appear to permit only minimum assistance to farmers for needed housing, but provides maximum benefits to lenders participating in the new program.

These and other provisions which I shall not go into here make me very skeptical of the advantages of the so-called consolidation of the loan programs under the Department of Agriculture. Despite the fact that some of the provisions under the title V program have not been administered as intended by the Congress, nevertheless, they are worth while and if given a chance would be very helpful in improving farm housing conditions.

There is no question about the need. I believe it would be a serious setback to the farmers to repeal existing provisions of the law. Let us hope that next year the new administration will have a better understanding of the farmers' problems, and will administer the title V program as intended when passed 11 years ago.

Mr. Chairman, although my remarks on the pending measures have centered on housing and the proposed repeal of title V of the 1949 Housing Act, I nonetheless favor the pending bills as they pertain to other farm credit programs. Close study of S. 2144 and H.R. 11761 will reveal that many beneficial provisions of the Bankhead-Jones Farm Tenant Act, and the act of August 27, 1937, will be eliminated by the so-called simplification and consolidation bills recommended by the administration.

I sincerely hope the subcommittee will not recommend favorable action on the pending bill. Should the subcommittee be disposed to recommend otherwise, then I strongly urge that all reference to title V of the Housing Act of 1949 be deleted from S. 2144.

Senator SPARKMAN. Mr. Robert G. Nunn, Jr., Assistant General Counsel of the National Aeronautics and Space Administration. We have your statement, Mr. Nunn. Go right ahead.

STATEMENT OF ROBERT G. NUNN, JR., ASSISTANT GENERAL COUNSEL, NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

Mr. NUNN. Mr. Chairman, I am grateful for this opportunity to state the position of the National Aeronautics and Space Administration with respect to S. 3226, a bill which is intended to extend section 809 of the National Housing Act to certain employees of NASA.

The specific objective of the bill is to make available to NASA personnel located at the George C. Marshall Space Flight Center at Huntsville, Ala., the same rights and privileges under section 809 of the National Housing Act as are available generally to Army personnel located at the Army Ballistic Missile Agency, a military research and development installation, at Huntsville.

In general, as the bill is drawn, if there are other transfers after June 13, 1956, of research and development installations from one of the military departmentst to NASA, then NASA's employees located there would be included within the bill. NASA's employees at its research and development installations which were not acquired

by transfer after June 13, 1956, from a military department are not, of course, included within the bill.

It is our view that the transfer at Huntsville is sufficient reason for enacting S. 3226. Pursuant to the transfer plan, submitted by the President to the Congress on January 14, 1960, NASA will formally assume responsibility for certain facilities and personnel on July 1, 1960. Approximately 4,500 employees will be transferred to NASA. In addition, approximately 1,000 new NASA employees will be required to carry out the functions of the center. It appears that perhaps as many as half of these new employees will be moving to Huntsville from elsewhere in the country.

There is no doubt that the Marshall Space Flight Center is a permanent research and development installation so far as NASA is concerned. The work in space vehicle research and development that has already begun at Huntsville will continue, and expanded research and development in the launch vehicle area will utilize the talent and facilities available there.

In March of this year NASA requested a report concerning the housing situation at Huntsville and was advised informally from Army sources that the section 809 housing program at Huntsville is considered successful. We were advised that approximately 180 civilian applications were then pending under the 809 program and that the continuous processing of 75 to 150 applications each month should be expected. It seems apparent, therefore, that unless legislation such as S. 3226 is enacted the employees of NASA at Huntsville will find themselves in a less favorable position in relation to Army employees there.

For this reason, upon the foregoing facts, NASA strongly supports the enactment of S. 3226, subject to one technical modification. The Federal Housing Administration has pointed out that section 809, as amended by S. 3226, would allow the Commissioner of FHA to require a guarantee from the Administrator of NASA, but would not expressly authorize the Administrator to give such a guarantee. The Secretary of Defense or his designee is specifically authorized to give such a guarantee in section 403(c) of the Housing Amendments of 1955. Accordingly, in order to obtain the same position of authority as is available to the Secretary of Defense, it is suggested that express delegable authority be given to the Administrator of NASA by adding at the end of S. 3226 the following sentence:

The Administrator of the National Aeronautics and Space Administration is authorized to guarantee and indemnify the Armed Services Housing Mortgage Fund in cases where so required.

Senator SPARKMAN. Thank you very much, Mr. Nunn. I appreciate your suggesting the amendment. It ought not to pose any difficulty.

You estimate that some 500 employees of the 1,000 new ones to be hired will be moving into Huntsville. They will move in pretty soon after July 1, will they not?

Mr. NUNN. Mr. Chairman, that is a process which will begin before July 1 and continue considerably after July 1.

Senator SPARKMAN. It will be a gradual thing?

Mr. NUNN. Yes, sir.

Senator SPARKMAN. But we do need to get the legislation through as early as possible in order to take care of the situation; is that not true?

Mr. NUNN. That is correct, sir.

Senator SPARKMAN. Thank you very much, Mr. Nunn.

Mr. NUNN. Thank you, Mr. Chairman.

(The following was received for the record:)

HOUSING AND HOME FINANCE AGENCY,
OFFICE OF THE ADMINISTRATOR,
Washington, D.C., May 13, 1960.

Re amendment to S. 3226.

Mr. JAMES B. CASH, JR.,
New Senate Office Building,
Washington, D.C.

DEAR MR. CASH: Enclosed is the draft amendment to the NASA bill as you requested. It is the same as that we proposed in our report on the bill, sent to the committee on May 6. The amendment proposed by NASA in their testimony on the bill differs only technically, and they have agreed to our version.

Sincerely yours,

LYMAN BROWNFIELD, *General Counsel.*

AMENDMENT TO S. 3226, 86TH CONGRESS, AS INTRODUCED

Add the following sentence at the end of the proposed subsection (g) of S. 3226: "For purposes of this subsection, the Administrator of the National Aeronautics and Space Administration or his designee is authorized to guarantee and indemnify the Armed Services Housing Mortgage Insurance Fund against loss in cases where so required."

Senator SPARKMAN. That concludes the hearings for today.

The committee will stand in recess until 10 o'clock tomorrow morning.

(Whereupon, at 10:50 a.m., the subcommittee recessed, to reconvene at 10 a.m., Wednesday, May 11, 1960.)

HOUSING LEGISLATION OF 1960

WEDNESDAY, MAY 11, 1960

U.S. SENATE,
COMMITTEE ON BANKING AND CURRENCY,
SUBCOMMITTEE ON HOUSING,
Washington, D.C.

The subcommittee met, pursuant to recess, in room 5302, New Senate Office Building, at 10:10 a.m., Senator John Sparkman (chairman of the subcommittee) presiding.

Present: Senators Sparkman, Clark, and Bush.

Also present: Senator Javits.

Senator SPARKMAN. Let the subcommittee come to order, please.

We have a rather full schedule. Other members are due to come, but think we should get started.

Our first witness is Mr. Nathaniel S. Keith, president of the National Housing Conference.

Mr. Keith, we will be glad for you to come around, if you will, and such associates as may be with you.

Will you, for the purpose of the record, identify the gentlemen who are with you?

STATEMENT OF NATHANIEL S. KEITH, PRESIDENT; ACCOMPANIED BY WARREN J. VINTON, MEMBER OF THE BOARD; AND FRANCIS X. SERVAITES, EXECUTIVE VICE PRESIDENT, NATIONAL HOUSING CONFERENCE

Mr. KEITH. Mr. Chairman, I have with me Mr. Warren J. Vinton, a member of the board of the National Housing Conference, and Mr. Francis X. Servaites, the executive vice president of the National Housing Conference.

Senator SPARKMAN. All right, sir. We have a copy of your statement. You proceed as you see fit.

Mr. KEITH. Senator, I thought to conserve time, I would file this statement and summarize it.

Senator SPARKMAN. It will be printed in full at the close of your presentation. You may summarize it, or discuss it, as you see fit.

Mr. KEITH. Thank you, Senator.

Mr. Chairman, it is always a great pleasure to appear before this subcommittee which has initiated so much of the significant legislation in housing, urban renewal, and related fields over the years. I think, in our opinion, these hearings at this time are particularly significant since the country is at the threshold of a decade which promises to multiply the problems of housing and urban renewal to a very marked degree.

Before entering into our specific comments on the various bills that are before this subcommittee, we thought it might be helpful to highlight the basic facts which appear on the horizon now with respect to the need and demand for housing and community development. I am sure the committee is well aware of these basic facts, but I think there are some outstanding points that are worth frequent emphasis. I would like to comment at this time, Mr. Chairman, that I think a very thorough and significant job was done by your subcommittee in your recent study of mortgage credit from the standpoint of emphasizing the basic facts of the tremendous needs that lie ahead of us during the decade of the sixties.

Just to summarize briefly, this is the decade during which the population of the United States will shortly pass the 200-million mark. The forecasts are that the total population growth during this decade will be the largest for any 10-year period in the history of the country, the present estimates being an increase of between 30 and 40 million, carrying the population by 1970 to between 210 million and 220 million. As we all recognize, this growth will be entirely in the nonfarm sections of the country. Of the total growth, it is forecast that about 95 percent will occur in the urban areas, the present metropolitan areas, and on the periphery.

From the standpoint of impact on housing needs, the forecasts are that the number of nonfarm households in the country will increase by between 11 million and 12 million during this 10-year period, or a gain of roughly 25 percent. Furthermore, as a further indication of the type of additional housing demand that we will be facing, the sharpest increases within this total overall gain will occur, first, among the elderly persons and elderly households, people 65 years and over, and among the young persons and young couples in households in the age group between 20 and 30.

I might comment parenthetically that it is precisely those two segments of the population in which, in our opinion, the national housing economy, as now constituted, is least able to meet the demands. Furthermore, the impact of this unprecedented increased demand for housing will occur on the basis of starting from a present housing stock which has, as we all recognize, still a fairly high percentage of deficiencies.

I understand that the 1960 housing census just being completed is expected to show about 8 million nonfarm dwelling units as substandard on the basis of the census criteria. I would like to point out in that connection that the census criteria of what constitutes a substandard dwelling is a minimum statement of substandard conditions since it is based solely on the physical condition, or the lack of sanitary facilities, within a specific dwelling unit and does not take into account such other substandard factors as deficient room sizes, deficiencies of light and air, and environmental factors which are equally important in determining the substandard nature of housing.

Consequently, in our opinion, a more accurate measure of the total number of substandard units in the country is probably closer to 12 million than 8 million. Twelve million, in turn, would represent about 20 percent of the present total nonfarm supply of housing. From a production standpoint, it is our opinion when you multiply or add up the impact of the increase in households, when you add to that any sub-

stantial progress in the removal of substandard housing, when you add the housing that will be required to accommodate the further migration from farm areas to urban areas which is anticipated and the further migration which can be expected from urban areas which are relatively stable to the urban areas of sharp expansion and economic activity, we arrive at a figure which indicates that the production of at least an average of 2 million dwelling units per year should be the target during the decade of the 1960's.

Senator SPARKMAN. How many? Would you repeat that number?

Mr. KEITH. Two million.

Senator SPARKMAN. Two million a year? An average of 2 million?

Mr. KEITH. That is right, sir.

Senator SPARKMAN. Would you mind pulling the microphone a little closer? I am afraid the people in the back of the room are not catching all that you say.

Mr. KEITH. During the decade of the 1950's, which is just closed, the average construction of nonfarm housing, based on the established figures, averaged about 1,150,000 units a year with a peak in any one year of about 1,350,000 units. So that we are facing a demand-and-need situation during the decade of the 1960's which would require an expansion of about 70 percent over the average accomplishments of the decade of the 1950's, and an expansion of about 50 percent over the peak record of any year during the 1950's.

Senator SPARKMAN. Mr. Keith, may I say in that connection that this subcommittee, you will recall, in its report on mortgage credit, estimated—that is about all we can do for the 10 years of the 1960's—we would build 16 million units as a minimum. You think we need to build 20 million?

Mr. KEITH. That is correct, Senator. I studied your findings, and I am not trying to discredit them in any way.

Senator SPARKMAN. I did not suggest that, but just to show the relative numbers of the two estimates.

Mr. KEITH. That is correct.

Senator SPARKMAN. Remember that the 16 million figure we set was a minimum based on a reasonable estimate of the demand and other requirements, not necessarily the needful goal.

Mr. KEITH. That is correct, and one of the assumptions we made at arriving at a figure of 20 million was that there would be substantially greater progress made during this decade in the removal of presently substandard housing than was the case during the 1950's.

Senator CLARK. I think the chairman will recall that some of us have been using the figure of 2 million a year as the need for quite a long while. The study which the committee made seemed to cut that down to 1.6 million. I have never been completely convinced that that study did state anything more than the minimum.

It occurred to me that the 2 million figure which, translated into 10 years, would mean 20 million, would more accurately measure the need.

Senator SPARKMAN. Many times I have said that by the middle of the 1960's, or certainly before the end of the 1960's, we would need to be building at least 2 million a year. But I have never thought of it as being an average of 2 million over the entire 10-year period. However, they are estimates.

Mr. KEITH. Senator, continuing along that line, not only is there this substantial increase in the demand and need for housing, but the problems of satisfying it, meeting the actual need, on the basis of present housing programs are further complicated by the fact that the present programs of private housing, speaking by and large, are serving the income market with families of income above \$7,000, let us say, speaking on a national basis.

On the other hand, on the basis of the income figures which were also brought out in your report on mortgage credit, in 1958, for example, 61 percent of the nonfarm households had annual incomes of less than \$6,000, which, again, on a national basis, is, generally speaking, beyond the reach of the present private housing programs.

Senator SPARKMAN. Mr. Keith, before you go further, you were formerly in the housing agency. What was your title?

Mr. KEITH. I was the director of the original slum clearance and urban redevelopment of the HHFA—

Senator SPARKMAN. Under the 1949 act?

Mr. KEITH. Under the 1949 act.

Senator SPARKMAN. How long were you in that position?

Mr. KEITH. Four years, Senator.

Senator SPARKMAN. You came to know something about the existence of substandard housing in the United States?

Mr. KEITH. Yes, sir, I did.

Senator SPARKMAN. There is another thing that I want to ask you. It always, shall I say, irritates me just a little bit to hear these statistics quoted in terms of nonfarm housing. Is there any way that we can get around to a consideration of the housing needs in this country without distinguishing between farm and nonfarm housing?

I say that because of awareness on my part of an acute need in farm areas of much more housing than we have been able to get there heretofore.

Mr. KEITH. Senator, I would certainly agree with you on that point, and the terminology, I would agree, is awkward. I would further comment that the figures show that from the standpoint of substandard conditions that the prevalence of substandard conditions among farm dwellings is substantially higher on a percentage basis than it is in the urban areas.

Senator SPARKMAN. It is not as apparent because it is scattered rather than concentrated, is that not right?

Mr. KEITH. That is correct. But, as I recall the figures, I believe that some 3 million of the present farm housing supply is substandard, either in physical condition or in the lack of standard sanitary facilities. Percentagewise, that would represent probably pretty close to half, or at least 40 percent, of the present stock of farm housing.

Senator SPARKMAN. My attention has just been called to the fact that the Census Bureau plans to abandon, this year, this distinction heretofore made in housing starts between farm and nonfarm. I shall certainly welcome that.

Mr. KEITH. Very good.

Senator, the figures that I have been citing are by way of background to our comment on the various bills that are now being considered by this subcommittee from the standpoint of highlighting our feeling of the crucial importance of further substantive legislation in

this whole field of housing and community development to gear up, to meet, these tremendous requirements that lie ahead of us.

From the standpoint of further legislation, I would like to comment first on the bill introduced by Senator Clark, S. 3292, to provide for the establishment of a Department of Housing and Metropolitan Affairs.

The National Housing Conference is strongly in support of such action by the Congress. We feel that without question the fact that the Housing Agency, or the housing problem and the whole metropolitan problem does not have representation at the Cabinet table has been a definite handicap from the standpoint of the status and backing of Federal activities in this field. We also feel that the proposal in S. 3292 to use the present Housing and Home Finance Agency as the nucleus for such a department is a very logical approach, with the further provision that is contained in the bill that further study would be made by the executive department as to other present functions dealing primarily with metropolitan area problems, which also would be added to the proposed department.

We are strongly in favor of the proposal in that bill.

I would also like to state that we are equally strongly in support of the bill which you introduced, Senator Sparkman, S. 3379, to set up a more effective machinery for the establishment of housing goals.

Senator CLARK. Mr. Chairman, before Mr. Keith gets into that, I wonder if I could ask him a question or two on the proposed Department of Urban Affairs.

Senator SPARKMAN. Yes, indeed.

Senator CLARK. Mr. Keith, as you probably know, the administration witnesses who were here on Monday indicated support for the general idea of a Department of Urban Affairs. But I think, in essence, they concluded they would rather have the President set it up than have the Congress create it. I do not think any of us have any pride of authorship about it; if we get the department. I do not care how it is done. Before this about face on the part of the administration, a very able member of the White House staff, Mr. Robert Merriam, made a public address ridiculing the suggestion of a Department of Urban Affairs on the general ground that little pieces of urban problems were scattered about in various other Government agencies and that it would not only be impossible to pull them all together into one department, but it would disrupt the work of existing agencies.

For example, Mr. Merriam thought that the Federal Highway program concerns itself very substantially with urban highways. In fact, that is where a major part of the cost comes because of extra heavy costs of land acquisition. He pointed out it would be administratively unwise to bring the Bureau of Public Roads over into the Department of Urban Affairs.

Of course, I agree with that. I wonder whether your experience in the Federal Government which, goodness knows, is a pretty complex organization, would not lead you to feel that the provisions of section 4 of my bill, S. 3292, which direct the Secretary to conduct a continuing study of problems peculiar to urban metropolitan affairs and to assist State and local governments in solving such problems and to make recommendations to the Congress as a result of these studies and make

an annual report to the Congress of the activities and accomplishments of his Department would help. Also, in effect, coordinating the activities of other agencies which deal with Federal programs as they affect metropolitan affairs, which is section 5 of my bill.

In your experience in the Federal Government, is that a workable method of getting at Cabinet level concentration of attention on urban problems and recommendations directed toward their solution? Or would you be fearful that that kind of a setup would just mess up the other agencies dealing with urban problems in other departments?

Mr. KEITH. Senator Clark, I would certainly say that on the basis of my experience, not only in the Government, but as a consultant in the redevelopment field to a number of cities currently one of the great needs, for example, with respect to the urban highway program is a procedure under which there would be much closer coordination between the redevelopment and housing programs and the urban highway program.

In city after city, there has been experience under which State highway departments go their own way, more or less, in planning where urban highways and expressways will go without any real consideration of the tremendous impact of the location of these expressways on the whole physical structure of the community.

Senator CLARK. This shows itself in problems of relocation of low-income families, does it not?

Mr. KEITH. That is one further factor. Also, in quite a number of cases, the actual determination by the highway people of the location of an expressway will run counter to the basic city plan. I mean, the reason why this happens is not because highway people are necessarily arbitrary, but their approach is that where there is the most convenient and least expensive place to locate a highway, that is where it should go, without taking into account these other factors which are of equal importance, if not greater.

Senator CLARK. But, administratively, do you think this proposed organization into a department makes sense?

Mr. KEITH. Yes, I do, Senator. I think, to get back to this question of coordination, just as a psychological matter, you might say, that a Cabinet-level status for such a grouping of housing and community development programs is absolutely necessary in order to make this coordinating function actually work with respect to programs such as the highway program, which would not be incorporated as such within the—

Senator CLARK. Do you think this coordinating power could legitimately be resented by other agencies which are dealing, in part, but not in whole, with urban problems?

Mr. KEITH. I certainly do not see any reasonable basis why it should be resented, Senator.

Senator CLARK. You agree, from your experience in the field, that another area which is predominantly, but not entirely, an urban problem is the field of air pollution?

Mr. KEITH. Yes; I would certainly say so.

Senator CLARK. This gets into the housing problem, too, does it not?

Mr. KEITH. It certainly does.

Senator CLARK. Because we cannot get people to live in areas where odors and smoke are inundating the neighborhood. This is true, is it not?

Mr. KEITH. It certainly is.

Senator CLARK. We know our city of Los Angeles is having great troubles with smog, and some of our Pennsylvania cities have had the same difficulty. This is largely an urban problem, is it not?

Mr. KEITH. That is one of the basic problems.

Senator CLARK. Would you not agree that one of the principal urban problems of the rest of the 20th century is going to be to assure an adequate supply of pure water for our urban communities?

Mr. KEITH. That is one of the basic problems.

Senator CLARK. So this Department of Urban Affairs would, of necessity, interest itself in all of the water resource problems which are presently being dealt with helter-skelter by States, by localities, and by agencies of the Federal Government, which do give serious consideration to the urban side of the water problem, but where perhaps that problem has not received the attention it deserves. Would you agree with that?

Mr. KEITH. I certainly would, Senator.

Senator CLARK. To conclude the colloquy on this part, Mr. Chairman, it occurs to me that while the housing function is the primary source of a Department of Metropolitan and Urban Affairs that carries with it the implication that other urban problems, air pollution, a pure and adequate supply of water, traffic and transportation, and highways, including mass transit, are all matters which should be of great concern to this new Department. Matters primarily of an urban nature which are not now being dealt with at a high enough level in the executive arm of our Government.

I am stating the case for my own bill, but perhaps you agree with me.

Mr. KEITH. I certainly do, Senator.

Senator CLARK. Thank you.

Mr. KEITH. Mr. Chairman, continuing with your bill, S. 3379, we feel that the requirements of this bill, under which the President would be called on to present an annual report to the Congress, setting up an annual housing construction goal and outlining the administrative actions and legislative recommendations necessary to achieve that goal, would fill a very basic gap in the present organization of housing and related programs. As it is now, the whole concept of how much housing production is required to satisfy the immediate needs and demands of the Nation and also, in relation to longer term needs, is basically submerged and lost sight of as against other factors such as economic conditions, conditions in the mortgage market and money market generally, and so on.

We feel, particularly, that in reference to the tremendous increase in demands and needs for housing that are in definite prospect over the next 10 years this type of machinery such as would be established under your bill would be of vital importance to an orderly and forward-looking movement to meet those needs during the coming years.

At this time, Mr. Chairman, we would like to comment on some of the other bills.

Senator CLARK. Before you get off on that, if the chairman will indulge me, I would like to indicate my strong concurrence with what you just said about Senator Sparkman's bill and to call your attention to the adverse testimony, testimony against the bill, made by

administration witnesses on Monday. The basis of their opposition to the bill, I felt, was that they just do not believe in planning ahead. They think the unregulated private market is doing a pretty good job, and the Government should keep its big nose out of trying to plan these things.

But, of course, one of the points they make, which we have to give attention to, is that you cannot plan these things under our system, that anything we do is nothing more than a guess, which tends to do more harm than good. They said the Government should not try to direct the way in which housing is built, but merely act as kind of an umpire to prevent gross inequities and injustices from getting too far out of hand.

I wonder if, again with your broad experience in the Federal Government and elsewhere, you would comment on whether there is any significant difference between national planning for future housing and the kind of city planning that is going on today in practically every reasonably well-run city in the country. We do not know at the city level, either, exactly where we are going to go, but my city, Philadelphia, has just come out with a 25-year \$3.5 billion plan for the general growth of the city. This seems to me to be healthy.

It is not going to be carried out in exact detail, but changed from year to year. But from where I sit as a former mayor, I think all of this planning activity is strongly to be commended and not to be derogated. I wonder how you feel about that in connection with Senator Sparkman's bill?

Mr. KEITH. I would certainly agree with you heartily, Senator. I think one of our big problems, speaking nationally, in terms of housing and redevelopment is that there is no adequate planning mechanism. On the other hand, I think the standpoint that there is something bad about the Federal Government making long-term goals and recommending actions necessary to accomplish their goals is not supportable, in my opinion, because, as things operate now, the Federal Government does many things which affect the volume of housing construction. For example, I mean, the whole fiscal policies of the Federal Government have a very direct impact and, recently, a very unfavorable impact on the necessary volume of production of housing. So that, to me, it is difficult to argue on the one hand that such fiscal policies are the business of the Federal Government and to argue on the other hand that the Federal Government should not do anything to see that there is an orderly planned progress toward meeting these basic housing needs. I think it is precisely that that Senator Sparkman's bill would remedy.

I would like to comment, next, briefly, on the various items that are contained in S. 3509, as introduced by Senator Clark, all of which I would say we are in substantial accord with. In the first instance, we are in accord with the proposal for a further increase of \$4 billion in the general FHA mortgage insurance authorization as a safeguard against a possible exhaustion of funds in that program before the next Congress would have time and opportunity to act.

Senator CLARK. Mr. Chairman, if you will permit, I would like to interrupt again.

I would like you to clear up the record on one point. After I introduced that bill, one of our national wire services came out with

a statement that I had introduced a \$4.8 billion spending bill. This shocked me a little, although I am used to that treatment.

I wonder if you would explain for the record exactly how much of that \$4 billion of extra FHA insurance could conceivably come out of the taxpayer's pocket.

Mr. KEITH. On the basis of the past record, Senator, I would say none of it because, as is well known, up to this time, the insurance premium charged by FHA on every mortgage it insures has been greatly in excess of whatever small losses have been incurred, with the result that the FHA has accumulated very large reserves against future losses.

Senator SPARKMAN. What are those reserves, now, approximately?

Mr. KEITH. I believe they are about \$800 million, Senator Sparkman.

Senator SPARKMAN. Yes, \$800 million, approximately.

Senator CLARK. This is the way it is built up in the minds of the people that certain Senators are wild-eyed spenders. We put a bill in that would not cost the taxpayers a cent, and the wire service sends out all over the United States of America that we are proposing a \$4.8 billion spending bill.

Senator SPARKMAN. May I say, also, they are critical no matter how we figure. A limit is set of \$4 billion, and they pay no attention to the request of the Administration to make it open-ended.

Senator CLARK. No ceiling at all. If I had put in no ceiling at all, I do not know what they would have said.

Senator SPARKMAN. Zero dollars.

All right, Mr. Keith.

Mr. KEITH. Second, with regard to urban renewal and redevelopment, the National Housing Conference considers this program as the basic method for moving forward with community development in urban areas. We feel, further, that there are two basic ingredients to keep this very crucial program in forward movement.

These are, first, an adequate pool of Federal capital grant assistance of the local programs and, second, adequate assurance of continuity of operations. I believe our opinion is supported by the survey recently made by the American Municipal Association and the U.S. conference of mayors that the present authorization may compromise authorization which was included in the Housing Act of 1959 of \$350 million for this year, and \$300 million for the next fiscal year will not be adequate to maintain momentum in this very crucial field.

Senator CLARK. Mr. Keith, you put your finger on a controversy which this subcommittee is going to have to resolve. Mr. David Walker, who is a pretty competent public servant, testified categorically before this committee on Monday that he did not need another red cent of urban renewal authorization to get through fiscal 1961. The conference of mayors and the American Municipal Association say they need at least \$600 million more, and we are going to have to make up our minds who is right.

I wonder if you could shed any light on where the truth lies in that regard? What is the basis for your feeling that this money, this authorization, is really needed, and what comment, if any, do you have on Mr. Walker's strong assertion that he does not need a nickel?

Mr. KEITH. Senator, I might say that I have a high regard for Mr. Walker also. He has been a good friend of mine for many years, but I definitely believe that in this instance he is very much understating the future demand for redevelopment reservations and capital grant funds.

As one illustration of why I question his position, in the case of one large city that I happen to be familiar with which had a long-pending application for a capital grant reservation of something over \$12 million, this was finally honored by the Urban Renewal Administration a couple of months ago, but on such a basis that only half of that amount was made available, was earmarked out of the current fiscal year's authorization. The city was assured that the remaining half would be earmarked immediately after the first of the fiscal year.

The only basis on which that kind of a policy would make any sense to me from the standpoint of meeting pending applications is that URA was not in a comfortable enough position under the current \$350 million authorization to earmark the total amount. Furthermore, it would seem to me, Senator, that the AMA and conference of mayors survey, which went to the actual operating agencies, should be rather conclusive evidence that further authorizations will be necessary if there is not going to be another slowdown in the progress of the program.

Senator SPARKMAN. One thing that disturbs me about that is the very positive testimony that Mr. Walker gave back in February in which he quoted the figures showing the amount that was actually coming in. He made the statement at that time that he could give us assurance that no application would be turned down because of lack of funds. Those may not be his exact words.

Senator CLARK. That was the substance of it.

Senator SPARKMAN. That was the substance, substantially.

Mr. KEITH. In the case I cited, they did not turn it down, but, in effect, they said, "We will give you half now, and we will give you the other half when the next \$300 million becomes available."

Senator CLARK. I hope you will tell your friends and mine among the mayors, when they come to testify in support of that authorization, we hope they are going to be in a position to controvert Mr. Walker. We cannot afford to put an authorization in the bill which cannot be supported.

Mr. KEITH. I certainly will, Senator.

From the standpoint of conserving time, I will not comment on the various technical amendments to title I which are in Senator Clark's bill, besides saying that we are fully in support of them, and our comments are covered in our—

Senator SPARKMAN. I wonder, if in the interests of conserving time, I might ask you some questions that would more or less summarize some of this statement.

You have a section here, for instance, on the low-rental program, public housing. What are the thoughts of your organization with reference to that program at the present time? I understand that last year we authorized 37,000 units. Mr. Davern, the Acting Commissioner, testified Monday that they did not need any more through fiscal 1961.

What are your thoughts on that?

Senator CLARK. Also, if you would mind commenting on Mr. Davern's very candid statement that the reason why the demand did not meet the need was because of integration.

Senator SPARKMAN. I understand that this referred to the North, rather than the South because he said the applications from the South were quite strong.

Senator CLARK. I agree. I am not trying to make any civil rights issue.

Senator SPARKMAN. I realize that, but some others might think of it differently.

Mr. KEITH. To comment, first, on Mr. Davern's statement, we certainly would not deny that the problem of racial integration was a factor in the problem of finding acceptable sites. But we certainly do not feel it is the exclusive factor by any means. In many localities, such as Washington, D.C., right here, the problem is to find a buildable site on which to put housing, regardless of any problems of integration.

The problems when slum sites are under consideration as to the cost of those sites in relation to the overall cost ceiling established by PHA—

Senator CLARK. Speaking of the North, so I can clear myself with my friend here, it is a fact, is it not, that many northern cities are unwilling to commit themselves to expenditures for public housing which they, in the long run, have to make because they are just not interested in putting up housing which will be occupied predominantly by Negroes? Is not this a factor? I think it is in many cities.

Mr. KEITH. I would say it was a factor, certainly, Senator, but I do not think it is by any means the sole or even, perhaps, the basic reason for the problem of site location.

Senator CLARK. Just briefly, representatives of a city which shall be nameless told me the other day that they had to put—it is in the North, and pretty far up in the North—the public housing project next to a certain integrated school. That is where they had to have their integrated public housing project.

Mr. KEITH. I had been asked our position, Senator Sparkman, on the need for additional public housing. What we are advocating is a reinstatement of the original authorization in the Housing Act of 1949 which we estimate would make possible the development of about 100,000 additional units over a period of years. We feel that would probably be adequate to meet the present demand for public housing, I would say, for the next 3 or 4 years.

Do you agree, Mr. Vinton?

Senator SPARKMAN. Of course, you know the Senate has approved that several times, but we have not been successful in getting it enacted into law.

Senator CLARK. My thought was we could take a controversial issue out of Congress for a few years if we just authorized what had been authorized before and let them build up to it as they get the applications.

Mr. KEITH. I would say, further, on that point, that I think one of the reasons for the slow pace of the development of the new projects has been the planning problems growing out of the periodic annual authorization by Congress with a time schedule under which

they lapse. It takes, on the basis of general experience, say, from 12 to 15 months to carry a proposed project up to the point of annual contributions contract. Is that right?

Mr. VINTON. Often longer.

Mr. KEITH. Often longer, so that with that leadtime, we feel that it would lead to a much more orderly development of future public housing projects if the communities are not always under the gun on the basis of a deadline.

Mr. VINTON. Could I add, it always takes a long time because of the difficulties in obstructions which the PHA, in the past, as put in the way of local authorities and the endless harassments that made it extremely difficult, so difficult, indeed, that a number of authorities, at one time or another, have told me, "We just are not going to try to do any development while the present PHA regime is in power. We are going to wait until we can get a little cooperation."

Senator CLARK. I think a lot of us hope the new PHA Commissioner will change that. Certainly, I do.

Mr. VINTON. I would agree with you, Senator.

Mr. KEITH. Senator, do you have further questions, sir?

Senator SPARKMAN. Let me say that I have been reading ahead of you, and I have read your comments on housing for elderly persons. I like it.

You have also commented on various changes in administration of the public housing law which might cure the very things that Mr. Vinton was referring to. Again, as you know, we have approved amendments several times, and this has been in them. I believe Senator Clark's bill does contain some amendments at the present time that will be under consideration.

I wish we had time to go into this in detail. Of course, covering it as you do, we could spend the whole half day going into it. But, unfortunately, we do not have that time to spend. I do appreciate your appearance, and your statement will be printed in full in the record. Should you, at any time, have any additional comments to make, we would be glad to have you communicate with us.

Senator CLARK. Mr. Chairman, I would like the record to note that merely because Mr. Keith has not commented on middle-income housing and the bill suggested by Senator Javits and myself does not mean that he does not have a keen interest in it.

Senator SPARKMAN. He has.

Senator CLARK. His comments cover several pages of his prepared testimony.

Senator SPARKMAN. Yes. Mr. Keith has that in his paper.

Senator CLARK. I will not detain him to question him on it except to say I am happy he supports that bill which I feel very strongly about, and which I hope we can do something about.

The fact that you have not given tongue to your support does not mean you have not written good support for it in your statement, which will be printed.

Senator SPARKMAN. It is certainly recognized as one of the greatest needs, is it not?

Mr. KEITH. It certainly is. The income figures I cited at the outset of my statement, I think, point up the fact that this is a gap that has got to be closed if we are going to meet the need over the next decade.

Senator SPARKMAN. For many years, I have been trying to find some way of closing this gap. Instead of closing it, it probably becomes wider as the median income goes up and the median cost of housing goes up. It remains unsolved, and I certainly want to find a solution.

Senator CLARK. I would like to note that the provisions of the Javits-Clark bill are modeled pretty closely on a New York plan which has actually been successful in operation in New York. The comments made by the administration witnesses that our bill is administratively impossible to work seem to me to fly right in the face of the fact that a very similar plan has been working in New York.

This is substantially correct, is it not?

Mr. KEITH. Yes; that Mitchell-Lama program in New York State has operated very successfully, Senator.

Senator SPARKMAN. Mr. Keith, I wish I had time to question you and hear from you about some of the developments here in Washington. You are the consultant, I believe, for the Southwest development, are you not?

Mr. KEITH. Yes; I am, Senator, for a portion of it.

Senator SPARKMAN. A great many of us watched that with great interest over many, many years. We are hopeful that you can move right along. You have gotten started.

Let me ask you just this. I read something in one of our local papers sometime ago, as I remember, to the effect that you had completed one building. I presume that is the apartment building down there, is it not?

Mr. KEITH. Yes.

Senator SPARKMAN. It had an assessed valuation six times greater—I think that was the figure—than all of the property in that area before it was cleared out. Is that substantially correct?

Mr. KEITH. I believe that is, Senator.

Senator SPARKMAN. It is an interesting statistic, and it seems to me, if it is true, more people ought to know about it. We do not have the time now, but someday I hope you will come up and let us talk with you about the Southwest development.

Mr. KEITH. I would certainly be happy to any time, sir.

Senator SPARKMAN. Way back, it must have been 12 or 14 years ago, I remember going down in the slums right below the Capitol and having a picture made with the Capitol dome in the background. Papers then commented that that was done every couple of years, every year or two, and it probably always would be. But I am glad that we cannot make the picture now.

Mr. KEITH. That is correct.

Senator SPARKMAN. I look for the day when pictures can be made down there with very fine homes and business establishments, commercial establishments, apartment houses, and so forth. We are interested in seeing that project, that whole area, develop.

Mr. KEITH. I would certainly say that by this time next year, you will see a much more completed construction down there than that one building.

Senator SPARKMAN. That is fine.

Thank you very much, all of you.

Senator CLARK. Thank you, Mr. Keith, for very helpful testimony.

Mr. KEITH. Thank you.

(The prepared statement of Mr. Keith follows:)

STATEMENT OF NATHANIEL S. KEITH, PRESIDENT; ACCOMPANIED BY WARREN J. VINTON, MEMBER OF THE BOARD; AND FRANCIS X. SERVAITES, EXECUTIVE VICE PRESIDENT, NATIONAL HOUSING CONFERENCE

Mr. Chairman and members of the committee, it is always a privilege to appear before this subcommittee which has initiated so much of the significant legislation in housing, urban renewal, and related fields over the years. We are particularly gratified to have the opportunity to state our views at your first legislative hearings in 1960, which opens a decade in which the issues and problems over which your committee has legislative jurisdiction will be even more crucial to the welfare and sound development of the United States and its communities.

As the members of this committee know, the National Housing Conference is a nonprofit organization dedicated to the advancement of housing conditions and the neighborhood and community environment for all the American people. Our members are professional men and women, business men and women, representatives of organized labor, local public officials, representatives of religious and public-interest organizations, and general citizens who share the common objective of seeking the goal of a decent home and a suitable living environment for every American family, as was so eloquently stated in the declaration of national housing policy in the Housing Act of 1949. Our membership is drawn from every State in the Union.

As an organization, we claim no monopoly in our dedication to this goal, although perhaps our membership represents a broader cross section of the public interest in all aspects of this crucially important field than other more specialized organizations with which we work in close concert. In appraising the immense proportions of the national needs in this field and in identifying the courses of action which appear to be called for, the National Housing Conference has found it especially important to confer closely with organizations such as the American Municipal Association, the U.S. Conference of Mayors, the national labor organizations, and the national professional, social, and educational organizations which share a common interest in progress in these fields. Through this kind of informal consultation and exchange of views and information, I believe we have mutually clarified our concept of the programs which sooner or later will be necessary to master the problems of community development in the sixties through public action and through the resources and resourcefulness of private enterprise.

THE HOUSING REQUIREMENTS OF THE SIXTIES

Before commenting on the specific bills which are now before this subcommittee or on the specific legislative proposals of our organization, I would like to present briefly our views on the magnitude and nature of the problems of housing and community development during the coming decade. I am sure the members of this committee are familiar with the basic statistics which are involved. Parenthetically, we feel that this subcommittee is to be greatly complimented for the researching exploration of these matters carried out during your recent study of mortgage credit and ably summarized in your recent report. Nevertheless, I for one feel that the magnitude and the needs confronting us cannot be too frequently reiterated.

This is the decade during which the population of the United States will shortly pass the 200-million mark and reach a 1970 level of between 210 and 220 million. The 10-year population growth, forecast at between 30 and 40 million, will be the greatest in our history, comparing with 19½ million during the forties and about 28 million during the fifties. The impact of this expansion will be felt exclusively in nonfarm areas and 95 percent of the growth is expected to occur in and around existing metropolitan areas and other urbanized areas. During the sixties the number of nonfarm households is expected to increase by 11 to 12 million or about 25 percent to a total of more than 58 million households. Furthermore, the sharpest gains will occur within age groups which our housing economy is least equipped to accommodate satisfactorily, namely elderly persons and couples and young people and couples between the ages of 20 and 30. For the latter, a population expansion of 40 percent is forecast whereas for persons of age 65 and over an increase of 35 percent is anticipated

These compare with an overall estimated population gain of between 20 and 22 percent.

How is the present housing inventory and housing economy geared to accommodate this surge in population? I understand that the 1960 Housing Census is expected to show about 8 million nonfarm dwelling units as substandard on the basis of the census criteria. This would represent about 15 percent of the existing nonfarm housing supply, excluding seasonal units. It should be clearly understood that these census criteria represent a minimum statement of substandard conditions since they are based solely on delapidation and the absence of inside plumbing. If a count were taken of other substandard factors such as inadequate room sizes, light, and air; excessive lot coverage, and adverse environmental factors such as surrounding slums or industrial uses, then the total number of substandard units would more likely be in the neighborhood of 12 million or over 20 percent of the total nonfarm supply. This substandard housing, of course, is predominantly occupied by lower income families and certainly cannot be considered as an acceptable resource for providing shelter for the rapid population growth that lies ahead. Furthermore, in urban areas these substandard dwellings are typically concentrated in the slums and blighted areas which are throttling the revitalization of the central core of our cities and which must be redeveloped at an increasing tempo if the cities are to survive as the healthy centers for the surging metropolitan population.

It is thus clear that the task confronting the national housing economy during the 1960's is compounded not only by the unprecedented population growth which is in prospect, but also by the poor condition of so much of the existing stock of housing. Based on past accomplishments, we do not believe that this task can be accomplished on the basis of existing housing programs alone.

During the fifties, the production of new housing averaged 1,150,000 units per year and was absorbed predominantly by families with annual incomes in excess of \$7,000. As this committee well knows, even this rate of production was subject to sharp fluctuations induced in large part by periodic shortages of mortgage financing and by the relatively weak position of the housing industry in competing for sources of financing during periods of tight money.

By contrast, to satisfy the projected housing requirements of the sixties, an average production rate of at least 2 million dwellings per year should be the target, exclusive of seasonal units. This is the inescapable conclusion if the economy is to accommodate an average net family formation approaching 1,200,000 families per year, the elimination of at least 5 million of the present substandard dwellings during the coming decade, the replacement of presently standard units which will be abolished by highway construction and renewal programs, the continuing migration to urban areas from the farms, and the continuing migration from relatively stagnant urban areas to those of pronounced growth. This would call for an expansion of more than 70 percent in housing production during the sixties over the actual record of the fifties. Furthermore, its accomplishment would have to occur within a national income distribution under which 61 percent of the nonfarm households had incomes of less than \$6,000 in 1958 and with the outlook that the sharpest increases in housing demand during this decade will come from the age groups which are the least likely to present the higher incomes.

It is against this combination of unprecedented requirements and existing limitations that the National Housing Conference takes the position that the housing and community development program for the sixties must be predicated, first, on taking all steps required to increase the total production of housing to the levels indicated, and second, to support those steps and in fact make them achievable by devising new programs and new approaches to reach the presently neglected and unerving sectors of the total housing market.

CABINET STATUS FOR HOUSING AND METROPOLITAN AFFAIRS

In our opinion, the expansion of the national housing economy to meet the needs of the sixties will inevitably be one of the major domestic issues during the coming decade. Likewise, we are convinced that a national problem of this scope and complexity can be satisfactorily met only through the effective leadership of the Federal Government, acting through financial aids, stimulation and technical assistance. While the execution of such a program must remain with the local communities and largely with private enterprise, we are convinced that the leadership and supporting role of the Federal Government is indispensable. Cor-

respondingly, we feel that the crucial importance of housing and overall community development to the healthy future growth of our urban population and metropolitan centers should be more adequately recognized within the Federal establishment itself. Consequently, we strongly favor the enactment of legislation extending Cabinet status to this important sphere of Federal activity.

In this connection, we therefore endorse S. 3292, to provide for the establishment of a Department of Housing and Metropolitan Affairs, as introduced by Senator Clark for himself and Senators Murray, Javits, and Williams of New Jersey, and recommend its favorable consideration by this subcommittee. We believe that the present status of Federal housing, renewal and related programs has suffered from lack of representation at the Cabinet table and that the growing importance of these matters to the great majority of the American people makes it imperative to afford them Federal recognition and status on a parity with other major program activities of the Federal Government. We are likewise in accord with the concept in S. 3292 that the logical nucleus for such a Department is the present Housing and Home Finance Agency, with further study to be made of additional Federal functions which would logically fall within the sphere of a Department of Housing and Metropolitan Affairs by reason of their primary application to metropolitan area problems. We also endorse the provision of S. 3292 under which the Secretary of the proposed Department would have the responsibility for initiating coordination with other Federal departments and agencies on matters directly affecting metropolitan areas.

ESTABLISHMENT OF HOUSING GOALS

In this same context, we are strongly in favor of the provisions of S. 3379, introduced by Senator Sparkman, which would call on the President to present an annual housing construction goal and to submit an annual report to Congress setting forth the administrative actions and legislative recommendations necessary to achieve that goal. This bill would also reinstate an active housing research program and thus rectify the paradoxical lack of any comprehensive research program for the largest industry in the national economy. These two proposals are particularly important in view of the great expansion in housing need and demand which is in prospect. By requiring annual appraisal of this need and demand and of the actions required to meet them, this bill would greatly clarify the goals and programs needed to cope with the unprecedented requirements of the sixties.

I would now like to comment on the views of the National Housing Conference concerning the basic operating programs involved in the housing and community development effort and the various legislative proposals that are now before your subcommittee. Many of the latter are contained in S. 3509 as introduced by Senator Clark.

FHA INSURANCE AUTHORIZATION

First, with regard to the general FHA mortgage insurance authorization, the National Housing Conference concurs with Senator Clark's proposal for an increase of \$4 billion in that authorization. We feel that the maintenance of momentum in housing construction with the support of FHA insurance, particularly under the present uncertainties in the mortgage money market, is too essential to the national housing economy to justify any risk that the FHA authorization may be exhausted after the adjournment of this Congress and before new authorization could be enacted by the next Congress. At the same time, we feel that the operations of the FHA program, just as the operation of other basic programs in this field, should be subject to periodic reexamination and analysis by the Congress. We therefore are opposed to the enactment of an open ended insurance authorization for FHA which would largely insulate the operations and requirements of this basic financing program from the test of congressional scrutiny.

URBAN RENEWAL AND REDEVELOPMENT

Second, with regard to urban renewal and redevelopment, the National Housing Conference considers this program as the basic method for moving forward with community development in urban areas. We are convinced that, after 10 years of experimental and pioneering operating experience, this is the primary basis for the clearance and redevelopment or rehabilitation of slums and blighted urban areas. We are convinced that this program provides the basic machinery for

revitalizing central cities and making possible the continued functioning of cities as the essential core for the cultural, recreational, and commercial facilities which are needed in order to provide cohesion to our otherwise sprawling metropolitan areas. Likewise, redevelopment powers are essential in order to maintain a healthy industrial base in our cities and to provide opportunity for the expansion of industrial facilities, close to centers of working population, which must accompany an expanding economy and population during the next decade. From a housing standpoint, the redevelopment and renewal program is an indispensable vehicle for providing sites for housing developments which will serve those population groups who want and need close-in locations, notably the elderly, the middle-aged families with grown children, and newly married couples and young entrants into the working force. Furthermore, there is increasing indication that these same powers will become increasingly important in reclaiming the fringe areas of blight on the periphery of cities and in suburbia which are the unfortunate outcome of the mushrooming, unplanned growth of suburbia over the past 40 years of the automotive age.

Cities throughout the country are demonstrating their increasing reliance upon redevelopment and renewal as the basic tools available to overcome these basic problems and to adjust themselves to the requirements of modern urban living in America in the latter half of the 20th century.

On the basis of experience, the National Housing Conference is persuaded that there are two essential ingredients for keeping local renewal and redevelopment programs in pace with the challenge of the sixties. These are, first, an adequate pool of Federal capital grant assistance for local programs and, second, assurance of continuity of operations. Both these are of vital importance in the delicate operation of recasting blighted urban neighborhoods which entails almost invariably an interval of years between the inception of preliminary planning and the completion of physical redevelopment or rehabilitation.

For this reason, the National Housing Conference has advocated, along with representatives of the municipalities, the enactment of a Federal authorization of \$600 million a year for a period of 10 years, with authority in the President to increase any year's authorization by an additional \$150 million if he found that the demands and needs of commodities so required. This would not be an open ended authorization since there would be a definite yearly ceiling and likewise, of course, a yearly opportunity for Congress to reexamine the requirements and progress of the program. However, such a 10-year authorization would provide reasonable assurance of continuity on a long-range basis and would give, we believe, important impetus to long-range planning of this basic method for the rebuilding of our cities on a program rather than a project basis.

We are satisfied that the compromise authorization contained in the Housing Act of 1959, namely \$350 million capital grant authority for the current fiscal year and an additional \$300 million for the fiscal year beginning July 1, will not be sufficient to maintain present momentum, to say nothing of providing leeway for the stepped-up pace of renewal and redevelopment which will be essential in the year immediately ahead. While S. 3509 provides only one additional authorization of \$600 million, this would be adequate to carry the program without cutback and delay into the next Congress which would then have ample opportunity to reexamine the long-term needs of the program. Consequently, we support this provision in S. 3509.

The National Housing Conference is also in favor of various technical amendments to title I of the Housing Act of 1949, as amended, which are contained in S. 3509. These include the proposed amendment increasing the maximum relocation allowance for businesses displaced by renewal programs or other related public actions to \$5,000 from \$3,000. The problems of assuring equitable treatment for small businesses displaced from renewal areas has been a thorny one for the local redevelopment agencies and the present maximum allowance of \$3,000 to compensate for moving expenses and property losses has in many instances been inadequate, particularly where the small business leased rather than owned its property in the renewal area. Our organization also favors an increase in the maximum relocation allowance for families and individuals to \$500 from the present ceiling of \$200. While the \$200 allowance for actual moving expenses is proving adequate in many communities, in some of the larger communities with a tight supply of housing for displaced families, this allowance has proved to be inadequate to compensate for actual relocation expense. Likewise, we favor the proposed technical amendments to section 112 of title I relating to university participation in local renewal programs. These amendments would

remedy certain inequities which have become evident during the initial experience under this new section which was added by the Housing Act of 1959.

The National Housing Conference is also strongly in support of various amendments in S. 3509 which in our opinion would be helpful in giving much-needed impetus to the rehabilitation phase of the urban renewal program. While the concept of rehabilitation in areas suitable for such treatment has great appeal, serious practical difficulties have been experienced in accomplishing any extensive rehabilitation, over and above simple code enforcement activities.

One of the amendments in S. 3509 would permit the use of Federal capital grants, along with local contributions, to finance pilot rehabilitation demonstration activities in urban renewal areas. Such pilot undertakings might well prove to be a useful device for triggering increased participation by homeowners or investors by providing a testing ground for rehabilitation techniques and a yardstick for rehabilitation costs.

Likewise, we favor the amendments in S. 3509 to the rehabilitation provisions of section 220 of the National Housing Act. As this committee is well aware, the amount of rehabilitation actually accomplished in urban renewal areas through FHA-insured financing under section 220 has been infinitesimal during the almost 6 years since the enactment of the Housing Act of 1954. This disappointing result undoubtedly reflects a variety of factors, among which has been the lack of familiarity on the part of many FHA field offices with insuring activities in the type of neighborhoods selected by local renewal agencies for rehabilitation activities. In some cases, there also has been insistence upon standards of rehabilitation which have been excessive in relation to the income and market characteristics of the neighborhoods involved. As we read the amendments to section 220 contained in S. 3509, two basic steps would be taken to broaden the effectiveness of this FHA program in the rehabilitation field. First, the amendments would make clear that section 220 financing would be available in urban renewal areas for conservation and the prevention of deterioration in addition to more extensive rehabilitation. Second, section 220 financing would be made available in code enforcement areas in communities with a workable program in force and where the Housing and Home Finance Administrator determines that section 220 assistance is necessary in order to carry out such code enforcement programs. In such cases, the requirement for official local adoption of a complete urban renewal plan for the neighborhood would be involved. In view of the importance of establishing a feasible basis for more effective rehabilitation and conservation programs than has been achievable before, we believe these amendments would represent a worthwhile experiment and we recommend their support by this subcommittee.

HOUSING FOR THE ELDERLY

As pointed out previously in my testimony, one of the crucial areas of increasing need and demand for adequate housing accommodations during the sixties will be among the elderly. This problem becomes all the more pressing by reason of the prevalence of low incomes among elderly persons and by reason of the fact that an unusually high proportion of such persons are currently lodged in substandard housing. In 1958, for example, where the head of the household was 65 years or older the median income of the household was only \$2,066 as compared with a median income of \$5,087 for all households. Furthermore, a survey in December 1956, showed that of the 5 million nonfarm households then headed by a person aged 65 or over, approximately one-half were occupying substandard housing. These two statistics highlight the serious problems which are involved in providing adequate housing for the increasing numbers of elderly families and single persons.

In the opinion of the National Housing Conference, a major forward step in seeking solutions to this problem was the inclusion in the Housing Act of 1959 of section 202 authorizing appropriations of \$50 billion in direct Federal loans by the Housing and Home Finance Agency to finance the development of housing for the elderly through long-term, low-interest mortgages. This pioneering authorization, in our opinion, establishes a financing formula which should prove of substantial benefit to elderly families and individuals with incomes between the range which would be required under the new FHA mortgage insurance program for housing projects for the elderly and the income levels qualifying for admission to low rent public housing. While the absence thus far of any appropriations under this new program has prevented the undertaking of any projects, we support the provision in S. 3509 increasing this loan authorization from \$50 million to \$100 million as an action which would permit the development of

more extensive experience in this field. In fact, we would urge the committee to give favorable consideration to increasing the appropriation to \$150 million. This would make possible ultimately the development of roughly 15,000 special dwellings for elderly families. Since the loans under this program may be made only to nonprofit corporations, we also recommend to the subcommittee that these loans cover 100 percent of actual total development costs rather than 98 percent as prescribed under the existing statute and that the maximum term of the loan be increased to 60 years from 50 years. We are also hopeful that the Senate Appropriations Committee will give favorable consideration to a substantial increase in the initial appropriation to implement this new program from the token figure of \$5 million which was contained in the pending independent offices appropriations bill as passed by the House of Representatives.

AUTHORIZATION OF CONTINUATION OF LOW RENT PROGRAM

The National Housing Conference strongly supports the provisions for the continuation of the public housing program which are contained in Senator Clark's bill, S. 3509. There can be no dispute as to the need for low rent housing for families who without this aid are condemned to live and bring up their families in the slums. As shown in last year's report of this committee, the number of families which are being displaced by governmental action such as urban renewal and highway programs and which are eligible for low rent housing would alone require 41,000 new low rent units a year, without making any provision for families displaced by private rebuilding and for families seeking to get out of the slums on their own initiative.

Despite these admitted needs the administration both last year and this year has failed to sponsor any increase in the public housing program. While not denying the need for low rent housing the administration has stated that the cities have not evidenced any substantial demand for additional contractual authorizations.

We readily admit that progress in contracting for the authorized number of units contained in the Housing Act of 1956, as well as the Housing Act of 1959 has been disappointing. We submit, however, that this lack of progress which the administration points to, is largely due to the unsympathetic attitude of the Federal officials responsible for the low-rent housing program. By the creation of difficulties and delays because of new tests and rigid requirements, local housing authorities have been discouraged from trying to develop new projects. It is hoped that recent changes in the administration of the Public Housing Administration will make it possible to work in closer cooperation with local housing authorities in carrying out the programs authorized by Congress.

A second principal cause for the delays in entering into new annual contributions contracts is to be found in the stop and start authorizations made by the Congress in recent years. The process of finding suitable sites for public housing, securing necessary local approvals, preparing outline plans and specifications and making preliminary estimates of cost is a time consuming one, generally extending over a period of 15 to 25 months. Yet congressional authorizations have often been for periods of 1 year or at most 2 years which makes it impossible for local housing authorities to plan ahead for an orderly flow of work.

The situation in this respect was particularly difficult last year. All authorizations for new contracts expired on June 30 and the present limited authorization of 37,000 additional units did not become available until September 23, 1959. This hiatus of 3 months was bad enough, but the period of inactivity was extended for another 3 months while the Public Housing Administration undertook a complete revision of its development procedures.

The Public Housing Administration has now built up an active list of preliminary loan contracts and applications totaling 26,000 units against this authorization of 37,000 units. Without a further authorization, the Public Housing Administration will have to shut down on preliminary loan contracts as soon as 11,000 more units have been applied for and progress will again come to a halt.

To provide for the needed extension of the program and permit the development of an orderly stream of progress, S. 3509 proposes to now make available the balance of the annual contributions authorization provided in the Housing Act of 1949. The remaining authorization would permit entering into new contracts with local housing authorities for approximately 100,000 units over

and above the 37,000 now authorized. This would probably permit the orderly development of the program for several years to come but would certainly be far below the actual needs for additional low rent public housing.

ADDITIONAL CONTRIBUTIONS IN RESPECT TO ELDERLY TENANTS

As emphasized previously in this testimony the proportion of aged people in the population is increasing rapidly, and they constitute a problem of increasing magnitude for low-rent housing. In 1956 the act was amended to permit the admission of single persons of 65 years or over, and to give a preference in admission to all elderly families which were defined as including elderly individuals. As a result the number of elderly families in public housing has risen from 9.6 percent in 1952 to 14.9 percent in the first half of 1959. Because of their very low incomes these families can afford to pay even less rent than other families in public housing. For example, the average rent of elderly families admitted in 1959 was only \$30 per month in contrast to an average of about \$39 for all other families.

The present authorized level of annual contributions makes it practically impossible to build projects primarily for elderly families. Even where they are accommodated in the same projects as with other families, the increasing proportion of these very low rent paying families threatens the financial stability of the projects.

In order to provide for elderly families without jeopardizing the financial solvency of local projects, S. 3509 would make an additional contribution of not more than \$120 per year available, if needed, in respect to each elderly family. This amount would be paid only where a project would otherwise run into financial difficulty and the amount paid would be limited to the amount necessary to obviate a deficit. In order to assure local housing authorities that these additional contributions will be forthcoming when necessary and thus permit them to make long-range plans for housing elderly families, S. 3509 would authorize amendments to outstanding contracts to incorporate this provision.

The National Housing Conference strongly urges the adoption of this provision. It will permit complete flexibility in planning for elderly families, allowing them to be housed in the same projects as other families or given separate quarters, as seems best to the respective local housing authorities. We believe this flexible arrangement to be far better than providing any separate low-rent program for the elderly.

OVERINCOME TENANTS

Under the present act tenants must be evicted if their incomes increase beyond the limits set for continued occupancy. This provision is disturbing to all tenants with initiative and ambition. It penalizes the efforts of families to better their economic status, sometimes breaks up families by forcing secondary wage earners to leave home, and offers a constant temptation to evasion in the reporting of income. Families who are forced to leave public housing all too often must return to the slums or other substandard dwellings, or if they secure decent housing must pay higher rents than they can afford.

The National Housing Conference therefore strongly recommends the provisions in S. 3509 permitting overincome tenants to purchase their dwellings rather than be evicted. This can be done on an individual basis on projects with separate dwellings or row houses, but in other projects it will be necessary to bring together a number of families eligible for purchase who could acquire an entire building on a cooperative basis.

The National Housing Conference offers two suggested changes in the specific provisions of S. 3509. As now drafted it limits purchases to families whose incomes already exceed the stipulated limits. We believe it would be wise to make eligible any tenant families whose incomes are sufficient to justify their undertaking purchase of their dwellings without waiting until they actually exceed the income limits.

In the case of projects which have been permanently financed, it would not be possible to permit the purchase of dwellings without refinancing the bonds—a most unwise procedure at current interest rates. We suggest, therefore, that long-term leases with provisions similar to those for purchase agreements, could be entered into with overincome tenants, especially when a cooperative association is the purchaser.

The National Housing Conference also strongly supports the alternative provision for overincome tenants in S. 3509 which would permit them to remain in occupancy at nonsubsidized rents, but only so long as suitable private dwellings, either for rent or for sale, are not available to them at prices which they can afford.

LOW-RENT HOUSING ON URBAN RENEWAL SITES

We call attention to section 4(c) of S. 3509 which would correct an ambiguity in the provisions adopted last year to facilitate the location of public housing on urban renewal sites where this is appropriate.

Although the contemplated use for all the land in urban renewal sites is set forth when a project is approved, many changes may occur in the course of its development and it may become appropriate to use sites already acquired in whole or in part for public housing. The proposed amendment makes it clear that the provisions adopted last year in section 107 of the Housing Act of 1949 would apply in such cases and would serve to authorize the Urban Renewal Administration to modify existing contracts in keeping with the new provisions of section 107. We recommend that the legislative history make this intention clear.

FNMA SPECIAL ASSISTANCE

We would also like to register our strong support for the two remaining provisions in S. 3509. The proposed increase of \$150 million for the special assistance program of the Federal National Mortgage Association, to be secured through direct borrowings from the Treasury, is essential to maintain momentum in the essential FHA programs for housing in urban renewal areas insured by section 220, for relocation housing insured under section 221 and for housing for the elderly insured under section 231. In order to increase the utility of the FNMA special assistance operation to these programs as well as to cooperative housing under section 213, we also favor certain technical amendments to section 305 of the FNMA statute as well as to sections 220 and 221 of the National Housing Act. Rather than to take the time of the committee this morning with a detailed explanation of these technical amendments, we would like to request permission of the subcommittee to file a supplementary letter on these points.

FEDERAL PLANNING SCHOLARSHIPS

Second, we are heartily in favor of the provision in S. 3509 authorizing \$500,000 annually for a 3-year period to be used by the Housing and Home Finance Administrator to provide scholarships in institutions of higher education for the graduate training of planning and housing technicians and specialists. This proposal, which has been favorably considered by this subcommittee in the past, will be of great benefit in easing the present pronounced shortage of qualified professional specialists in the planning, urban renewal, and housing fields. In view of the increasing activity lying ahead in these fields, we believe that such a Federal investment in professional training will be repaid many times over through expediting the progress and improving the quality of local programs.

MIDDLE INCOME HOUSING

I would like to turn now to an area of tremendous importance in developing an effective overall housing program to meet the unprecedented requirements of the sixties. I have previously emphasized the serious problem presented by the present inability of the private housing industry to produce housing for the lower middle income population. This might be defined nationally as those families with average incomes ranging between \$4,000 and \$7,000 a year, which represent between one-third and two-fifths of the total nonfarm households. The National Housing Conference is convinced that the development of solutions to broaden the new housing market to accommodate at least a portion of the families in this mass unserved market is essential if the expansion of housing production to the levels required during the next decade is to become feasible of achievement.

The bill now before this subcommittee which is directed toward the middle-income housing problem is S. 1342, the Federal Limited Profit Mortgage Corporation Act, introduced by Senator Javits for himself and Senator Clark. Under this bill, which is modeled in large part after the New York State Mitchell-Lama Limited Profit Housing Companies Act, the proposed corporation to be set up within the framework of the Housing and Home Finance Agency would

raise funds primarily through the sale of its notes or obligations in the private bond market. These notes or other obligations would be subject to a maximum interest rate of 4 percent, would be secured by debentures fully guaranteed by the U.S. Government as to interest and principal on a basis generally comparable with the debentures which are the ultimate backup of the FHA mortgage insurance program, and in addition the interest on these obligations would be fully exempt from Federal, State, or local taxation. The Corporation would be authorized to make loans to nonprofit or limited profit corporations covering 90 percent of development costs over a term not to exceed 50 years for the construction of housing for families of moderate income or for elderly persons. The interest rate on such mortgage loans would be based on the cost to the Corporation of its capital investment and borrowings from the private market plus one-half of 1 percent to cover overhead and administrative expenses and accumulations to reserves. In considering applications, the Corporation would give priority to projects receiving assistance from State or local governments through tax abatement or through public assembly of the sites for the housing, including land made available in urban renewal projects. Capital of up to \$100 million would be provided through subscription by the Treasury and the Corporation would be authorized to issue its notes or obligations in an annual amount not exceeding \$500 million, with discretionary authority in the President to increase this annual borrowing authorization up to \$1,500 million.

Under prevailing conditions in the private money market, it appears doubtful that the obligations of this proposed corporation could be marketed at less than the 4-percent maximum rate proposed in S. 1342. For example, the latest issue of long-term local housing authority bonds, fully secured as to principal and interest by pledge of Federal annual contributions contract and also exempt from Federal and State income taxation, was sold on May 4 at an average interest cost of 3.384 percent. After allowing for the one-half of 1-percent service charge required under the bill and for initial amortization on the basis of a 50-year level annuity mortgage loan, the debt service requirement on a housing project developed under this proposed legislation would be approximately 5-percent per annum.

The subcommittee may be interested in our analysis of the rent levels which might be accomplished under the formula of the Javits-Clark bill. We assume a 2-bedroom apartment in a 2- or 3-story walkup apartment development involving a total development cost of \$12,500 per apartment, which on the basis of experience is about the minimum cost feasible under prevailing conditions in major metropolitan areas. On the basis of typical operating expenses and full real estate taxes for such a unit and assuming its development by a limited profit housing corporation, we estimate that the required rental would be approximately \$110 per month or slightly under \$25 per room. On the generally accepted yardstick that rent may absorb up to 20-percent of annual gross family income, such a unit would be suitable for families with annual incomes of \$6,500 and up. By comparison, the identical unit financed under the prevailing terms for rental housing under section 220 of the FHA program would require a monthly rent of about \$130, suitable for families with annual incomes of \$7,800 and up. Thus, the formula proposed under the Javits-Clark bill under current conditions would produce a reduction of about 15 percent in required rents as compared with the section 220 FHA formula and a consequent broadening of the market which could be served. If this hypothetical unit also received a 50-percent abatement in real estate taxes, we estimate that a further reduction in rent to about \$100 per month would be achieved, which would be suitable for families with annual incomes of \$6,000 and up.

Even under prevailing high interest rate conditions in the private money market, the financing formula in the Javits-Clark bill thus would make possible a considerable reduction in the rents required for privately developed housing as compared with the rents achievable under the section 220 and similar existing programs. This would clearly represent a definite advance in the tools available to meet housing needs on a broad basis. Nevertheless, it would still leave a substantial gap between the upper income limit of families eligible for admission to low-rent public housing and the lower limit of families served by private or cooperative housing programs. Again in terms of national averages, this gap would represent generally the families within incomes between \$4,000 and \$6,000 which in 1958 represented approximately 25 percent of the total nonfarm households. It is for this reason that the NHC, after study, has concluded that the only broad basis for closing this gap, which in human terms involves more than

13 million families, is to establish a Federal program under which interest rates would be matched to the income requirements and costs of construction required to serve families in this income category, even though the market rate for private money may be at substantially higher levels. For example, using the same hypothetical \$12,500 unit and assuming a 50-year 100-percent loan to a nonprofit corporation at 3-percent interest and receiving a 50-percent abatement in real estate taxes, we estimate that a rental of about \$80 per month could be achieved which would be suitable for families with annual incomes of \$4,800 and up. At a 2-percent interest rate, the same unit would require rent of only \$70, suitable for families with annual incomes of \$4,200. We are convinced that the achievement of a complete housing program for the sixties will require an approach along this line and we recommend it to the study and consideration of this subcommittee.

COOPERATIVE HOUSING

A very important area of housing need on which this subcommittee will hear testimony from more expert sources than myself but on which the National Housing Conference wishes to record its strong support are the cooperative housing provisions in S. 3512 authored by Senator Williams, of New Jersey. Here we associate ourselves with the testimony that you will hear later from the Cooperative League of the United States of America. Let me emphasize that we are fully in accord—

First. With the proposed amendments to section 213, the cooperative housing section of the FHA insured mortgage program. This program has already made a substantial contribution to the development of cooperative housing in various sections of the country, and there is impressive evidence of expanding interest on the part of consumer groups. The National Housing Conference is particularly gratified by the increasing interest in the use of the section 213 cooperative housing formula in the redevelopment of urban renewal areas, and we believe that the proposed amendments would enhance the workability of this program.

Second. It is necessary that there be the additional authorization of \$50 million for FNMA under the special assistance program. This is provided in S. 3512 with the additional authorization available for projects involving consumer cooperatives. We approve this limitation on the use of the additional FNMA authorization since the consumer-cooperative projects best assure the interests of the housing consumer and the public interest.

Third. We agree with the proposals in S. 3512 that FNMA purchases of mortgages under special assistance programs should be at par instead of at discount and that the total FNMA charges should not exceed 1 percent.

Fourth. We endorse the proposed amendment in S. 3512 to restore the position of Assistant Commissioner for Cooperative Housing. The Congress had earlier established such a position by law, but this provision was later repealed. During the period that there was an Assistant Commissioner for Cooperative Housing, the cooperative program received more effective assistance and wider support.

Fifth. On projects which have failed as rental properties and then been acquired by FHA, we support the provision of S. 3512 that the FHA should give a first preference in the sale of these projects to local public agencies or consumer cooperatives. These projects would be sold at a price representing their fair value as determined by FHA. Such a preference will provide housing for consumers at lower costs through nonprofit operations at the same time that the Government will obtain a fair return in the disposition of a defaulted property.

COLLEGE HOUSING

The National Housing Conference is strongly in favor of the continuation of the college housing program which has made such a significant contribution to the development of necessary housing and dormitory facilities on college campuses throughout the country. In view of the unprecedented expansion in college enrollment which is in prospect over the next few years, we feel that it is imperative that the college housing program be continued and expanded, and we recommend favorable consideration of S. 2950 introduced by Senators Fulbright and Sparkman which would increase the authorization for college housing loans by \$500 million.

INDIVIDUALLY OWNED APARTMENTS

The National Housing Conference also endorses the provisions of S. 3502. This bill would extend FHA mortgage insurance for individually owned units in a multifamily structure and would provide an additional means of increasing the supply of privately owned housing units, where this type of legal ownership is authorized under the laws of a State in which the property is located. This form of ownership has proven successful in apartment buildings of luxury and semiluxury accommodations in several States and possessions. The intention of this bill is to provide an incentive for lenders to make money available for the construction of apartments for families in the moderate income brackets.

In closing my testimony on behalf of the National Housing Conference, I would like to express my sincere appreciation for this opportunity to appear before the Housing Subcommittee and to express the hope that this committee as in the past will continue to consider the complex aspects of the problems of housing and community development as part of a total overall problem which demands unified legislative treatment.

(The following was received for the record:)

NATIONAL HOUSING CONFERENCE, INC.,
Washington, D.C., May 23, 1960.

Hon. JOHN J. SPARKMAN,
Chairman, Subcommittee on Housing, Senate Committee on Banking and Currency, Washington, D.C.

DEAR SENATOR SPARKMAN: During my testimony on May 11, 1960, before the Subcommittee on Housing on behalf of the National Housing Conference, I requested permission to submit a supplementary letter setting forth certain technical amendments to section 305 of the Federal National Mortgage Association statute and to sections 220, 221, and 231 of the National Housing Act, which our conference believes would be valuable in stimulating increased participation by private enterprise and a greater rate of progress in these important FHA programs for new rental housing in urban renewal areas, relocation rental housing, and housing for the elderly.

These technical amendments are as follows:

1. An amendment to section 305(b) of the National Housing Act, which would require the Federal National Mortgage Association to purchase special assistance mortgages at not less than the unpaid principal amount thereof. Presently, the FNMA purchases such mortgages at 99 percent. The resulting discount of 1 percent is a deterrent to potential private sponsors and, in our opinion, is not justified since the mortgages purchased are fully insured by FHA.

2. A further amendment to section 305(b) limiting the fees and charges of FNMA for commitments and purchases of special assistance mortgages to 1 percent of the unpaid principal amount of such mortgages, with one-fourth of 1 percent to be charged upon commitment and the balance of three-fourths of 1 percent to be paid upon purchase.

3. Amendments to sections 220(d) (3) (B) (ii), 221(d) (3) and (4), and 231(c) (3) and (4) of the National Housing Act, to incorporate in the FHA's estimate of replacement costs the cost of off-site improvements which are required of the developer and an allowance for necessary expenses during the initial renting of projects. These are important elements of the actual cost of developing such projects and their present exclusion from mortgageable replacement costs is, in our opinion, an unnecessary deterrent to private enterprise participation in the program.

4. An amendment to section 220(d) (4) of the National Housing Act requiring FHA to institute level annuity debt service on rental housing projects in urban renewal areas. This debt service pattern, which is always used in the FHA section 203 and section 213 programs, would offset part of the upward pressure on rents resulting from the increase in mortgage interest rates.

5. An amendment to title II of the National Housing Act directing the FHA, in its processing of applications for commitments to insure mortgages for multifamily housing projects, to include in its estimate of replacement costs an amount equal to the fees and charges (exclusive of discount, if any), which FNMA would charge for commitment and purchase of such mortgages, in addition to the 1½ percent now allowed by FHA for financing expense. Under current money market conditions, the present allowance of 1½ percent is entirely absorbed by the construction lender so that the FNMA fees (or equivalent fees

by private lending institutions taking the permanent mortgage) must be paid in cash entirely by the sponsors, over and above the normal equity cash requirements. Since these fees and charges are a direct part of the cost of financing a project, it would be desirable and equitable to recognize them as part of replacement costs and thus remove a further deterrent to the undertaking of such projects.

I would also like to present the views of the National Housing Conference on H.R. 10213, the Emergency Home Ownership Act, which is pending before your subcommittee. In view of the lagging trend in housing construction resulting from the present tight money situation and the importance of stimulating increased construction from the standpoint of national housing needs and the national economy, our organization supports this legislation as an emergency measure.

We will greatly appreciate favorable consideration of these recommendations by your subcommittee and your cooperation in placing this communication in the record of the pending hearings.

Sincerely yours,

NATHANIEL S. KEITH, *President.*

Senator SPARKMAN. Next, we have Mr. Robertson, Chairman of the Federal Home Loan Bank Board, accompanied by Mr. Ira Dixon, a member of the Board, and Mr. William Hallahan, a member of the Board.

Would you gentlemen come around? We are glad to have you with us.

STATEMENT OF ALBERT J. ROBERTSON, CHAIRMAN; ACCOMPANIED BY IRA DIXON, MEMBER; AND WILLIAM J. HALLAHAN, MEMBER, FEDERAL HOME LOAN BANK BOARD

Mr. ROBERTSON. Good morning, Mr. Chairman; good morning, Senator Clark.

Senator SPARKMAN. Mr. Robertson, we have your prepared statement. Proceed as you see fit.

Mr. ROBERTSON. Thank you, sir.

Mr. Chairman, the members of the Federal Home Loan Bank Board appreciate the privilege of again appearing before this subcommittee. Our testimony today will be on S. 3282, the only bill involved in these hearings which directly and immediately affects the operations over which the Board has regulatory and supervisory responsibility.

This bill would add to section 5 of the Home Owners' Loan Act of 1933 a new provision authorizing Federal savings and loan associations to invest limited amounts of their funds in shares, accounts, deposits, or certificates of indebtedness in local mutual thrift and home-financing institutions "located outside the territorial limits of the United States."

We understand, from remarks made at the time of its introduction by Senator Smathers, who introduced the bill for himself and for Senator Morse, that the bill is intended to authorize these investments to be made in institutions located in Latin America.

At the outset we wish to note that it is not entirely clear that the bill would have that effect. The Home Owners' Loan Act of 1933 itself provides in section 7 that the provisions of that act shall apply to the continental United States (including Alaska), to the Territory of Hawaii—Hawaii is of course now a State—and to Puerto Rico, Guam, and the Virgin Islands. It is possible that in the light of this express

provision of the act, the present bill might be construed to apply only to investments in institutions located in those parts of the specified area which have not been incorporated into the United States. If this construction were adopted, the bill would, under existing circumstances, apply to investments in institutions located in Puerto Rico, Guam, and the Virgin Islands, and in those institutions only. We assume, however, that the objective of the bill is to authorize such investments in institutions in Latin America.

Institutions of this kind could make available to the people of those countries, in their own communities, two things which today they generally do not have. These are, first, a safe and convenient local repository, locally owned and locally managed, in which they may place their small savings and receive a return thereon, and, second, a dependable local source of funds which they can borrow at reasonable rates for the building or purchase of homes.

Benefits both of an economic and of a social nature could reasonably be expected to follow the establishment of these institutions. Besides the improvement in the economic condition of those who would thus be encouraged to adopt habits of saving and those who would be enabled to become owners of homes, opportunities would be given for the employment and use of local labor and local resources in the building of these homes.

As was pointed out by Senator Smathers in the introduction of the bill:

Experience, not only in the United States but throughout the Western World, has established beyond possible doubt the fact that widespread homeownership contributes vitally to the development of social stability.

We believe that the same is true also of the acquisition by the people of an economic stake in the form of invested savings.

While the Board favors the objective of the bill, we feel that this objective could be more effectively accomplished if, instead of providing for the making of such investments by individual associations in this country directly in particular foreign institutions, a central channel were established for this purpose.

A considerable amount of preliminary investigation and consideration would be necessary before a determination could be made as to the advisability of making such investments in a particular foreign country. Among other things, investigation and consideration would be needed as to the attitude of the country in favoring or opposing such investments, the adequacy of its laws for the establishment of such institutions and for the protection of the foreign investment, and the question whether, in the light of the conditions existing in the country, there would be a reasonable probability that such institutions could be successfully established there.

Such a central vehicle could, we believe, be feasibly provided through legislation authorizing the Federal Home Loan Bank Board to provide for the organization, incorporation, and operation of an international savings and loan development corporation. This corporation could be given authority to issue its shares to savings and loan associations, Federal and State, and to invest its funds to assist or participate in the establishment and development of mutual savings and loan associations in underdeveloped countries.

A central vehicle of this kind, chartered and regulated by the Federal Home Loan Bank Board, would not only have available to it the experience and expertness of the Board in the savings and loan field but could draw on the services, experience, and technical expertness of leaders in that field throughout the United States.

The Board is not in favor of the enactment of S. 3282 in its present form. If legislation of this nature is to be enacted the Board would prefer that it provide for the establishment of such a vehicle for the accomplishment of these objectives along the lines described above.

We have been informally advised by the Bureau of the Budget that there is no objection to the submission of this statement but that the administration does not, at this time, support enactment of the alternative proposal suggested by the Board pending completion of further detailed studies now underway.

Thank you, Mr. Chairman.

Senator SPARKMAN. Mr. Robertson, how would this bill affect the quantity of home loan capital available for domestic use? Do you have any idea, any way of measuring that?

Mr. ROBERTSON. It would be very small. We have not computed the total amount, but the limitation of any one institution is very small. It, in itself, would not be—

Senator SPARKMAN. For the record, to what extent do law and regulations permit Federal associations to invest domestically in other than home loans?

Mr. ROBERTSON. I think they can invest 20 percent of their—

Senator SPARKMAN. That was the minimum we passed just last year, was it not, or year before last? The Senate raised it to 20 percent.

Mr. HALLAHAN. Yes; 15 or 20, I have forgotten which it was, Senator.

Senator SPARKMAN. We raised that. You can supply that for the record. If you will give us a statement explaining it for the record, it would be appreciated.

(The information requested follows:)

The basic statutory provision authorizing and limiting the investments of Federal savings and loan associations in loans other than those secured by first liens on homes or combinations of homes and business property is the provision of subsection (c) of section 5 of the Home Owners' Loan Act of 1933, as amended, that not exceeding 20 percent of the assets of such an association may be loaned on other improved real estate without regard to the \$35,000 limitation and the 50-mile limit of that subsection, but secured by first lien thereon.

This 20 percent figure represents an increase from the former figure of 15 percent, made by section 604 of the Housing Act of 1956.

Subsection (c) was also amended by section 805 of the Housing Act of 1959, by the addition of a new paragraph providing that, without regard to any other provision of that subsection except the area restriction, any Federal savings and loan association whose general reserves, surplus, and undivided profits exceed 5 percent of its withdrawable accounts may invest an amount not exceeding at any one time 5 percent of such accounts in loans to finance the acquisition and development of land for primarily residential usage, subject to such rules and regulations as the Board may prescribe. In addition, there are some other relatively minor provisions of subsection (c) under which loans other than home loans may be made, and subsection (f) of section 1802 of chapter 37 of title 38, United States Code (the existing GI loan chapter) provides in part that any loan at least 20 percent of which is guaranteed under that chapter may be made by any Federal savings and loan association, without regard to certain limitations and restrictions of other laws.

The Housing Act of 1959 also added to subsection (c) a provision that additional sums not exceeding 20 percent of the assets of a Federal savings and loan association may be used without regard to the area restriction for the making or purchase of participating interests in first liens on one- to four-family homes, except that the aggregate sums invested pursuant to the two 20 percent provisions, may not exceed 30 percent of the association's assets, and a further provision that participating interests in loans secured by mortgages which have the benefit of insurance or guaranty (or a commitment therefor) under the National Housing Act or under the GI loan provisions shall not be taken into account in determining the amount of loans which an association may make within these two percentage limitations. While these two provisions do not have a direct bearing on the amount of loans other than on homes which a Federal savings and loan association may make, they have an indirect bearing thereon.

Section 545.6-7 of the "Rules and Regulations for the Federal Savings and Loan System" provides in part that a Federal savings and loan association may make loans on the security of first liens on other improved real estate only when the resulting aggregate of the following investment does not exceed 20 percent of the association's assets: (a) Loans in excess of \$35,000, after deducting certain portions of loans secured by blanket mortgages; (b) loans on other improved real estate; (c) loans on improved real estate located beyond the association's regular lending area; (d) noninstallment loans; and (e) real estate owned, except (1) property owned and occupied by the association as an office and (2) homes or combination of homes and business property located within the regular lending area and having a book value of not more than \$35,000 each. Certain guaranteed loans and certain purchased insured loans are exempt from the provisions of this section of the regulations.

The "Rules and Regulations for the Federal Savings Loan System" also contain, in section 545.6-14, provisions with respect to loans to finance the acquisition and development of land for primarily residential usage. These provisions impose more stringent requirements than the statutory provision. A Federal savings and loan association may not make such a loan if the resulting aggregate of its investments in loans under this section of the regulations would exceed 3 percent of its withdrawable accounts and there are restrictions with regard to the percentage of value of the security, the making of disbursements, the establishment and maintenance of records and other matters.

Senator SPARKMAN. Senator Smathers, by the way, had planned to be here this morning to speak for this bill, but he had to attend meetings of the Finance Committee, also the Interstate and Foreign Commerce Committee, so cannot be here. He has asked that his statement be put in the record, and that will be done at the conclusion of the statements of you gentlemen.

Let me say this: I have not studied this bill closely.

However, this thought occurred to me offhand: In the operation of a savings and loan institution in another country, particularly in Latin American countries, where perhaps the type of housing would be vastly different, the rate of interest probably is considerably different from ours, and so many features would be different. I wondered to what extent the savings of local people ought to be risked in adventures of that kind. Does Senator Smather's bill propose that local savings and loan associations shall be able to invest in those savings and loan institutions?

Mr. ROBERTSON. That bill, as I understand it, would authorize them to invest directly.

Senator SPARKMAN. As a matter of fact, I have thought, too, just as you suggest here; if we were going to proceed, it possibly would be better to set up some organization. I notice here, though, you say that even this organization must be able to sell shares to local savings and loan associations.

I just cannot think through in my own mind to what extent local associations ought to be involved in it. So I would rather agree with

your statement, just thinking out loud. I will discuss this with Senator Smathers. This is something that requires, perhaps, more study than has been given to it.

Would that be your thought?

Mr. ROBERTSON. Yes, sir.

Senator SPARKMAN. Senator Clark.

Senator CLARK. Mr. Robertson, is not the Federal Home Loan Bank Board an independent regulatory agency which was divorced from HHFA several years ago?

Mr. ROBERTSON. Yes, sir.

Senator CLARK. What business is it of the Bureau of the Budget to tell you whether you endorse a project or not or make study to determine whether your recommendations are correct or not?

Mr. ROBERTSON. I do not know that I can answer that except to say that we come under the Bureau of the Budget.

Senator CLARK. I wonder why.

Senator SPARKMAN. I think, under the Corporations Act—I believe that is the name of it—several years ago that all agencies of the Government, even Government corporations—

Senator CLARK. Even the General Accounting Office?

Senator SPARKMAN. The act was set up long before I came to Congress, as a Budget and Accounting Act. The Budget Bureau was set up as a branch of it in the executive. The General Accounting Office was a component part of the legislative branch. It is an agency of the Congress, not of the executive.

Senator CLARK. When the Federal Reserve was divorced from the Treasury, did it still stay under the Bureau of the Budget?

Senator SPARKMAN. Did you ever try to get a piece of legislation through on the Federal Reserve without an announcement as to how the Budget stood on it?

Senator CLARK. I guess I will withdraw that.

Senator SPARKMAN. I share a good deal of your feelings. I always feel a little uneasy when these statements come up. Lots of times they involve nonmonetary matters, and the Bureau of the Budget advises us it is not in accord with the President's program. Nevertheless, it is a part of our system.

Senator JAVITS.

Senator JAVITS. I thank you, Mr. Chairman.

Mr. Robertson, I am not a member of this subcommittee, but I am a member of the principal committee, and I am very interested in this bill. I would like, first, to state that I fully support its principle. I think it can be an essential element in the foreign policy of the United States, and there is very little that we can do in other lands which will be more tangible and more affirmative than home construction with American techniques, or than the encouraging of a safe repository for local savings when they can be used fruitfully.

Senator SPARKMAN. By the way, Senator Javits, you are aware that the Senate Foreign Relations Committee wrote into the Mutual Security Act—the bill of which, I believe, but I am not sure, you were one of the cosponsors—a provision that Senator Smathers and Senator Morse presented in which we seek to encourage the very thing you mention.

Senator JAVITS. Unhappily, Mr. Chairman, it did not achieve a very prosperous state in the hands of the Congress and left—

Senator SPARKMAN. I was out of the city at the time. I am sorry I did not know what happened.

Senator JAVITS. I could not agree more with the chairman.

Senator SPARKMAN. But we certainly felt in the Foreign Relations Committee it was a good thing to do.

Senator JAVITS. To get to the point, and I will say my appearance here this morning, with the permission of the chair, is essentially for that, I would like to ask you this: Is your alternative proposition one based upon considerations for the trust relation to their depositors of savings and loan associations, or is it based upon the greater efficiency of the end investment in other countries?

Mr. ROBERTSON. I think it is based mostly on the practicalities of the matter. The amounts that are stated or set forth in Senator Smathers' bill are very small in themselves, and we think it would be impracticable for each or any individual association to undertake to make an investment in its own behalf in some particular savings and loan association abroad. I think there are also other considerations.

One would be the desirability of pooling those funds where they would be of more significant amount and then to place them where they would do the most good. Then, we think there are also the factors of foreign exchange and the hazards of placing funds in the foreign exchange field.

In other words, it was our feeling, in thinking about this bill, that it would not be practicable for a single association to take its small amount and handle it itself.

Senator JAVITS. But, at the same time, do you not take away the glamor of individual initiative and a little risk which Americans love by doing it your way? For example, would it not interest Missouri, for example, to make a little investment in Mexico? It may be good publicity, and they might not make it if it was all an enormous mass in the hands of your agency.

Mr. ROBERTSON. I think that is possibly true.

Senator JAVITS. I think that is true.

I think it is so true that I think it is destroying the whole scheme, to do it your way. Therefore, may I ask you this question: Could you think through a way in which you could reconcile those two points? In other words, give the savings and loan association the privilege the pleasure, of investing where it wishes to, but, at the same time, making investment possible only where enough funds were massed under enough conditions to make it significant. That could be done, for example, by consortiums of savings and loan associations for specific countries with specific plans.

For example, you might work out a plan by which, if Mexico had a plan which took \$1 million, you would issue an invitation to the savings and loan associations who wished to go into the Mexican deal to put up their money for that purpose. I suggest that to you because I think your plan has a fatal weakness of taking all the glamour and all the risk and all the joy out of this thing by having some big Government agency where you put your money and then you people will use it. There is no fun in that for the individual American entrepreneur. He wants to take a trip to the place where the houses are being constructed with his money, and it is a great thing that he should.

That is what I think is the real point about the bill that Senators Smathers and Morse have put in, and I think you have put your finger on some pretty serious objections. But I think, at the same time, you have taken all the romance out of this thing. I hope very much that you will devote your mind to a way to do it, and I have suggested one. There may be others which will marry both concepts.

Mr. ROBERTSON. Mr. Hallahan would like to comment on that.

Mr. HALLAHAN. Senator Javits, on that very point, I think the proposal that we are recommending is a central agency, which the chairman has indicated would provide a pool of funds that could be used wisely and to the greatest advantage and, at the same time, maximize the security of the investment.

The type of institution or entity that we are thinking of is one that would be directed by experienced and successful saving and loan operators in the United States, but operating under a policy and rules and regulations laid down by the Board so this element of, as you call it, romance is not entirely done away with.

At the same time, it would provide the instrument that would give the assurance which the chairman of the subcommittee raised about what impact it would have on the supply of mortgage funds in the United States. If you have a regulator of this kind, you can take care of that question. This is not, as I understand it, to provide a continuing source of mortgage capital in these areas, but merely to permit institutions which we have found to have made an eminently great contribution to our way of life to provide seed capital for their formation in other countries.

It is not the total answer, as you would well recognize, to the housing problems which a number of these countries face, but it would be a method by which seed capital could be provided in these areas to create the kind of institutions that we have done such a successful job in helping meet this need in the United States.

Senator JAVITS. I see nothing whatever that you have said that negates the proposition that individual companies want the romance of investing where they want to invest. You people may give them the channel to do it and the controls to do it. But you cannot just lump them in with some big amorphous investment company. It takes all the joy out of it, and I do not think they will do it appreciably.

I point out the experience where we do have this kind of development in individual States as we do in my own State. It is very tough to raise money. Therefore, I believe, instead of closing your mind to that, I ask you to open your mind to the additional attraction of the individual company investing in an individual place, using all your precautions. But do not destroy that incentive just because you have the big Government idea that we want to have a big corporation with everything in it.

The important thing is to get these individual savings and loan associations in the United States to have enough interest in this to put up their money.

Mr. HALLAHAN. But I do not think that this program contemplates a large organization.

Senator JAVITS. That does not worry me. I am not arguing about bureaucracy or about the fact that private enterprise will manage it.

I am talking about the incentive for doing it at all. To do that, we have to give the individual savings and loan association the romance or the interest of investing in a particular place that it wants to invest in, not that you to invest in, and, at the same time, give it the controls and protections which you people have in mind, which I think is very sound. I think you can do both, and by doing both, you get the best of both worlds.

Thank you, Mr. Chairman.

Senator SPARKMAN. Mr. Robertson, I want to ask you one question. I notice in the morning papers that my friend and colleague, Congressman Albert Rains, introduced a bill in the House yesterday. According to the paper:

One part of it would set up a new corporation within the Home Loan Bank System with authority to purchase conventional mortgages from institutions which are members of the system. The corporation would have the authority to issue debentures in the private market against its portfolio of acquired conventional loans.

I am not asking you to state your position on it, because I suppose it has not even been referred to you yet, but you will recall that in our study on mortgage credit, our sixth recommendation was as follows:

The subcommittee believes that the Federal Home Loan Bank System can make a significant contribution toward the achievement of a construction goal of 16 million permanent nonfarm units during the 10-year period beginning in January 1961, and that this contribution might be assured by changes in the system which would permit a larger volume of long-term borrowing by member institutions and which would provide a secondary market for conventional loans. Consequently, the subcommittee recommends that the chairman of the Federal Home Loan Bank Board be requested to submit a report not later than January 1, 1961, which report shall, among other things, include the following—

and we name four. The third and fourth points are:

3. The desirability of establishing a secondary market for conventional loans within the Federal Home Loan Bank System.

4. Legislative proposals which may be require to inaugurate such a secondary market.

We have communicated with you, and we have had your reply that you are conducting that study. You will, of course, testify before the House Banking and Currency Committee. I believe they start their hearings next Monday, and undoubtedly this point will be referred to you.

You are conducting that study?

Mr. ROBERTSON. Yes, sir.

Senator SPARKMAN. To be ready by January 1, 1961?

Mr. ROBERTSON. Yes, sir.

Senator SPARKMAN. I wonder if it would be asking too much of you, if you reply in a letter regarding this particular proposal, or when you testify before the House committee, if you would let us have a copy of your letter or of your testimony?

Mr. ROBERTSON. By all means.

Senator SPARKMAN. Either one.

Mr. ROBERTSON. Yes, sir.

(The material referred to follows:)

FEDERAL HOME LOAN BANK BOARD,
Washington, D.C., May 25, 1960.

HON. JOHN SPARKMAN,
Chairman, Subcommittee on Housing, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: In the course of the Board's testimony on May 11, 1960, before the Subcommittee on Housing, Senate Committee on Banking and Currency, with reference to S. 3282, you requested that your subcommittee be furnished with a copy of the Board's report or testimony regarding title III of H.R. 12153 relating to the establishment of a secondary market for conventional mortgages.

The only report the Board will make in this connection is contained in its statement made today before the Subcommittee on Housing, House Committee on Banking and Currency. In compliance with your request, we are pleased to enclose six copies of that statement.

We trust this is the information you desire and send you our best wishes.

Yours sincerely,

ALBERT J. ROBERTSON, *Chairman.*

STATEMENT BY ALBERT J. ROBERTSON, CHAIRMAN, FEDERAL HOME LOAN BANK BOARD

Mr. Chairman and members of the subcommittee, the only provision of the bills now before you that would place new duties or responsibilities on the members of the Federal Home Loan Bank Board is title III of the chairman's bill H.R. 12153. Similar provisions are also in Mr. Addonizio's bill H.R. 12161.

That title would create a new corporation, known as the Home Mortgage Corporation, to be operated under the direction of a Board of Directors consisting of the members of the Federal Home Loan Bank Board and having as its Chairman the Chairman of the latter Board.

The primary function of the Corporation would be to buy or sell and otherwise deal in its discretion with home mortgages issued by any members of a Federal Home Loan Bank on residential property containing not more than four family units and secured by a first lien on the property.

Capital stock of the Corporation not exceeding \$100 million would be subscribed for by the Federal home loan banks. In addition, each participating member of a Federal home loan bank would purchase stock of the Corporation equivalent to 2 percent of the face amount of home mortgages it might sell to the Corporation, and would be required to continue to hold such stock in an amount not less than 2 percent of the outstanding balances of the home mortgages sold by it to the Corporation and still held by the Corporation.

Federal savings and loan associations would be given specific authority to purchase stock as provided in the title. Other Federal home loan bank members that did not have authority to purchase such stock would be permitted to sell mortgages to the Corporation on depositing with it, as provided in the bill, a sum equivalent to the amount required for stock purchase.

The Corporation would have power to borrow money and to issue notes, bonds, debentures, or other such obligations upon such terms and conditions as the Federal Home Loan Bank Board might determine. The title provides that the amount of such obligations outstanding at any one time shall not exceed 10 times the sum of its capital, surplus, and reserves. Section 307 of the title provides for certain tax exemptions, but expressly provides that nothing in that section shall affect the applicability of the Public Debt Act of 1941.

Under the terms of the Public Debt Act of 1941, as now in effect, the interest on these obligations, and any gain from their sale or other disposition, would have no exemption, as such, from the taxes imposed by the Internal Revenue Code of 1954 or laws amendatory or supplementary thereto, and loss from their sale or other disposition would not have any special treatment, as such, thereunder.

We may note in passing that it would appear that the reference to the Public Debt Act of 1941 should be to "the Public Debt Act of 1941, as amended," so that it would be expressly clear that the same rules would apply to the stock of the Corporation and to dividends or other income therefrom.

The purpose of the title, as expressed in its heading, is the provision of a secondary market for conventional mortgages, although there is nothing in the

title to exclude its applicability to FHA, VA, or other insured or guaranteed mortgages. We assume that its objective is to improve the flow of funds into home-mortgage financing. This is a matter as to which the Board has a continuing concern. It is at all times interested in finding ways and means to accomplish that result.

As illustrations of this interest, we should like to refer to two concrete examples of affirmative action by the Board to that end.

As you know, title IV of the National Housing Act provides that each savings and loan association which applies for insurance by the Federal Savings and Loan Insurance Corporation shall file with its application an agreement that during the period the insurance is in force it will not make any loans beyond 50 miles from its principal office except with the approval of, and pursuant to regulations of, the Corporation, with the exception that any applicant which, prior to the date of enactment of the act, has been permitted to make loans beyond such 50-mile limit may continue to make loans in the territory in which it was operating on that date.

In March 1957 the Board amended the pertinent regulations so as to permit any insured institution, subject to a limit of 20 percent of its assets, to purchase participations in loans on homes for not more than four families located beyond 50 miles from its principal office and outside the territory aforesaid, provided all participants were insured institutions and provided that the property was located within 50 miles of the principal office of another insured institution acting as seller and retaining at least a 50-percent participation.

This regulation, with later amendments including an exemption from the percentage limitation of certain mortgages having the benefit of insurance or guarantee and a liberalization of the percentage limitation to 30 percent, is still in effect, and to March 31 of this year insured institutions had reported sales of such participations in excess of \$427 million. We believe that this operation represents a means of transferring home-mortgage funds from areas of surplus to areas of scarcity at a minimum of risk. We wish to call specific attention to the fact that the increase to 30 percent was made possible with respect to Federal savings and loan associations by reason of legislation developed by this subcommittee and included in the Housing Act of 1959.

The other example which we would like to give as to our interest in finding methods to improve the flow of funds into home-mortgage financing is the issuance by the Board in April 1958 of \$290 million of 5-year, 3½-percent consolidated Federal home loan bank bonds and the making available of the proceeds of these bonds for 5-year advances by the Federal home loan banks to their member institutions. The Board expects to sell further long-term bond issues of this nature when market conditions warrant.

To come now to the proposal for a secondary mortgage market under the Federal Home Loan Bank Board, such a proposal has been discussed in savings and loan circles for some time past. The matter is therefore not one as to which we are completely uninformed, but we must tell you that we have not as yet made the kind of study that would enable us to make a complete report on it.

While we see no real need for the use of such a vehicle at the present time, there might be future periods in which it could be useful in attracting additional home-mortgage funds on a sound basis. It therefore might be desirable to perfect the details of the organization in advance of the actual need. The Board is continuing to study all aspects of the matter, but is not prepared to make a recommendation for or against the enactment of the proposal at this time.

As we have indicated, this proposal is the only provision in the present bills that would confer new duties or responsibilities on the members of the Board, but the subcommittee is of course aware that title II of H.R. 12216, providing for Federal mortgage investment companies, raises serious questions from the point of view of savings and loan operations. We should therefore appreciate it if the subcommittee would allow us to reserve the privilege of filing a statement on that title for inclusion in the record of these hearings.

Informal advice has been received from the Bureau of the Budget that there is no objection to the submission of this statement.

Senator SPARKMAN. We would be very glad to have it because it is a point, as you know, in which we are interested, although we had assumed it would require some study before putting it into effect. If you find, on the other hand, that it does not, of course, we would be very happy to consider it in connection with our legislation.

Senator JAVITS. Mr. Chairman, may I say just a word?

Senator SPARKMAN. Yes.

Senator JAVITS. Both Mr. Hallahan and Mr. Robertson, I compliment both of you gentlemen on backing this concept. I hope you will understand that—Mr. Hallahan knows me very well—I believe in it. That is why I spoke so strongly. I did not, in any way, mean to criticize you. I hope you do not get that impression; I think it is wonderful you are for it and being enterprising and looking into it.

It was just a constructive suggestion as to how I thought you could retain what is also a very attractive part of the whole idea.

Mr. ROBERTSON. Thank you.

Senator SPARKMAN. You, of course, would include Mr. Ira Dixon, too, because Mr. Robertson's testimony was for the board.

Senator JAVITS. He did not speak to it.

Senator SPARKMAN. He is not a very talkative man.

Senator Clark, any further questions?

Senator CLARK. No questions.

Senator SPARKMAN. Thank you very much, gentlemen. We appreciate your appearance, and we always do.

(The prepared statement of Senator Smathers follows:)

STATEMENT OF GEORGE A. SMATHERS, A U.S. SENATOR FROM THE STATE OF FLORIDA

Mr. Chairman, I want to express my gratitude to the committee for affording me an opportunity to make this statement in behalf of S. 3282, the Smathers-Morse amendment to section 5 of the Home Owners Loan Act of 1933.

Let me, at the very beginning, make one thing clear. I am not in the least wedded to the language of this amendment—only to the concept, which, in brief, is that U.S. savings and loan associations should be permitted, under proper safeguards, to invest a limited amount of their capital in comparable savings and loan associations outside the territorial limits of the United States.

The language of the amendment, as introduced, is intended merely to open the subject up for meaningful discussion. As the members of this subcommittee will instantly recognize, some Federal mechanism must be devised to stand between domestic savings and loan institutions and their foreign counterparts. Such a mechanism is required to regulate the flow of funds according to the necessities of U.S. foreign policy and according to the economic situation, both domestic and foreign. I prefer to leave its form entirely open to the subcommittee's judgment based on advice of expert witnesses.

It may be wise, as well, to limit the operation of this legislation to the underdeveloped areas of the world or, at least, to place a ceiling on the proportion of funds coming within the terms of the amendment which may be channeled into the developed areas.

I make this suggestion for these reasons:

It must be conceded that this legislation would have a limited, negative effect on the U.S. balance of payments in the early stage of its operation—that is, before earnings begin to balance investment outgo. I believe this effect, which would be minor in any case and subject to control, can be tolerated if it serves our foreign policy objectives as this legislation is intended to do.

Transferring U.S. savings and loan association funds into the other developed areas would merely contribute to the disequilibrium in our balance of payments without materially serving our overall foreign policy objectives.

It is in the underdeveloped areas that the real need exists.

This need is twofold in character. First, there is the need for the development of free financial institutions which can mobilize capital for economic and social developments; second, there is the need for medium and low-cost housing available to the average family through long-term, low-interest loans.

Senator Morse, Senator Aiken, and myself all emphasized, following recent trips to Latin America, the importance of establishing financial institutions which can draw together small amounts of capital to create a fund which is large enough and powerful enough to exercise some degree of influence in the invest-

ment market. The American-style savings and loan association is uniquely an instrument which can do this job.

What this amendment is intended to supply is an injection of seed capital, together with the know-how which only American savings and loan executives now have at their disposal. Without these two things, the savings and loan experiment can have no more than limited effect over a long period of time. Simply stated, the conception behind this legislation is that we can afford to provide seed capital; we can afford to share our know-how; what we cannot afford is time.

I believe—and this judgment is supported by every knowledgeable person to whom I spoke on my recent tour—that Latin America at least is ready to profit by the example of the savings and loan approach. It is clearly in the interest of U.S. foreign policy to make this example available in dramatic and meaningful form, and this bill is intended to accomplish that job.

I firmly believe that the development of free financial institutions which diminish dependence on the resources of a few, indescribably rich men is necessary, not only to economic progress of the underdeveloped areas but also to the establishment of democracy on a firm and broad-based foundation.

May I point out that the principle embodied in this legislation was accepted by the Senate Committee on Foreign Relations in its recent report, Senate Document 1286, on the Mutual Security Act and by the Senate itself in its vote of Monday, May 2, 1960, rejecting an amendment by Senator Lausche which would have deleted a Latin American housing amendment from the mutual security bill. The margin was 60 to 26.

As I earlier suggested, in addition to promoting the spread of free financial institutions, this legislation will also, I believe, contribute importantly to economic development through the establishment of local housing industry and to social stability through (1) helping eliminate the housing problem as a factor in political unrest and (2) broadening the base of homeownership.

In our preoccupation with problems of economic development, there is some danger that we will fail to recognize the necessity for equivalent social development. To put it another way, economic change superimposed on an unstable social structure creates stresses and strains which can bring the whole thing crashing down around our ears. We need, therefore, as we are introducing programs of economic development, to remember at all times the importance of building a strong middle class which has a stake in construction transition from a low level of economic activity to a higher level.

I do not think this subcommittee, of all subcommittees in the Congress, needs to be reminded of how much widespread homeownership means to the development of a middle-class social system.

Thank you again for your courtesy in receiving this statement.

Senator SPARKMAN. Mr. Raymond Harold, president of the Worcester Federal Savings & Loan Association, Worcester, Mass.

Mr. Harold, we are very glad to have you. I understand your testimony will be with reference to this same bill.

**STATEMENT OF RAYMOND P. HAROLD, PRESIDENT, WORCESTER
FEDERAL SAVINGS & LOAN ASSOCIATION, WORCESTER, MASS. ;
ACCOMPANIED BY JOSEPH BENEDICT**

Mr. HAROLD. Yes, Senator, and I want to thank you, Mr. Chairman, and members of the Senate committee, for the opportunity to appear here today in support of the principle of this bill. I have been in the banking business—

Senator SPARKMAN. For the benefit of the record, will you identify the gentleman who accompanies you?

Mr. HAROLD. Mr. Joseph Benedict, who accompanied me to Peru on our trip for the ICA.

Senator SPARKMAN. And the number of the bill? You said "this bill."

Mr. HAROLD. S. 3282.

Senator SPARKMAN. S. 3282, very good.

Mr. HAROLD. I have served as president and managing officer of the Worcester Federal Savings & Loan Association for over 20 years. With assets of \$170 million, Worcester Federal is the largest savings institution in all New England.

I am also a vice president of the International Union of Building Societies & Savings & Loan Associations that holds its meeting in London next week.

Senator SPARKMAN. Is that an association of savings and loan societies?

Mr. HAROLD. Savings and loan and buildings societies throughout the world. We held our meeting in South Africa last fall.

Senator SPARKMAN. There is no interrelation such as is proposed here. It is merely an association?

Mr. HAROLD. It is a trade group similar to our U.S. League and National League.

Senator SPARKMAN. Fine.

Mr. HAROLD. As many of you also know, I have during these many years participated personally and I hope helpfully in all the various low-rent and urban renewal projects which have contributed so much to meeting at least a part of the housing needs in my city.

In spite of this extensive experience, I do not believe that I have ever had a greater sense of urgency than resulted from my visit to South America last year. It was my honor and privilege to serve as consultant to the International Cooperation Administration to review housing finance problems in Peru and particularly to study and comment upon the savings and loan association which was created there based upon legislation which was prepared by my associate, Morton Bodfish, who had also been an ICA consultant some 2 years previously.

During my visit to Peru and my subsequent travels at my own expense throughout South America, I was appalled at the realization of the conditions of housing in these countries.

The vast upsurge of discontent reflects the aspirations of the little people throughout the world to share in the increasing industrialization and prosperity of their respective countries. But these people want a share now. The hydroelectric dams, the fertilizer plants, and the other monuments to classical economic development are meaningless to most of the people in the countries where we have an interest. And I agree with them, unless they have some form of shelter.

We must balance long-range development activities with programs that have an immediate impact on the people. Discontent and revolution together with disease and crime are bred in the slums. Conversely, one area in which we can make a dramatic impact is the field of housing. There is nothing which has greater meaning for a man and his family than their home and to the extent that we can make it possible for a man to become a homeowner we have met his objective and our own simultaneously.

The greatest deficiency in the homeownership process in Latin America is the lack of long-term financing. Middle-income families, who could afford to purchase decent homes if financing was available, live without hope in urban slums which I believe defy description.

It, therefore, became obvious to me in Peru and later throughout Latin America that we must concentrate our efforts on the creation of

thrift institutions which will serve as the medium for attracting savings which will be used exclusively for financing the construction of private homes.

My recommendations to the International Cooperation Administration included a variety of ways in which the concentration of resources could be accomplished. Some of these have in fact already been effectuated, most importantly a precedent has been established by the Development Loan Fund of loaning \$2 million to a savings and loan association in Peru created with U.S. assistance.

By the way, the present Prime Minister and Minister of Finance was the man that organized this association.

One of the most important of my recommendations read as follows:

3. Private U.S. capital must be piped into the home financing process of Peru to serve both as modest seed capital and also as encouragement to the local depositors who are always impressed by the basic soundness of U.S. investments. U.S. savings and loan associations are the logical sources for this kind of capital. In order for them to be able to participate, basic changes are required in their enabling legislation, which changes will have to be sponsored by the Home Loan Bank Board in Washington. Simultaneously, the investment guarantee program of ICA must be geared to provide for this type of investment the same guarantees which it is now so successfully utilizing in other areas.

I felt upon my return that the conditions which I observed required the widest possible distribution in order that others might become equally informed and alarmed. I sent a copy of my report to every Senator and Member of the House of Representatives and also received replies of enthusiasm and encouragement from many of their letters. In my letter of transmittal, I made this statement:

In addition, responsible leaders of the savings and loan industry have concluded that we must make at least a token contribution to this effort. Accordingly, an amendment will be sought to the Home Loan Bank Act which will make it possible for the U.S. savings and loan associations to make limited investments in similar foreign institutions under the supervision of the Home Loan Bank Board. It is my understanding that such a proposal is now being considered by the executive branch of the Government, and I sincerely hope that regardless of its outcome there that you will find it possible to support such legislation at the proper time.

From the foregoing you will, of course, observe that both by deed and in writing I support the principle of this bill, since I am convinced that in this fashion the savings and loan industry can make an effective contribution toward the accomplishment of U.S. foreign policy objectives and in fact helping to avert bloody and senseless revolutions.

We in the industry can cooperate by providing technical guidance as we have in the past and also by making token seed capital available through a mechanism such as might result from this bill.

I should like to conclude on the positive note that I promise as president of our institution to place as soon as it is legal and feasible to do so, under proper safeguards, funds in secured Peruvian home mortgages.

I think, in concluding, I would like to say this: In Peru, we have a very desperate situation. Indians are coming, as you know, by the thousands. They circle the city. Some 300,000 in a city of about 1 million. They have no homes. They have no food, and the problem is becoming, daily, desperate. We have a friendly ambassador. Ambassador Theodore Achilles, who is very much interested in this pro-

gram. The fact is, he was very, very helpful. We have a Prime Minister who thinks America is the ideal. When he asked for the development loan aid he merely wanted the backing of our country to show that savings and loans clicked in America.

We have proved that, with \$60 billion in assets, we are no longer small institutions. We have done a great deal for the economy of our country. Other countries are looking for our guidance. They want loans. We, as a country, as partners, by our managers, helping with technical aid, by making token loans with the manufacturers, the owners of business in these countries, and by working with the people, I am certain that these associations can get off the ground.

At the most, it will not be a large amount of money, but it is the private way of doing things, and it is not giving away money. We could have carried out this program in Germany. I am very close to the German savings and loan operators.

In 1947, they asked us for loans. We would have gotten our money back, and we would have gotten interest.

Here is an opportunity for the savings and loans which have grown up, and they are operated by men that know how to operate financial institutions.

I am very pleased with Senator Javits' remarks with reference to this bill, that we should do something. We could do something constructive under this program by men who know this particular business and I am very much enthused that there is, of course, an element of risk, but if you survey the people in Peru, they are no different than the people in America. They want the basic things of life. They do not want a home way out of their reach, but they want a home, and I am not talking about socialized housing because they have got to be taken care of, too. But I am talking about the person who can afford a home.

From the surveys and interviews that we had when we were there with many of the leaders of industry and mines and so forth, they are willing to cooperate, and they have already put a substantial amount of money in new savings and loans. My feeling is that we should sell this thrift system throughout the world, and here is an opportunity to do the job.

Senator SPARKMAN. Thank you, Mr. Harold, for a very fine statement.

Senator Clark?

Senator CLARK. No questions.

Senator SPARKMAN. Senator Javits?

Senator JAVITS. Mr. Harold, I came today especially to hear you and the members of the Federal Home Loan Board, and I am grateful to you for appearing and for carrying the ball, as you have, in this field. I think you are rendering a real service to the country and the free world. I hope we will act on this.

Will you make such comment as you feel proper of the ideas which I discussed with Chairman Robertson and Mr. Hallahan as to what is the best way to do it, as we are all on the same side.

Mr. HAROLD. It is certainly a new adventure, but all of our American business is a new adventure. If banking institutions can make investments under proper supervision in areas of South America, I see no reason why savings and loans cannot do the same. Most of

the savings and loans managers have been in the banking business before they went into the savings and loan business.

The only thing I feel about this other suggestion is this: We do not want it to be done to such a point that you just cannot operate. If a bill can be devised that will permit the bankers of the savings and loan associations to make these decisions, men that know loaning, men that understand the thrift problems, with the supervision of the home loan bank, I think we could work out a corporation similar to what was suggested. Although, I agree with you, every day you make the loan, there is a risk, and when you take the risk and pioneer spirit out of our business under governmental control, you might as well go out of business and have just one corporation and have the Government do all the business.

Senator JAVITS. Would one corporation such as suggested by Chairman Robertson attract as much investment as if you had separate enterprises for different countries, or perhaps different regions of the world?

Mr. HAROLD. I think, first of all, we have got the missionary work of getting these legislatures in different countries accepting the basic savings and loan act. They are doing that in many of the countries in South America. The bill that was passed in Peru was a very good one. It has had the backing of some of their top businessmen.

To get it off the ground, we have got to marshal a few of the savings and loans to get their interest, and that is going to be a real job. Whether we can do it with a setup similar to the suggestion, like some of these corporations that are loaning in the foreign field with the savings and loans owning stock, I cannot say because I have not given it enough study, Senator.

Senator JAVITS. Would you think over the proposal made by Chairman Robertson and either let me know or, preferably, the chairman of this subcommittee, of your views as to what would work best to attract the most savings and loan interests in the United States and most technical help and, at the same time, deal with the problems of massing the necessary resources under the necessary controls by the Federal Home Loan Bank Board.

Mr. HAROLD. I certainly would be glad to.

Senator JAVITS. Thank you, Mr. Chairman.

Senator SPARKMAN. Senator Clark?

Senator CLARK. No questions.

Senator SPARKMAN. Thank you very much, Mr. Harold.

Mr. Arthur H. Courshon, chairman of the board, Washington Federal Savings & Loan Association, Miami Beach, Fla.

We are glad to have you with us. You may proceed in your own way.

**STATEMENT OF ARTHUR H. COURSHON, CHAIRMAN OF THE BOARD,
WASHINGTON FEDERAL SAVINGS & LOAN ASSOCIATION, MIAMI
BEACH, FLA.**

Mr. COURSHON. Thank you, sir, and good morning. It is a great pleasure to have this opportunity to be heard by the Housing Subcommittee.

Purely for the record, I am the chairman and one of the founding officers of Washington Federal Savings & Loan Association, which, in the past 7 years, started with 250 members and \$250,000 and now has approximately 24,000 members and over \$62 million.

In addition to that, I have been privileged to be given the opportunity to serve the ICA and, therefore, our Government, in going down to Chile to try to solve the problem of instituting local savings and loan associations in Chile in a country where inflation is so rapid it does not make any sense to save and in a country where a mortgage loan is not a loan, but, in fact, a gift because of the inflationary character of the currency.

First, may I say, sir, that I was particularly interested to hear the remarks of the chairman of the Federal Home Loan Bank Board, Mr. Robertson, and to hear the observations about these remarks made by the Honorable Senator Javits, and I am most sorry he had to leave because I particularly wanted to address myself to some of the observations of the Home Loan Bank Board.

In order to be more specific—

Senator SPARKMAN. I may say, Mr. Javits has a very able assistant here.

Mr. COURSHON. I notice. In order to be more specific about the philosophy of this type of thing, may I say, sir, further that it is not my belief that Senator Smathers, who was a cosponsor with Senator Morse, together with the endorsement of many of the other able gentlemen of the Senate who are interested in this problem, intended that the bill, S. 3282, not have some central authority or some central agency. I believe that what the Senator had in mind, from conversations with him personally on the matter, and from reading his published statements, is that, to use a common phrase, we get the show on the road. Certainly, he is sophisticated enough with the legislative process to know that it requires a central agency.

Secondly, one of Mr. Robertson's remarks was that one of the things we have to do is find out what the people in the industry think about this. Well, I believe that what the people in the industry think about this has been adequately expressed already. For the record, may I read it briefly?

One of the large trade associations that has governed itself with the public interest is the National League of Insured Savings & Loan Associations about which many of you men are aware and have had the happy faculty of working with and who have, as a trade organization, done much to further the savings and loan business in this country. In their most recent public statement about this particular matter, they have said, and I quote:

It is recommended that the Federal Government and the Congress be urged to channel through the Federal home loan banks such funds as may be appropriated for assistance to housing in foreign countries, particularly with emphasis upon aid to housing to be provided in foreign countries through counterparts of savings and loan associations.

They have further stated:

It is further recommended that the Federal Government undertake the study of the possibilities for direct investment in housing in Latin American countries by savings and loan associations through the medium of guaranteed or insured mortgage. In view of the fact that commercial banks of the United States have branches in many of the Latin American nations, it is believed that there is no

justifiable reason for barring savings and loan associations from having offices in such countries if the countries themselves permit foreign banking and mortgage institutions.

Let us refer briefly to this second portion of the statement. It is not, nor has it been, intended that Senate bill 3282 become a branch bill for domestic savings and loan associations to open offices in Latin America. Nothing could be further from the truth. The intent of S. 3282 is, No. 1, to carry out what appears to be the administration's published policy to aid and assist on a person-to-person basis Latin America.

We believe that if Latin America becomes a nation of haves instead of a nation of have-nots, and if their living standard, through adequate housing, which would raise their social and economic levels, approaches ours, that we will no longer have to worry about the Castros in Cuba or communism in any other places of South America.

To implement this policy, intergovernment conversations have been held quite recently, which sometimes seem to be in conflict with what the Treasury or other administrative agencies may say is the present governmental policy concerning housing. One of these statements is, and I quote:

Private enterprise should be encouraged to intensify its effort to promote home ownership in the less-developed countries.

Private enterprise, gentlemen, is a savings and loan system in this country. The savings and loan system is not a governmental agency; it is a partnership between Government and private enterprise wherein Government supervises and regulates, while private enterprise amasses capital and does the job.

Secondly, there is the ICA, as an instrumentality of Government policy, which instrumentality does not always have unanimous support, but such instrumentality, without this support, has done a tremendous job.

It has been working, too, because capital formation has been brought about in Latin America and the underdeveloped countries of the world for private mortgage financing similar to what has been done and what is being done in the United States.

The housing needs of the world are enormous, and request for loans and assistance in financing house construction are constantly increasing. Since the demand for housing credit is so much greater than the resources available at present, the careful use of capital generated in local communities can bring about a greater result.

What is suggested now is simply this: Assuming section 5 of the Home Owners' Loan Act of 1933, which is the law that we must address ourselves to in the savings and loan industry, is amended, enabling members of the Federal Home Loan Bank System to invest some of their share capital as seed capital for foreign savings and loan associations, then they will be able, on a person-to-person basis, to bring about the birth of similar institutions in Latin America in order that the living standards and the economic standards of these communities will be so raised that, with the general economy of Latin America being on the rise, they will become greater consumers of our goods.

It does not follow if we make prudent business loans to enable the formation of sound capital, formation of institutions to finance hous-

ing, that currency is leaving the United States, that it is not benefiting the United States. One of the main troubles we have had in Latin America is that we do not have enough sound currency to buy what we produce. It is our belief that establishing this form of partnership will raise the economic level of these countries and, therefore, produce the situation where they can become sound consumer customers for the United States and, at the same time, a happier, safer, and more satisfied people.

To get down to the particular problem that the Chairman of the Home Loan Bank Board raised this morning and to the question that was addressed to the chairman by Senator Javits, which is Big Brother or large government controlling it as against private industry and individual savings and loan system having some say about it, basically speaking, what is suggested is a partnership between Government, on the one hand, which is necessary and which has been the foundation for the savings and loan system, and interplay on the part of the individual savings and loan people so that, working together, they can assist Latin America.

It is suggested that an international advisory committee, consisting of five men who shall act as an advisory council for these funds, work directly under the Federal Home Loan Bank Board. This advisory committee shall consist of one appointee from the ICA, one appointee from the Federal Home Loan Bank Board, one appointee from the Treasury, and two appointees from the savings and loan industry, bringing about a master board which represents the thinking of government and industry in the housing and home finance field. These shall be appointed in the manner in which the present National Advisory Committee is appointed under the Federal Home Loan Bank System, which now works domestically as adviser to the Federal Home Loan Bank Board.

This international advisory council shall make recommendations as to dispositions of the funds available to the Federal Home Loan Bank Board, which Federal Home Loan Bank Board shall be the administrative agency which shall make all financial determinations.

The Home Owner's Loan Act, if amended as requested under S. 3282, would then provide certain restrictive regulations to prevent a flow of capital available for American housing in excess amounts, in order that American housing not be depleted. One of the suggested changes would be this: That no more than 1 percent of the assets of any individual savings and loan association of the United States shall be available for this purpose.

In order to insure that it is a sound association on a domestic basis, making this type of investment, that no association with less than 5 percent reserves shall be authorized to participate in this program. The Federal Home Loan Bank Board as the final administrative agency, should be authorized to participate in this manner, but subject to prior consultation with the National Advisory Council for international monetary and financial problems, recognizing the facts of life that unless the Home Loan Bank Board consults with the National Advisory Council and gets the thinking of the Treasury and gets the thinking of States, we are talking about an agency that will never get off the ground because it must work with and in conjunction with general legislative intent and administrative policies to be a practical program.

In order to insure that loan repayments be in dollars, it is suggested that no loan may be made that is not repayable in dollars based on the set dollar exchange at the time of making the loan, which repayment, as to dollar exchange, must be guaranteed by the Government in which the savings and loan association system receiving these funds is located.

Gentlemen, in conclusion, may I say this. We are discussing a broad program, a rather comprehensive program, and an involved program, and one which may require further study. It may well be that it is the feeling and recommendations of this committee that at this time there is not sufficient detail to act. But, certainly, it is urged by the industry and certainly by me that if nothing more come out of these hearings that a trial study and a complete study be made in order that this worthwhile project of helping the people of Latin America on a person-to-person basis in order to raise their social and economic level not be abandoned, but move forward.

It has been a great pleasure to be here this morning, and I hope if there are any questions in any of your minds that I have the opportunity to answer them.

Thank you.

Senator SPARKMAN. Thank you, Mr. Courshon.

May I say just this: I am thoroughly in sympathy with the idea. As I said to the chairman a while ago, I have not explored it sufficiently myself, but this thought goes through my mind: Taking it for granted it would be desirable for us to encourage the establishment of savings and loan institutions in Latin America rather than to have our local people participate through their local savings and loan associations, why could we not use the agency of the Development Loan Fund or even the Export-Import Bank or some agency of that kind that might lend money for the purpose of underwriting the capitalization?

Senator BUSH. Will the Senator yield?

Senator SPARKMAN. Yes.

Senator BUSH. You could not get the savings repository under that setup.

Senator SPARKMAN. Why couldn't you?

Senator BUSH. The Development Loan Fund does not take into it savings of the people, as I understand this bill.

Senator SPARKMAN. Of course, this is another question that I raised. What effect would this have upon our own ability to handle our mortgages here?

Senator CLARK. Does the Export-Import Bank take participations from private banking?

Senator BUSH. They offer participations.

Senator CLARK. Why do they not participate in the savings institutions?

Mr. COURSHON. Senators, may I address myself to the question? I do not wish to presume upon the deliberations that are presently taking place, but I wish to point out there is a difference between the Development Loan Fund or, as Senator Clark suggests, the Export-Import Bank, or any other agency participating as against the suggested participation here.

That difference is this: You are dealing with Government funds when you are dealing with the Development Loan Fund or Export-

Import Bank, and you would actually be having a capital flow of Government funds down there from other places where it may well be felt that there are more specific projects needed, whereas the proposed program does not deal with Government funds. It deals with the funds that are amassed by the savings and loan industry, which are private funds.

The only participation Government would have is saying, and rightfully so:

We will determine how much of our private funds go out of the continental limits of the United States, and we will say where it should go and how much of it should go since we are concerned with the domestic welfare of the savings and loan associations.

Therefore, what we have here is an entirely separate concept, a concept which I frankly know, from the following career of every gentleman that happens to be in front of me, you believe in. Here you have the people through their funds being marshaled in savings and loan associations and not Government funds, having through a central Government agency as the regulatory or supervisory body, having a chance to make direct loans through their savings and loan association. But you do not have the individual savings and loan associations running wild without supervision and divesting American housing needs of capital that it may well need at the present time.

Senator BUSH. Does the bill provide, then, that a savings and loan association such as yours may invest in the shares, accounts, deposits, or certificates of indebtedness in local mutual thrift and home financing institutions in Latin America just as individuals in that area may invest in those shares, accounts, or deposits? In other words, do you put yourself in the same position under the bill?

Senator SPARKMAN. No, because they are severe limitations.

Mr. COURSHON. No, sir, Senator.

Senator BUSH. Within the limitations, though, you simply become a depositor or shareholder?

Mr. COURSHON. No, I do not think it would be sound for that.

Senator BUSH. That is what the bill says, does it not?

Mr. COURSHON. This bill does not go that far, but this bill says—

Senator BUSH. May invest their funds in shares, accounts, deposits, or certificates, and so forth. That puts you in the same position as the local lawyer who wants to open an account in the savings and loan organization in Puerto Rico or Guatemala.

Mr. COURSHON. I understand, Senator.

Senator BUSH. Is that right?

Mr. COURSHON. That could be construed that way, but I do not think it is intended, sir.

Senator BUSH. Does it not say so?

Mr. COURSHON. Yes, it does, but it does not give enough detail, as a matter of fact, and what it provides for is a legislative intent just as, if you will permit me, if you read the Home Owners Loan Act of 1933, which is the foundation of the savings and loan associations, you will find that while the act has broad powers, the regulations of the central governing body of the Home Loan Bank Board, which they put out, becomes, in fact, the law. And that is what we operate under.

What is contemplated is this, sir, that a central agency under the Home Loan Bank Board shall determine (a) how much of the funds

of the local savings and loans may go into this form of program; (b) in which fashion, whether it be by making direct loans to, we will say, the Home Loan Bank System of Chile so that the Home Loan Bank System of Chile will, then, make the loans out to the individual savings and loans. It is my recommendation, sir, and I can only speak for myself, because no one can say they are an expert in this field since the field is not born yet.

Senator BUSH. That is right.

Mr. COURSHON. But I would say, therefore, as one of the prospective fathers in this field, that my recommendation is as follows: That individual savings and loans not be allowed to invest on that basis, that individual savings and loans investigate, for example, the housing problem of the savings and loans in Mexico or Chile, we will say. Say, in Chile. They feel that is where they want their money to be because it is a sounder system. They then say that under the regulations, "We meet the requirements. We have got 5 percent reserves, and we want top to a half of 1 percent of our assets in the Chile Saving & Loan Association."

They shoot it to Washington to the International Advisory Council, which is made up of savings and loan people and Government people. The International Advisory Council, then, deals directly with the Home Loan Bank System of Chile and says that Washington Federal has available \$2 million for seed capital to the Chilean system. The Home Loan Bank System of Chile, then, takes those funds, issues its debentures to Washington Federal, not the debenture of the individual savings and loan association and its debentures. It then takes the capital, and it distributes the capital to the individual savings and loan associations of Chile because neither Washington Federal is qualified to decide where it ought to go in Chile and, frankly, in my opinion, the International Advisory Council that would be formed would not be qualified to say. It would be the Home Loan Bank System of Chile that is best qualified to determine where that money should be.

The loan may well say the Home Loan Bank System of Chile must be backed by the Home Loan Bank System of Chile to our Advisory Council and then back down to Washington Federal, because, if they are not willing to back it, we should not be willing to back it, and I believe they are willing to back it because it is a sound investment.

I hope my answer was not too long.

Senator BUSH. No, it is not too long, but it is not too clear, either.

Senator SPARKMAN. I thought it was a very good exposition, but I think it describes a different bill.

Senator BUSH. I do, too. That is what I meant.

Senator SPARKMAN. I do not think it is in line with this bill that is before us. I said a while ago that I thought we needed to explore this a little more.

Mr. COURSHON. I concur that it needs much more, Senator.

Senator BUSH. May I ask another question?

Senator SPARKMAN. Yes; go ahead.

Senator BUSH. Mr. Courshon, I am sorry I was not here when Mr. Robertson spoke, but he spoke of a plan similar to the one you have outlined. Did you hear his testimony?

Mr. COURSHON. Yes, I did, sir.

Senator SPARKMAN. Except for this: Mr. Robertson would have an institution at this end of the line to handle this.

Senator BUSH. He says a central channel.

Senator SPARKMAN. Whereas Mr. Courshon would have the setup at the other end of the line for the distribution of it. I suppose Mr. Robertson's idea would, perhaps, incorporate his also.

Mr. COURSHON. Certainly.

Senator BUSH. It is clear that this bill would not serve the purpose that you were talking about in your immediately past statement.

Mr. COURSHON. It does not, in my opinion, specifically state out the things I have stated. I agree with you, Senator.

Senator BUSH. It would really have to be rewritten in order to—

Mr. COURSHON. I do not know whether rewritten, expounded, or expanded; but I do believe that one of the intentions of the Senators who proposed it, being such a new field, was to get going and to have it expanded in this type of forum through this type of assistance because neither the Honorable Senator Smathers or the Honorable Senator Morse have ever held out to the public that they are savings and loan experts. I think they have held out they are sympathetic to the movement, but that is as far as I think they have gone.

Senator SPARKMAN. Yes. Their objective is to get savings and loan institutions going in Latin America. I think we are all sympathetic with that.

Senator BUSH. It would be a good idea.

Senator SPARKMAN. We all support programs of that respect. The question is the machinery by which it is to be accomplished.

I am sorry to say I am going to have to leave. I have a speaking engagement downtown that I have to go to. I am sorry I will not be here for the further discussion of this, but it is interesting and will be most helpful to us.

Will you take over?

Senator CLARK. Mr. Courshon, does that complete your statement?

Mr. COURSHON. Yes, it does, sir.

Senator CLARK. Senator Bush, do you have any further questions?

Senator BUSH. Just one.

Going back to line 6 of the bill, this language says:

Such associations may invest their funds in shares, accounts, deposits and certificates of indebtedness—
and so forth.

In other words, in view of what you said, I would take it that you do not support that first sentence, that language.

Mr. COURSHON. As drawn, it is my belief that that language should be modified, sir.

Senator BUSH. I think it would be very difficult for our savings and loan associations to do what that bill would permit. How in the world are they going to in individual savings and loan associations in Hartford or Philadelphia? Which one of these would be suitable?

Mr. COURSHON. It would be more if they qualified, let alone able to determine.

Senator BUSH. This provides that he take his place in line with the local people in these areas who are depositors, shareholders, or certificates of indebtedness holders, as I understand it.

Mr. COURSHON. That is true.

Senator BUSH. He just becomes another depositor or shareholder.

Mr. COURSHON. That possibility exists as this is now drawn; yes, sir.

Senator BUSH. I do not have anything further, Mr. Chairman.

Senator CLARK. Thank you, Mr. Courshon.

The next witness will be Mr. William Wittausch, vice president of the First Federal Savings & Loan Association of Chicago.

Mr. Wittausch, we are happy to have you here. Do you have a prepared statement?

STATEMENT OF WILLIAM WITTAUSCH, VICE PRESIDENT, FIRST FEDERAL SAVINGS & LOAN ASSOCIATION, CHICAGO, ILL.

Mr. WITTAUSCH. Mr. Chairman, I have a statement here that Mr. Morton Bodfish prepared. This I would like to present to the committee.

Senator CLARK. You proceed in your own way. You had better identify Mr. Bodfish.

Mr. WITTAUSCH. Mr. Morton Bodfish is the past president of the International Union of Building Societies & Savings & Loan Associations, which is the organization that Mr. Harold referred to. I have been associated with Mr. Bodfish for a number of years and have been on, what you might say, the foreign firing line of this end of this proposed operation, and it is in that capacity that I am very happy to present Mr. Bodfish's statement because I think it will summarize what both he and I believe in.

Mr. Bodfish says as follows:

I am delighted to submit the following statement in support of S. 3282, amending the Home Loan Act of 1933 to permit savings and loan associations to invest limited sums in similar institutions outside the United States.

This bill makes it possible for savings and loan associations in the United States to encourage—

Senator CLARK. Will you speak a little louder, Mr. Wittausch. Pull that microphone up a little.

Mr. WITTAUSCH (continuing):

This bill makes it possible for savings and loan associations in the United States to encourage, in a modest way, countries—whose present economic development is not unlike ours of several generations ago—to use local savings in financing their people's own homes. There is no doubt in my mind about the benefits that would accrue to the people of the countries whose domestic economy it would stimulate; to our country, by winning us friends sharing our common aim to provide families with a home of their own; and to the savings and loan industry, by providing an opportunity to spread its home-span message about thrift and homeownership to places beyond our borders. Let me expand on each of these benefits.

SAVINGS ARE ESSENTIAL TO A COUNTRY'S ECONOMIC GROWTH

The stimulus that homebuilding has given the economy of this country is recognized by everyone. Less well known is the fact that without prior accumulation of individual savings, capital for investment in homes would not be available. It is the purpose of the thrift and homeownership movement to help small savers to first accumulate, and later borrow, the capital with which to buy homes. To the extent we can, by example and participation, encourage people in other countries to do the same, we can expect their economy to experience the same growth and expansion as ours.

The incentive for a family to save toward a home of its own is well-nigh universal. In all countries there are savings. They may not be in the form

that we are accustomed to see in the United States, but, in any country or area where local thrift institutions have been started, savings have been forthcoming in substantial amounts and from most unexpected sources. Given an honest opportunity to save brings out these hidden resources of many small savers that otherwise find their way into less desirable and less productive channels. The establishment of a local savings and homeownership industry is the first step in channeling the natural urge of all people to build homes into a cooperative financed effort.

A REGARD FOR THE INDIVIDUAL'S HOME IS THE FREE WORLD'S COMMON BOND

This country's efforts to win friends by helping them help themselves, instead of with gifts and aid, have been much too limited so far. The few self-help housing projects in Latin America and cooperative homeownership programs in Europe that have been financed with foreign aid funds are all the more significant for the interest they aroused and the pattern they set for an effort in that direction. There is a growing appreciation for this approach among those who have seen its results. Your committee deserves much credit for recognizing the inherent effectiveness of local home financing programs as a power for peace and goodwill in the world. They have given a boost to our belief in the dignity of the individual for which the United States stands in the eyes of people in many of these countries. There is no clearer way to illustrate what personal freedom means than through a program that helps a modest family through its own effort to have a home of its own. Its appeal knows no language or custom barriers. By sharing this belief with others and helping them in a practical way to realize its rewards we immeasurably strengthen the free world.

SAVINGS AND LOANS BECOME WORLD-MINDED INSTITUTIONS

Savings and loan associations in this country have come to symbolize, in a way, the simple strength that sustains our high standard of living. Rapid capital accumulation by individuals, and a consumer oriented philosophy by the business community have produced a prosperity that other countries are seeking to emulate. Thrift through homeownership is recognized as an essential force contributing to this kind of development. The formula around which the industry is built we know can be exported with considerable assurance of success; its workability has been demonstrated here, and in every other country that has tried it.

Commercial banks and insurance companies have made some investments and done some financing overseas. While this has not been in amounts or in projects that would raise the standards of living as much as the financing of homebuilding and homebuying, we think this should be encouraged and the stronger savings and loan institutions in a limited, careful way be permitted and encouraged to do likewise. The token investment, under this bill, to which any one institution is limited in its operations abroad assures an ideological, rather than a mercenary, use of such funds. Actually, the use of private institutions' funds belonging to savers in this country, for investment in oversea institutions of like purpose, involves no risk to the individual account holder, and little risk to the institutions because the amount of investments are only small fractions of their reserves for losses. Under the provisions of the Mutual Security Act, they will be further protected, like any other foreign investment, as to principal and convertibility and repatriation of earnings as well. The individual savings institution is adequately safeguarded, will have a reasonable return on these protected investments and, at the same time, contribute to the foreign economic policy and program of our country. I, therefore, heartily support the amendment that makes such investments possible under the act.

INTERNATIONAL UNION OF BUILDING SOCIETIES SUPPORTS THIS PROGRAM

It will interest the members of the committee to know that the International Union of Building Societies and Savings and Loan Associations, with membership throughout the free world, has through its development committee, urged and supported such efforts as proposed here for all countries in which the movement is not yet represented. As past president of that organization, I know that for many years we have endeavored to find a practical means for

providing the seed-money with which to start thrift institutions in countries not now served. The principle of only investing where matching local funds are forthcoming, assures the necessary grassroots participation this program needs in order to succeed. This is as it should be, and the machinery set up for it under this amendment is one way to achieve it, in my opinion. I, therefore, endorse this or a similar proposal designed to achieve our objective.

This was Mr. Bodfish's statement.

Senator CLARK. Thank you, Mr. Wittausch.

Do you have any questions, Senator Bush?

Senator BUSH. Just let me ask you this question: What rate of interest is currently being paid on your shares?

Mr. WITTAUSCH. Four percent.

Senator BUSH. If you are lending money on home mortgages at the present time, what rate of interest are you getting?

Mr. WITTAUSCH. Six percent.

Senator BUSH. If you deposited or bought shares in Latin American associations, which this bill authorizes you to do, what would you expect to get from them in the way of interest?

Mr. WITTAUSCH. I would say that we should not—

Senator BUSH. You are paying 4 percent for your money; you are getting 6 percent on your mortgages here. What would you expect them to pay you for deposit down there?

Mr. WITTAUSCH. I would say that we should not expect to get a much higher return than what we are getting here.

Senator BUSH. Would you expect to get as much?

Mr. WITTAUSCH. I think we should get the same.

Senator BUSH. What do you suppose they are paying their depositors down there?

Mr. WITTAUSCH. They are paying much less.

Senator BUSH. You would be a depositor.

Senator CLARK. They do not have tight money and high interest down there.

Mr. WITTAUSCH. I might illustrate this by the experience I have had in Austria on this.

Senator BUSH. Yes, they do; they have higher.

Mr. WITTAUSCH. It so happens that the idea of matching funds had its practical application in Austria on a program I happened to be connected with. There, the question of interest rates was as follows: In that case, by the way, we did not use private funds, but we used counterpart funds, making them available at, I believe, a 1-percent interest rate. The principle of having these funds matched by local savings funds was tried there.

The local funds earned much more than the 4 percent we pay, about 8 percent, a lot of savings earned in the country there—

Senator BUSH. You mean they are paying in savings and loan associations or equivalent down there as high as 8 percent for deposits?

Mr. WITTAUSCH. For private money, that is right.

Senator BUSH. For the individual depositor or shareholder or whatever they call him down there?

Mr. WITTAUSCH. That is right.

Senator BUSH. As high as 8 percent?

Mr. WITTAUSCH. That is right.

Senator BUSH. Is that so?

Then, they do have high interest rates, I believe, my good friend. Senator CLARK. I wonder what country you are talking about.

Mr. WITTAUSCH. This is in Austria.

Senator BUSH. Where?

Mr. WITTAUSCH. Austria.

Senator BUSH. How about Latin America?

Mr. WITTAUSCH. I am sure that short-term funds in Latin America earn even more than that. What we are trying to do is encourage local funds to be invested in something that, by necessity, must become a long-term loan. And the only way we can do that is to encourage local funds to come into an institution with some degree of assurance of a return.

Senator BUSH. The point I am trying to develop is this: You collect deposits here. You collect savings here. You are going down into Latin America as a saver comes to you here, so to speak. You are going to become one of their depositors or shareholders under this bill. Is that not right?

Mr. WITTAUSCH. We are not exactly looking at this from a point of view of being investors or participants as the bill specifies, looking to a return on our investment of more than we would get here. The purpose of this bill, as I see it, is to give local institutions the kind of opportunity to do what Senator Javits mentioned of bringing a little spark of, whether you call it romance or appeal, which shows that we have the confidence in the people locally in these communities to invest their money in an institution which will provide them with homes on the same bases as citizens of the United States have an opportunity to get.

Senator BUSH. In other words, this is not a business venture, but a pro bono publico venture.

Senator CLARK. With profit.

Mr. WITTAUSCH. At least, with no loss.

Senator BUSH. We hope.

Mr. WITTAUSCH. Because the thing is, as I mentioned, insured, guaranteed, under the foreign investment funds.

The important thing that I learned from my experience abroad is that the evidence on the part of the United States to show a willingness to participate in the local problems, to work with the local people and to have confidence in their efforts, has a tremendous snowballing and multiplying effect.

Senator BUSH. I certainly share the objective. That is a very laudatory objective, and we ought to accomplish it in many different ways.

What I am trying to figure out is whether this bill is an appropriate vehicle of that kind of a pro bono publico effort. It just does not seem to me to be in keeping with the character of the Federal savings and loan associations or other savings institutions here.

Mr. WITTAUSCH. I think the other institutions now make investments abroad. The savings and loan industry has not been permitted to make investments abroad for statutory reasons. This amendment permits this kind of investment. We think of it, as you say, for a pro bono publico effort without a loss to the local depositors and, as a result, create the kind of person-to-person or people-to-people good will that we think has a tremendous political wallop in the communities that would participate in this.

Senator BUSH. I could not agree with you more about the desirability of that kind of relationship. Do you think that the bank that you represent would be likely to go down there and deposit the limit under this bill?

Mr. WITTAUSCH. I am quite sure that Mr. Bodfish would be among the first to lend both his knowledge and what funds our directors would approve for this purpose and what technical assistance he can, as he has done many times to get these things started. This was our whole effort in the countries. And where it was started, the savings that you see from people seeing, sometimes, for the first time a chance to really participate in something that is their own instead of being channeled down through a Government organization has a self-generating and uplifting effect that I think we would be remiss in not supporting.

Senator BUSH. Thank you, Mr. Chairman.

Senator CLARK. Thank you, Mr. Wittausch.
(The following was received for the record :)

HARTFORD FEDERAL SAVINGS,
Hartford, Conn., May 19, 1960.

Senator PRESCOTT BUSH,
*U.S. Senate,
Washington, D.C.*

DEAR SENATOR: Thank you for the copy of S. 3282, the contents of which we were commenting on when Frances and I last met with you and Dave Clarke. I have studied the bill and am of the following opinion:

I do not believe that our institutions should be authorized to make direct investments in associations outside of the United States without more control and direction. I am hopeful, however, that in keeping with the President's request private enterprise in the form of American individuals and corporations will be permitted to make direct investments in those countries in which we have a friendly interest. We should encourage such a program to aid in creating or maintaining stable Governments and to increase standards of living.

I was impressed during my visit to Guatemala on their need for advice and technical assistance. I assume other nations are similarly in need. I feel sure that some countries need seed capital, or temporary loans, to effectively create in their countries home financing systems which can be self-sustaining.

I am sure you will agree with me that a nation of homeowners has a better opportunity of maintaining a stable government and economy than a nation whose families do not have this sense of security, which is only created by having a shelter which can be called home in which they can rear their families. We feel certain that family ownership through private financing is the best way of building this base for democracy and security.

With these facts in mind, I would like to see our businessmen, individuals, and American corporations make sound investments in foreign nations which our Government feels should be assisted, thereby creating a family of friendly nations. A major assistance in this program, I am certain, could be accomplished through expanding the savings and loan system throughout the world. We have demonstrated in many nations that it is a constructive movement having successfully solved housing problems throughout the British empire, West Germany, Switzerland, South Africa, Rhodesia, and to some extent in Turkey. As the size of home financing institutions grow, the more democratic these nations become.

S. 3282 is directed to this end, but I would suggest that some restrictions and controls be inserted so that the effectiveness of the objectives will be more assured. I feel it would be better if associations were permitted to invest in a fund which would be made available and distributed to home financing institutions in foreign nations in need of seed capital, or loans, to develop homeownership for the inhabitants of those countries. I believe, in addition, that such nations should be specifically enumerated by the State Department and the fund itself managed and supervised by the Federal Home Loan Bank Board or a subordinate agency. I have heard criticism of this bill, because it is

assumed that some associations would make such advances or investments because of the high rates of return on these investments. I believe there should be an equitable return on any such investments to justify the disbursement of public funds though this is not the primary objective of the enterprise.

Under these conditions I believe there would be a better determination of the soundness and security of the investment to be made and, further, that the funds would be distributed to the areas in greatest needs, being beneficial both to the recipient nation as well as to the objectives of our own Government.

I believe most sincerely in the objectives of this bill, as they are in keeping with the temper of our Congress and the administration. I most sincerely hope that the subcommittee on housing will recommend the approval of S. 3282 modified in such a way to protect the interest of all concerned but still to obtain the objectives which we are all trying to accomplish.

I respectfully request that this letter be submitted to the Subcommittee on Housing of the Banking Currency Committee as my statement to be included in the hearing on this bill.

Thank you for this consideration.

Cordially yours,

JAMES E. BENT, *President.*

Then, the committee will stand in recess until 10 o'clock tomorrow morning.

(Whereupon, at 12:28 p.m., the hearing recessed, to reconvene at 10 a.m., Thursday, May 12, 1960.)

HOUSING LEGISLATION OF 1960

THURSDAY, MAY 12, 1960

U.S. SENATE,
COMMITTEE ON BANKING AND CURRENCY,
SUBCOMMITTEE ON HOUSING,
Washington, D.C.

The subcommittee met, pursuant to recess, in room 5302, New Senate Office Building, at 10:05 a.m., Senator John Sparkman (chairman of the subcommittee) presiding.

Present: Senators Sparkman and Clark.

Senator SPARKMAN. Let the subcommittee come to order, please.

Other members plan to be here. However, we do have a problem. The Senate has just gone into session, and it may be that we shall be having some rollcalls this morning. So I think we had better get started and move along just as fast as we can in order that we may complete today's list of witnesses.

Our first witness is Mr. Charles L. Farris, president of the National Association of Housing & Redevelopment Officials. Mr. Farris, will you come around, and for the benefit of the record identify your associates.

STATEMENT OF CHARLES L. FARRIS, PRESIDENT; ACCOMPANIED BY JOHN D. LANGE, EXECUTIVE DIRECTOR, AND ROGER SCHMIDT, ASSISTANT DIRECTOR, NATIONAL ASSOCIATION OF HOUSING AND REDEVELOPMENT OFFICIALS

Mr. FARRIS. Mr. Chairman, in addition to being president of NAHRO, I am also the executive director of the St. Louis Housing and Land Clearance Authorities, and I am accompanied by Mr. John D. Lange, who is the executive director of NAHRO, and by Mr. Roger Schmidt, who is the assistant director.

If it would suit your convenience in terms of time pressures with which you are faced, we have a statement which we will present to you, which I will digest, if that would be satisfactory.

Senator SPARKMAN. That is very good. The statement will be printed in full at the end of your presentation. You may proceed to summarize it.

Mr. FARRIS. Unfortunately, the statement is one that is not very easy to digest, but we will try to eliminate detail. We will attempt to keep it as short as possible.

Our membership last October adopted a program resolution to guide our activities during the 1960 year, and we expressed the view that American cities have only barely begun the renewal job. We say that the job can never be achieved if we fail now to evaluate re-

alistically what has been done and set long-range goals for the decades ahead. Our members advocated a deep probing study into the present techniques being used to get the renewal job done, and we called for strong and unremitting leadership at the Washington level to carry through whatever changes in the program of Federal aid that may be required.

It is somewhat discouraging and disheartening for us to find that this committee has nothing before it in the way of recommendations from the administrative branch of our Federal Government and nothing to give us the sense of strong and unremitting leadership that we feel so important to the full potential of the program.

S. 3509, as introduced by Senator Clark, fills in some of the void, but we hope your committee will agree to its expansion and strengthening in several respects, as we outline.

There are two major provisions lacking in the bill, in our opinion :

First, a long-term commitment to the renewal program, both for title I projects and for public housing; and

Second, authorization to institute the fundamental research program that is so important to evaluating past performance and mapping out future needs.

Senator CLARK. Could I interrupt you a minute, Mr. Farris, to ask you whether as a realistic matter it does not make better sense to have a 1-year program and then really go to town when we get a new President?

Mr. FARRIS. Senator Clark, in my opinion this is not so. The basic fault in that kind of philosophy is that it is impossible for communities to accelerate and decelerate the urban renewal program. The time factors that are involved make this an impossibility.

Senator CLARK. I agree with you, and I am not going to argue with you, but you tell me how we are going to pass a good bill over a veto.

Senator SPARKMAN. Mr. Farris, may I break in before you answer that and say that I am in agreement with you and this subcommittee is in agreement with you. I think I can say the full committee is, because last year it reported out a bill that ran for 6 years, and then tried to get it for 3. Finally we worked out a compromise for 2.

I realize that you sitting there can look at it from the idealistic viewpoint, but remember we fellows on this side have to look at it from the realistic viewpoint.

Mr. FARRIS. Senator, I would certainly agree with that, but let me make a couple of observations in that regard, because I think it is awfully easy to find ourselves talking in broad frame generalities.

We are talking about a program which will be a benefit to the communities where 70 percent of the people live, where 75 percent of the Federal revenues are derived, where a program was devised last year which required something less than 1 percent of the total budget.

The communities of this country—and I think the mayors' testimony as they appear before you will bear this out—have reached the stage where we think that from an economic standpoint unless something is done about our biggest and broadest economic base from a tax standpoint that it will be impossible for the communities to continue to exist in the framework in which we are now finding ourselves.

Senator SPARKMAN. By the way, in that connection are you familiar with the bill that I introduced, S. 3379, which really is a bill of this

subcommittee? I simply was acting as chairman of the subcommittee in introducing the bill. It is a part of our recommendations that the President each year set up housing goals. Of course, when I use the term "housing" I mean in its general terms, a program involving all the facets of housing.

Mr. FARRIS. We are wholeheartedly for that bill, and you will see in our testimony here that we do mention the bill and that we support the bill.

Senator SPARKMAN. In other words, we are considering that now as a part of this legislation, and I certainly hope that the committee will report it favorably.

Mr. FARRIS. I would like to revert to say that while we are wholeheartedly in favor of defense—and no one can be opposed to defense—and while we are wholeheartedly for assistance to the Commodity Credit Corporation and to the farmers of this country, we also raise questions as to whether or not the amounts of money which are being expended at the present time by these programs are being spent in a manner which is beneficial in terms of the total concept of these programs, as opposed to the opportunity for the communities of this country to do the thing that needs to be done if we are going to save these cities and smaller communities.

I want to go beyond what I just said with regard to S. 3509 that Senator Clark introduced. It seems to us self-evident that cities just will not commit themselves to really full-scale renewal plans if they cannot foresee really full-scale Federal support coming to them over at least a 10-year period. Maintaining a technically competent staff on a year-to-year basis is becoming increasingly difficult. Getting local financial commitments only on a project-to-project basis is increasingly difficult without the assurance of long-term Federal aid. They must know that it is there today and for many tomorrows. We cannot express strongly enough the importance to the entire city rebuilding movement of getting into the 1960 omnibus bill two key provisions that NAHRO advocated last year and put forward again this year:

(1) That there be an increase in Federal capital grant obligational authority under title I of the Housing Act of 1949 in the amount of \$600 million each year for a 10-year period;

(2) That the full \$336 million annual contributions authorization of the Housing Act of 1949 be restored, thus making it possible for cities to go ahead with public housing programing as the need arises rather than working against continual narrow deadlines and limitations.

Senator CLARK. Let me interrupt to ask you this question, which is going to confront the committee. Of course, I agree with you. You know that. But we are told by Mr. Walker that there will not be enough bona fide applications in fiscal 1961 to take up the authorization we have already given for that period. And we are told by Mr. Davern, the Acting Public Housing Administrator, that we are not going to have enough applications for public housing to justify authorizing any more. How are we going to meet those arguments?

Mr. FARRIS. Let me talk to those two points, if I may, Senator.

First I would like to talk about the urban renewal side. No one has greater respect for Dave Walker than I have. I think he is doing

a splendid job, and I think that this is a compliment to Norman Mason in the selection of an individual such as that. I think, too, it is a compliment to Norman Mason that he has selected Bruce Savage as his nominee for the Public Housing Administrator's job. I could go into a lot of reasons behind all that, but just let that stand.

The thing that we have to remember is that David Walker and Norman Mason are tools of the administration. We have to remember that there are all kinds of ways that a good administrator can keep a program in line with the dollars that the administration wants to spend for that program. One of the ways that this can be done is by eliminating various aspects of various projects, by curtailing, by cutting back in the size of projects, on any number of what might be sound, rational grounds, namely, that cities might not be in a position to support it.

This program was put underway on the theory that it was a program that the Federal agency had to take the lead in and that the cities would follow, and I submit to you that insofar as the city of St. Louis, which I can speak of practically, we have come up with a local contribution of \$10 million that is required on a cash basis; and, furthermore, as Mayor Tucker undoubtedly will announce to you, we contemplate another bond issue to make sure that we have sufficient funds for this urban renewal program.

We are no different than anyone else is insofar as cities are concerned. So when Mr. Walker makes a statement that there are not applications on hand, the pipeline can be squeezed, and it has been squeezed. And I want to reiterate that I have the greatest respect for Mr. Walker when I make that statement.

They have \$350 million appropriated this year, and with the cut-backs that they have been able to make, they have approximately \$418 million available for this year, I understand. They are in a position where they feel that this year they will have allocated \$406 million, leaving \$12 million still available.

Senator CLARK. You say "this year." You mean fiscal 1960?

Mr. FARRIS. Fiscal 1960; yes, sir. And, further, that there are probably other recaptures which will be made which will increase this \$12 million. Incidentally, I have had excellent cooperation from Mr. Walker in terms of his understanding of my proceeding under GNRP as opposed to certain projects that I had contemplated going on a full-scale basis.

Senator CLARK. What is GNRP?

Mr. FARRIS. General neighborhood renewal plan, which is a technique that is used to look at a total area and identifying specific projects within the area. If I had been left alone and had been given authorization to proceed on the total project basis, Senator, we would have met our local demands. We have met our local demand. We have put \$10 million of cash on the barrelhead for the city of St. Louis to participate in the program, and it is proceeding in an expeditious manner. I am quite aware of the fact that other cities can make the same kind of statement.

So that with respect to Mr. Walker's statement, I would say that—

Senator SPARKMAN. Before you leave that, I want to ask you a question or two. You are referring to the modification in the plan that was put into effect about the 1st of December, are you not?

Mr. FARRIS. Senator, GNRP has been in for some time. You are talking about the community renewal concept. That is a different approach still, but it is also a satisfactory tool and should be used.

Senator SPARKMAN. I wanted to ask you about that. I thought you were rather complaining about that.

Mr. FARRIS. Oh, no; I did not mean to convey that impression. I think that the general neighborhood renewal plan concept and the community renewal plan concept are both excellent concepts. I am not objecting to those.

Senator SPARKMAN. Have you been slowed down in your work?

Mr. FARRIS. We have not been slowed down. What has happened is that instead of approaching a project on a total basis we are carving out pieces of the total project and doing it on a piecemeal basis, as opposed to being able to approach it in total.

Senator SPARKMAN. Of course, you know that over the years—and this has been true ever since 1949—there has been considerable; I was about to say grumbling, but perhaps a better word would be “misunderstanding,” on the part of many people as to why it took so long from the initiation of a project to the completion of the project. When I say “completion,” I mean through the redevelopment. My understanding has been that with both of these programs to which you refer the effort has been to prevent tying up funds for such a long period of time on projects that cannot move within that time.

Mr. FARRIS. I think that there is a justification to a degree with respect to the argument that is used that it does tie up Federal funds on an allocation basis, but the technique which is presently being used in terms of a letter of commitment, as opposed to a formal allocation being made, is really no different in technique, but it serves to get them out of the box for the argument which has been used that this ties up funds for a long period of time.

Senator SPARKMAN. I may say that Senator Clark will remember that there has been considerable complaint right here in this subcommittee that in both the field of urban renewal and the field of public housing, on long outstanding commitments, that it did serve more or less to tie up what we had authorized and what we had hoped would be a positive, aggressive, and progressive program.

Mr. FARRIS. I would agree that there have been undoubtedly projects that have taken too long to get into what we call the execution stage; namely, getting through the planning and really going to doing what the planning calls for. But I would submit to you that when this program was underway there was no one trained in this field. There was no knowledge in this field, and obviously, quite obviously, it was necessary for many people to gain the knowledge that was necessary in order to do the job that had to be done.

Senator CLARK. Before you get to that, let me ask you this: I am still not clear in my own mind, in view of what you said, why you think a substantially larger authorization for urban renewal is required for fiscal 1961 than the Congress provided last year. Taking into account your feeling with regard to Mr. Walker and your comments about various techniques that are being used, maybe I could make it more specific by saying if there were to be a greater authorization in fiscal 1961 than is presently outstanding, what difference in dollars would that make to St. Louis? What would you get with a bigger authoriza-

tion that you are not going to get from the present pretty small authorization?

Mr. FARRIS. In terms of this one small project I made specific reference to, which is called the Tandy project—

Senator CLARK. The what?

Mr. FARRIS. T-a-n-d-y project. The amount which has been approved for the first project by letter is \$8 million plus.

Senator CLARK. Does that letter make a commitment which uses up the grant authorization, or did the Agency still have the same number of dollars for grant authorization after the letter was written as before?

Mr. FARRIS. Mr. Walker has to make a memorandum accountability of this \$8 million as an obligation against the funds which are available to him, so it cuts it down. The previous procedure called for what was then called an allocation, which in effect meant, Senator, that this became a formalized accounting entry, which served the same purpose of decreasing the amount of funds.

Senator CLARK. So what is the difference?

Mr. FARRIS. One is a memorandum and one is formal.

Senator CLARK. In terms of what St. Louis would be able to get if we had a higher authorization—

Mr. FARRIS. \$25 million on this first project instead of eight.

Senator CLARK. Why are you getting 8 instead of 25?

Mr. FARRIS. Because we, in agreement with the Agency, have carved out a specific project in the total project which requires an \$8 million contribution on the part of the Federal Agency.

Senator CLARK. And agreed to defer the other 17 to another fiscal year?

Mr. FARRIS. We have not agreed as to a fiscal year, but the techniques which are used by the Agency in terms of applications going into the pipeline will automatically take care of the time factor.

Senator CLARK. And that is what you meant by "squeezing the pipeline"?

Mr. FARRIS. Right.

Senator CLARK. So actually if we were applying this without these techniques, St. Louis would have asked for and received \$25 million of grant authorizations instead of \$8 million?

Mr. FARRIS. Right, sir.

If I may go ahead, with regard to Mr. Davern's remarks, I would like to comment on that in several different directions.

The first thing that occurs to me is that I am reminded of a remark that one of your colleagues made, Senator Douglas, with respect to a political opponent of his, whom he referred to as being "dragged screaming into the 20th century." I would like to paraphrase that by saying that as far as we are concerned we feel that the public housing staff and the administration is being dragged screaming into the 1960's.

Senator CLARK. But the dragging has so far been unsuccessful, has it not?

Mr. FARRIS. It has so far been unsuccessful, but the pressures that I think are presently at work in terms of the demonstrated need will be sufficient to overcome, quite hopefully, the situation in which we find ourselves.

Senator CLARK. Why are the applications not there?

Mr. FARRIS. The applications are not there because of another aspect of this being dragged screaming into the 1960's, namely, the Federal bureaucracy and the redtape and the philosophy which has predominated in the administration of this program—and I have to add either Democratic or Republican in character—which has resulted in the buildup of a bureaucracy where redtape is so thoroughly predominant that the communities have been discouraged from making applications.

Secondly, I would like to add that there are certain physical problems involved in terms of this attitude. Take the problem of site selection, which has now even been made tougher by a requirement, administrative requirement, that when a site is selected for public housing that that site, before any funds will be advanced except just the preliminary outline of the application, has to be approved by the city council. Now, this kind of political action at this stage is harakiri to this program.

Senator CLARK. Why should you not require the city council to approve the site before the Federal Government makes a commitment?

Mr. FARRIS. Because public housing normally is an emotionally involved problem in terms of people, and this public hearing and approval of the site which will be called for before the city councils will approve it will serve to focus all the opposition to public housing and will permit the rapid organization of the opponents of the program at the local level.

Senator SPARKMAN. Mr. Farris, I want to suggest something there. I may be wrong in this, but my impression has been that the opposition to public housing from time to time has been allowed to build up simply because there has not been an airing of the real facts regarding public housing. I would hate to see the decision made on a purely political basis, but if the program of public housing is good why can it not meet that opposition out in the open? I think that has been one of our weaknesses in the past. We have sat back and let the opponents run wild with their opposition.

Senator CLARK. I would like to supplement that, with which I agree, and then ask Mr. Farris to comment.

In my experience as a mayor, public housing was relatively unpopular and, as Mr. Davern said the other day, in any northern city one of the real problems was the integration problem. Those of us who were sneeringly referred to as "do-gooders" were always trying to convince the majority of the city council to go along with this. We had the social workers on our side and we had the planners on our side, but I am far from sure we had the people on our side, and I am not at all sure that the city council did not represent the democratic process better than the mayor or the social workers and the planners. This disturbs me, because it occurs to me there is a very real public education job to be done at the local level which has not been done, and while I am for a large Federal standby authorization for public housing, as my bill indicates, I have a pretty strong feeling that a lot of this problem is not here in Washington but back at the local level. I would like your comments on that.

Senator SPARKMAN. Before he comments, may I just add this, and here is something that surprises me a little bit. I was told down in

Charleston, S.C., by the officials supervising public housing in that area that there was no lack of applications throughout the Southeast. In fact, the number of pending applications in the various South-eastern States will indicate that that is true. Ordinarily you would think of opposition to public housing being strong in the South, and yet the record disproves it. As a matter of fact, the State with the largest number of public housing projects in the United States is Georgia.

Senator CLARK. That is extraordinary.

Senator SPARKMAN. And next to that is Alabama.

Senator CLARK. The extraordinary thing in view of that is how the representatives from those States vote on public housing.

Senator SPARKMAN. Nevertheless, I am giving you the record, and that is what is being done down at the grassroots level. Again, I think Georgia leads all other States in the Southeast in urban renewal projects, and Tennessee is second and Alabama third. I mean in projects, not in dollars.

Senator CLARK. With the exception of the chairman and Senator Hill we have a lot of trouble getting support.

Senator SPARKMAN. Nevertheless, that is the record. I have always found the mayors and the municipal people favoring and asking for public housing when they felt that they had a need in their town for it.

Mr. FARRIS. Mr. Chairman, I would like to get back to this question of approval by the city council. I am not arguing against approval on the part of the city council. I think that is a good thing. I do not see anything wrong with it. We do not do it in St. Louis. We have not had to do it, but this is quite acceptable and I think it is a worthwhile step in the democratic process. What I am talking about is the timing and impact of this approval, and this is the difference. And I think, Senator Clark, that with your municipal experience you know right offhand what I am talking about. When you are up to the point where there is a project and it is going to go, and now you ask for the city council's approval, you have an entirely different animal than where you are shooting an arrow into the air and permitting all the organizations to organize and to concentrate on this all through the planning process as well as at the time of its approval. That is the point I am making with respect to timing.

Senator CLARK. Those who disagree with you say that you want to get the bribe out on the line before you have the vote, and that if you do not have the bribe out on the line or a Federal commitment you cannot get the vote. How would you answer that?

Mr. FARRIS. My answer to that is let these people who say that build housing to meet the low-income market and I will never build another unit of public housing. I will be delighted.

Senator CLARK. But they do not care. They do not care whether the housing is built or not. They just want to be sure there are no undesirable people living near them. This is the trouble. They have no compassion about this.

Mr. FARRIS. This again is the emotional reaction, and there is just no argument that can be raised that would satisfy people with that viewpoint, as far as I am concerned.

Senator SPARKMAN. I wonder if we could move along to some of the other recommendations. Time is passing, and we are going to be up against it after a while.

Mr. FARRIS. We talk in terms of research and the report that was prepared by Dr. Fisher for the Administrator.

Senator SPARKMAN. You know, of course, that the House committee declined the rather modest request that the Housing Agency made for research preparation. I wonder if your people have made any representation to the Senate Appropriations Committee.

Mr. FARRIS. We have not made representations; no, sir.

Senator SPARKMAN. I make that suggestion for you to think over.

Mr. FARRIS. Thank you, very much.

Senator SPARKMAN. We certainly believe in housing research in this committee. As you know we have advocated it. I would like you to comment on the section 220 program that Senator Clark has included in his bill.

Mr. FARRIS. We support the section 220 program, the mortgage insurance program, and recommend it be extended to cover properties found in violation of local housing codes, whether in or out of federally approved renewal areas. We feel that this program, if it is available in neighborhood conservation areas, whether approved for Federal renewal or not, will be a tremendous asset and of tremendous benefit.

I would like to interject something, not off the record but on the record, ad libbing from what I have here in the formal report.

It is time that we faced up to the realization that the urban renewal program and the public housing programs, per se, as important as they are and as necessary as they are, are never going to eliminate blight and decay in American communities. They cannot be made to move fast enough, because blight and decay move much faster and are much further along.

I would recommend to you, Mr. Chairman, and to your staff, that you give consideration to two bills which have been introduced over the last 2 years by the Honorable Congressman Barratt O'Hara, which call for two techniques to be employed. The first technique is one which in effect makes it possible for an individual property owner to fix up his own property and secure a tax benefit, income tax benefit, for that, which could be worked out over a period of time. The second calls for a financing resource that can be made available to an individual property owner. Obviously there have to be a lot of standards set up, but there can be a device within the framework of a workable program, and NAHRO offers its assistance to your staff in any way that we can be of help in terms of exploring the possibility along these lines.

Senator SPARKMAN. You realize that we have certain constitutional inhibitions with reference to that. Tax matters must originate in the House.

Mr. FARRIS. There must be some way, Mr. Chairman.

Senator SPARKMAN. We can study them, and I appreciate your suggestion. We will give consideration to them and see what we can do. But so far as initiating the legislation is concerned, that must be by House action.

Mr. FARRIS. One real fast observation on it. If you own a piece of property and you live in it and you want to fix it up, you do not get a dime in tax benefit; but if Senator Clark owns a piece of property and he rents it to you and he fixes it up, he gets a tax benefit. Now, we have got to get the dollar signs in front of the eyes of the individual property owner who is living in his property if we are ever going to whip this thing.

Senator CLARK. That is what is called the free enterprise, profit motive, civilization.

Mr. FARRIS. We go on talking in terms of the major recommendation about the capital grant that I have already mentioned, the sharing of the net project cost, and we come back to our previous recommendation on the four-fifths Federal and one-fifth local.

We talk about amendments which have been introduced with regard to an increase in S. 2912 to 12½ percent from 10 percent the amount of urban renewal loans permitted to be made in any State.

Senator SPARKMAN. You favor that?

Mr. FARRIS. We favor that, yes; and we ask that consideration be given to the following amendments:

Just without going into it, I would like to say that on real estate tax payments and credits we think this is very important.

With regard to the public disclosure by the redeveloper as it is presently interpreted, we think it needs amendment, and we think it is very important.

On relocation amendments, the bills introduced by Senator Clark and Senator Javits which would allow higher relocation payments, we are not opposed to raising relocation payment limits. We believe there is a possibility that a simple endorsement of payment increases would tend to put the urban renewal relocation program in a somewhat unhealthy light, implying perhaps that the program up until now has been less adequate than it really has been. And I go on and talk about that, which is in the record and I do not need to take your time on that point, except that I would like to make one observation with regard to relocation payments at the present moment.

An individual property owner knows that he can get up to \$200 by the way it has been publicized in accordance with the requirements of the Federal agency. That means that any property owner who does not get \$200 is immediately disappointed. Now, you can show them the requirement and go through the whole story with them and everything like that, but you immediately have created a feeling of animosity toward the program because they feel that you in your administration of this \$200, since they saw they can get up to \$200—they never read it very closely, as you know, when you make your publication, but this does create a feeling against the program which could be avoided if some other technique was employed with regard to how funds could be made available. In other words, give the local public agencies the amount and let the public local agencies know what they can do, but do not make us publish what we can do. Within that framework we can keep everybody satisfied, I think, on a much better basis.

On public housing, again I repeat the annual contribution amount we feel ought to be raised, and we think that if we are able to get the full amount we will be able to serve a much wider cross section of low-income families in the communities.

Right at this point I want to say one thing. The real problem in public housing in large communities and in some small, but mostly in large communities, is the fact that we have been concentrating masses of people who heretofore have been scattered throughout the whole community, and by this technique we have automatically increased the tremendous workload of the social agencies in a community, so much so that because of the shortage of funds available to social agencies it is an impossibility for them to do the kind of a job that ought to be done in that mass concentration of low-income families.

It is our recommendation in terms of this increased amount, which calls for the total amount that is authorized from the subsidy standpoint, that this annual contribution could be used by the local public agencies in order to work out contracts with the social agencies so that you can get to work in the projects the necessary people to do the kind of a job that has to be done.

Senator CLARK. How do you meet the argument that this is a job for the city?

Mr. FARRIS. The argument there is that insofar as the cities are concerned the funds just are not available. Every community in this country does not have money to do this kind of thing. We are all knocking ourselves out trying to give the kinds of things that we just have to give to keep going, and unless we are able to face up to this in the fashion that I have talked about I do not know how we are ever going to be able to beat this thing, because the composition of families in public housing has changed considerably in the last 10 years.

Senator CLARK. You know I am sympathetic to your point of view, but many cities, all cities, have police departments. Many cities have recreational departments. Many cities have agencies working to suppress juvenile delinquency. Why does a public housing project have to be treated on a basis which is self-supporting at the expense of the Federal Government and not take the same run-of-the-mill luck that all the rest of the slum dwellers have—not that I mean slum dwellers are in public housing, but many of them use to be.

Mr. FARRIS. They have been, and we have got to face up to the realization that you cannot take somebody from a slum and put them in public housing and say because they have decent, safe, and sanitary housing that this changes all their living habits. This is not so. We find by working with them, as infrequently as we are able to work with them at the present moment, that it takes a minimum of 18 months before you can get a realization on the part of the family as to what they are up against.

Senator CLARK. Those people were in the city before they moved into public housing projects, and it was the job of the municipality to take care of their social welfare needs. Why does it cease to be their job when they move into a public housing project? You know I am being the Devil's advocate.

Mr. FARRIS. The real problem is they have never been taken care of, and bluntly this is it. They have never been taken care of.

Senator CLARK. I think actually it comes down to a much broader philosophical concept, which is: the Federal Government is going to

have to pay for a lot more in the future than it has in the past if we are going to get some things done fairly, equitably, and justly.

Mr. FARRIS. I should add to one of the remarks that you made with regard to a police department. The city of St. Louis has a police department, but we do not have any direction over the police department. This is a State agency, and the funds that are made available for the police department come out of the municipal budget on a basis of submission from the police department, so that our tax dollars go out automatically. This has been tested in courts during the past year, and we have no say-so about it.

Senator CLARK. But your tenants do, because they are citizens who vote.

Mr. FARRIS. This again is like saying that we ought to turn everything back to the States because the State legislatures represent the people in the State, and you and I and Senator Sparkman all know what the situation is. It is the predominance of rural delegates in the State legislatures, who have a natural antipathy toward the possibilities of municipalities accomplishing something.

Senator, I could go on and on about this, but as I say it is all here in the record, the sale of dwelling units to tenants, additional subsidy for the elderly, the repeal of the restrictive amendment that is contained in the Housing Act, which we think is very important that this be removed, which is, namely, that at the conclusion of what would be the normal amortization period, the 40-year period—at the present moment, the way it stands, any funds which the local project has must be paid to the Federal agency and to the city until the contributions that have been made by the Federal Government or by the city in terms of tax abatement have to be repaid before the project is ever owned outright, and this means ad infinitum.

We talk in terms of a Federal Department of Housing and Metropolitan Affairs, and we are strongly for that. It is time that the cities were represented at the proper level, with Cabinet status, so that when the tax dollars are divided the municipalities of this country are accorded the kind of treatment that they ought to get.

Senator CLARK. You say that you would be glad to work with the staff on that bill. I would be delighted to have a memorandum from you, in addition to whatever conferences you would like to have, in which you would specifically say what if any other agency you think should come under that Department. My own view has been that we ought to start here. There may be some others that you thought of and we have not, and I would like to have the benefit of your thinking on it.

NATIONAL ASSOCIATION OF HOUSING AND
REDEVELOPMENT OFFICIALS,
St. Louis, Mo., May 20, 1960.

HON JOHN J. SPARKMAN,
*Chairman, Subcommittee on Housing,
Committee on Banking and Currency,
U.S. Senate,
Washington, D.C.*

DEAR SENATOR SPARKMAN: AS you requested during the course of hearings on housing legislation on May 12, 1960, I should like to supplement my remarks regarding the Federal Department of Housing and Metropolitan Affairs proposed to be established by the provisions of S. 3292.

In addition to the transfer of the functions now administered by the Housing and Home Finance Agency through its several constituents, it is suggested

that consideration be given to including those functions of the highway, metropolitan transportation, water and air pollution control, and airport programs directly related to and important parts of community development.

While it is recognized that some of these programs have more extensive area and activity coverage than urban centers alone and that such transfers might pose some transitional difficulties and jurisdictional problems, nonetheless, these programs serve predominantly the highly concentrated population and economic centers and therefore should be effectively tied into whatever agency has the basic responsibility for handling metropolitan area problems and programs.

I should like to urge that your committee consider the possibility of immediate transfer of all functions of the HHFA to the new department to be followed as soon as feasible and practicable by the transfer of other agency and department program activities suggested above.

I wish again to express my appreciation to you and your committee for the privilege of appearing before you and presenting the views of this association on important legislative proposals under consideration.

Sincerely yours,

CHARLES L. FARRIS, *President*.

Mr. FARRIS. We will be glad to do that, Senator. Of course, quite obviously this is the kind of thing that during this whole period is going to require, even after it is set up, if it is set up, continued analysis and evaluation as to the kinds of things that go in.

On public facility loans, we have gone one step further than we have gone heretofore, and we have talked there about the serious land problems that builders are facing. It is our view that localities could ease this problem and at the same time exercise much needed control over open-land use if they were to be made eligible to receive community facility loans and advances to assemble outlying tracts and service them with basic public facilities. The land could be turned back to private ownership, but with certain covenants laid on the land as to density, transportation, services, et cetera.

Senator CLARK. In that regard, I would like to remind Senator Sparkman that I have pending before another subcommittee an emergency community facilities bill, intended to make available, when recessions spring up, planned public works to be put into effect at the option of the President. That will go before the Production and Stabilization Subcommittee. There is \$1 billion in there for emergency housing, and some of the witnesses who are appearing before this committee I think know about that and I hope will support it when it gets there. I just wanted the record to show the coordination between the two subcommittees.

Mr. FARRIS. We support housing for the elderly.

It is always nice to compliment the chairman, I recognize, but we want to go on record as saying unequivocally that the recently released study of mortgage credit has given us much needed insight into some of the problems involved. We think this has been an excellent study, with excellent documentation, and we wish to be in a position, sir, where we can commend you for the efforts of yourself and your staff in connection with this particular assignment.

Senator SPARKMAN. Thank you very much. I hope some good will come from it and the recommendations we made.

Mr. FARRIS. We talk in terms of scholarships, and then we hit solidly the research problem that was raised before, and we talk in terms of that and specific details on what we stand for and what we believe ought to be done.

We have repeatedly stressed the importance of adequately serving all parts of the housing market, and again your study of mortgage credit lends credence to this and support for this viewpoint.

We are delighted with the legislative efforts aimed at the emergency housing program, which would authorize FNMA to commit up to \$1 billion to the purchase, at par, and so forth, that has been proposed.

We would like to express our approval of S. 3512, introduced by Senator Williams, covering amendments to the Housing Act to strengthen and make more effective the cooperative housing program, which we think is an excellent tool.

In conclusion, we want to reemphasize that we are for a total housing and urban renewal program. We want to add that we are the people who work in this field on a day-to-day basis. We know the problems at the local level in terms of the working mechanisms and the techniques that are employed and in terms of the people that are affected. We want to emphasize that we hope that in the light of that experience which we have had that you will give us and our recommendations your fullest consideration.

Senator SPARKMAN. Thank you very much, Mr. Farris. It is a very fine statement, and you have been quite helpful to us.

Senator CLARK. Thank you, Mr. Farris. You have been a lot of help.

Senator SPARKMAN. Your complete statement will be printed in the record.

(Mr. Farris' prepared statement follows:)

STATEMENT OF CHARLES L. FARRIS, PRESIDENT, NATIONAL ASSOCIATION OF HOUSING AND REDEVELOPMENT OFFICIALS

Mr. Chairman and members of the committee, my name is Charles L. Farris. I am here in my capacity as president of the National Association of Housing and Redevelopment Officials, an elective position. In my day-to-day job, I am the executive director of the St. Louis Housing and Land Clearance for Redevelopment Authorities.

In appearing here to represent NAHRO (which is the short version of our association's name), I speak for the public officials and civic leaders who are working for the elimination of urban slums and blight. NAHRO was founded in 1933. To quote from our constitution, we are working toward this objective by seeking "to improve the standards and practices of all phases of public administration which are related directly to housing, and other community development programs in the urban renewal process, and to develop and improve the professional standards involved in the administration of such a program * * *."

Since NAHRO members' interests are grounded in the general welfare and since our members deal with the urban renewal program as whole, not simply isolated elements of the complex, we believe that the association has a special competence and knowledge to bring to these hearings.

We must record that we are here today in a somewhat critical mood. Our membership last October adopted a program resolution to guide our activities during the 1960 year. In our resolution, we expressed the view that American cities have only barely begun the renewal job. We say that the job may never be achieved "if we fail now to evaluate realistically what has been done * * * and set long-range goals for the decades ahead." As a basis for this evaluation, our members advocated a "deep probing study into the present techniques" being used to get the renewal job done. And we called for "strong and unremitting leadership at the Washington level to carry through whatever changes in program of Federal aid may be required."

In the light of the gravity of our situation, as reflected in this program resolution, it is a discouraging and disheartening experience to find that this committee has nothing before it in the way of recommendations from the administrative

branch of our Federal Government—nothing to give us the sense of “strong and unremitting leadership” that we feel so important to the strength of full potential of the program.

S. 3509, as introduced by our good friend Senator Clark, certainly fills in some of this void, but we hope that your committee will agree to its expansion and strengthening in several respects, as we shall outline below.

There are two major provisions lacking in the S. 3509, in our opinion:

(1) A long-term commitment to the renewal program, both for title I projects and for public housing;

(2) Authorization to institute the fundamental research program that is so important to evaluating past performances and mapping out future needs.

It seems to us in NAHRO self-evident that cities cannot, and will not, commit themselves to really full-scale renewal plans if they cannot foresee really full-scale Federal support coming to them over at least a 10-year period. Maintaining a technically competent staff on a year-to-year basis, is becoming increasingly difficult; getting local financial commitments only on project-to-project basis is inevitable without the assurance of long-term Federal aid. Cities must feel behind them, in their effort to overcome centuries old problems, the strong and understanding support of the Federal Government. They must know that support is there today—and for many tomorrows. We cannot express strongly enough the importance to the entire city rebuilding movement of getting into the 1960 omnibus bill two key provisions that NAHRO advocated last year and put forward again this year:

(1) That there be an increase in Federal capital grant obligational authority under title I of the Housing Act of 1949 in the amount of \$600 million each year for a 10-year period;

(2) That the full \$336 million annual contributions authorization of the Housing Act of 1949 be restored, thus making it possible for cities to go ahead with public housing programing as the need arises rather than working against continual narrow deadlines and limitations.

The importance of research to the renewal program was made abundantly clear in a special report of Dr. Ernest M. Fisher prepared for the Administrator of the Housing and Home Finance Agency last winter. The report was commissioned to serve as a guide to HHFA in developing its own proposals. The first recommendation on the report is for “a continuous flow of funds into research and objective study” administered by HHFA and its constituents. A considerable part of the report is given to demonstrating why such research is needed and how it should be channeled. Thus Dr. Fisher’s report parallels the NAHRO program resolution in giving first priority to an evaluation study as to what’s been done if what’s to be done is to serve its highest purpose.

With these generalizations behind us, I propose to move in the specific recommendations for nine different phases of the renewal program.

1. NEIGHBORHOOD REHABILITATION

Although the administration has not proposed any legislation this year, it has submitted two appropriation requests—one to increase the insurance authorization of the Federal Housing Administration for its home mortgage program and another to extend the FHA title I property improvement loans program.

This latter program is virtually the only resource open to many families in renewal areas for financing the repair and improvement of their homes. It is frequently, also, the only source of help for property owners to bring their buildings into compliance with local housing codes. With the growing emphasis of making better use of our existing housing supply and on combined programs of slum clearance with programs of slum prevention, it is being rapidly borne home to those of us out on the firing line that better financing mechanisms for rehabilitation are our most seriously felt needs. Title I loans are not the answer. The interest rates—running to 9 percent—are impossible to justify. The short-term repayment schedule is similarly hard to uphold. Further, the program has long been subject to abuse by unscrupulous lenders and material manufacturers, sometimes working as teams. Although FHA has worked hard in recent years to weed out these abuses, the basic method of administering the program in its entire philosophy are such that exploitation is still much too easy to achieve.

However, it would work a hardship on many families and institutions to discontinue this program at this time. We advocate a year’s extension of the program—but with a directive from the Congress that a new and improved program for financing rehabilitation loans be developed in the interim.

Section 220 program

Meanwhile, too, we advocate that FHA's 220 mortgage insurance program be extended to cover properties found in violation of local housing codes, whether in or out of federally approved renewal areas; that, further, this program be made available in neighborhood conservation areas, whether approved for Federal renewal aid or not, with mortgages as low as 5 percent or less of the total value of the structure. This latter proposal is part of S. 3509.

Pilot rehabilitation projects

Another provision of S. 3509 that we endorse is the section relating to federally approved renewal areas that include unit schedule for rehabilitation—2 percent of such units or 50 units, whichever is less, be acquired and rehabilitation for resale through the use of Federal grants. The experience of this country in rehabilitation units suitable for low- or middle-income family occupancy is very limited. Demonstration houses have been financed by private institutions here and there across the country—but a single job in an entire rehabilitation area cannot possibly test out all of the many economic, structural, social, and financial imponderables that enter into each rehabilitation job.

Need for subsidy

Based on a year of trial with the FHA title I program, experimental use of 220 for rehabilitation and conservation, and a testing out of actual structural rehabilitation methods—it is certain that we will enter 1961 with some better knowledge of the potential of rehabilitation and urban renewal. But even at this point in our experience, we see as inevitable that some type of subsidy will have to be applied if families of really low income are to stay on in renewal areas—homes brought up to at least minimum standards of sanitation and safety. Dr. Fisher's report, to which we have already referred, clearly foresees this need.

2. TITLE I—URBAN RENEWAL

Capital grant authorization

Our major recommendation under this heading, of course, is the one already made: an increase in capital grant obligational authority at the rate of \$600 million a year over the next 10 years.

This request is supported by the results of the recent survey of emerging urban renewal need conducted by the American Municipal Association and the U.S. Conference of Mayors. The findings of this were introduced into the Congressional Record by Senator Clark in conjunction with S. 3509.

Sharing of net project cost

In its program resolution for 1960, NAHRO reaffirmed the need for an increase in the Federal share of net project cost for renewal programs. We advocate changing the present two-thirds Federal, one-third local sharing formula to four-fifths Federal, one-fifth local.

Such an increase, we contend, would not reduce the local contribution to urban renewal. It would permit less wealthy but needy communities to enter the program and would permit other cities to enlarge their programs and approach more closely their community requirements.

Related amendments already introduced

NAHRO endorses the amendments called for in S. 1680, with respect to the provisions of civil defense shelter facilities in urban renewal areas; S. 2912, which would increase to 12½ from 10 percent the amount of urban renewal loans permitted to be made in any State; and the sections of S. 3042 which deal with mortgage insurance premiums and the ceiling of urban renewal authorization for States.

Amendments to existing law recommended by NAHRO

On the basis of the collective experience of its membership, NAHRO asks that Congress carefully consider the following amendments:

Real estate taxpayments and credits

In its statement to this committee last year, NAHRO pointed out that the intent of Congress was not being reflected in the administration of the provisions of section 110(e) of the Housing Act, relative to real estate taxpayments and credits.

HHFA permits such payments or credits covering both land and buildings only with respect to improved property. No payments or credits are permitted for unimproved property. Moreover, payments and credits on improved property must be terminated at the end of the tax period in which the improvements are demolished.

We believe that the Congress, in enacting these particular provisions, intended that such taxpayments or credits be allowed on all acquired property, improved and unimproved, so long as such property is held by the local public agency. If this understanding is correct, we urge again that Congress make clear to HHFA that such payments or credits apply to unimproved property and to property from which the improvements have been removed, so long as title thereto remains in the local public agency.

Public disclosure by redeveloper

The Housing Act of 1959 included a new requirement, section 105(e), that "no understanding with respect to, or contract for, the disposition of land within an urban renewal area" shall be entered into by a local public agency unless the agency shall have first made public the name of the redeveloper, names of its officers, principal members, shareholders, etc., and estimate of rentals and sales prices of housing to be built in the redevelopment area.

The experiences of NAHRO members in connection with section 105(e) are that the present wording and administrative interpretation of the section tend to create unnecessary problems for local public agencies. We request, therefore, that the section be reworded to the extent that it would no longer apply to redevelopers that are public and nonprofit entities, or to sales of project land to businesses and individuals displaced by clearance, as well as to sales to abutting-property owners. We also ask that the term "understanding" in the section's language be removed. As the language stands now, with the term "understanding" subject to such broad interpretation and application, local public agencies are seriously encumbered.

Relocation amendments

Mr. Clark's bill, S. 3509, and another bill now under consideration by this committee, S. 3042, introduced by Senator Javits, include amendments which would allow higher relocation payments.

While NAHRO does not oppose a raising of relocation payment limits, we believe there is a possibility that a simple endorsement of payment increases would tend to put the urban renewal relocation program in a somewhat unhealthy light—implying, perhaps, that the program up until now has been less adequate than it really has been.

The relocation record of urban renewal is a good one, with very few exceptions. No other public program in the history of the country has assumed comparable relocation responsibility.

We are not saying that all of the answers have been found. Therefore, we heartily support undertakings such as that which Senator Sparkman calls for in S. 2802—a comprehensive study of the disposition of claims for just compensation for persons whose property has been acquired under Federal programs through condemnation proceedings or otherwise.

In the meantime, however, there are substantial indications that the physical aspects of relocation have been handled adequately under the payment ceilings set by the Housing Act of 1959. According to reports from a number of NAHRO members who head local public agencies, the \$200 limit for families and individuals has not proved inadequate, even in high-cost areas.

True, there are instances of the \$3,000 limit being inadequate for some small business relocations, but, we believe these cases to be very few. Study needs to be given to a more flexible formula for handling the occasional high-cost case.

We repeat that we are not opposed to higher payments, but there is an overriding need for the kind of factfinding that Senator Sparkman proposes. NAHRO offers its full cooperation—furnishing data, etc., to such an enterprise.

Authorization

3. PUBLIC HOUSING

Again, our major recommendation is the one made earlier—that the \$336 million annual contributions authorization of the U.S. Housing Act of 1949 be restored.

Fixed annual contributions

In restoring the above authorization, the Congress should also require that the Federal agency administering the program pay to local housing authorities annual contributions in the full fixed amount established in their basic annual contributions contract. If local authorities can set up their annual budgets for this full fixed contribution as a base, they will find it possible to serve a much wider cross section of the low-income families of the community. Frequently, in order to insure the financial feasibility of a project, a local authority has to set a limit on the number of very low-income families it can service—primarily elderly single persons or couples, since they are among the very lowest income groups in most communities. Further, with this fixed subsidy as a basic budgeting item, authorities will be able to develop maintenance and repair reserves tailored to their needs and to provide realistic programs of transition by educating newly admitted families coming from poor circumstances to adjust to their new quarters and environment. And if favorable economic circumstances bring in more rental than is budgeted, authorities can retire their debts in advance of schedule and move more quickly into a nonsubsidized operation. There is no precedent in other federally aided programs for the costly and continuing supervision that is imposed by, in effect, figuring out a new subsidy figure each year over a 40-year loan period. The annual contributions should be seen as a lump-sum grant, paid out yearly, in fixed sums, over the full period of the development loan.

Sale of dwelling units to tenants

And, again, as in several past years, we ask for an amendment to the USHA act that will make it possible for over-income public housing tenants to purchase their units outright or to enter into a cooperative ownership with other tenants or the local housing authority. Again, this is a recommendation of the Fisher report as well as of every other major student of the public housing program who has sought improvements in its operation over the past 4 or 5 years. The importance of giving housing authorities a chance to put this idea to the test is hard to deny. Nothing can be lost in opening the way to home ownership for public-housing tenants who have passed the maximum income limits of the local housing authority. We are indeed gratified that S. 3509 provides for such an amendment.

Additional subsidy for the elderly

Another amendment in S. 3509 that we would like to see enacted makes it possible for local housing authorities to receive an additional subsidy up to \$120 per annum for each aged family accommodated whenever such subsidy is needed to maintain the project solvency. The present public housing program already recognizes special financing problems of housing for the aged by authorizing a higher per room construction cost for units built for the aged. Since such units are always smaller than those built for family use, it has not been found possible, in many localities, to provide fully equipped units under normal room cost limitations. Yet the total dwelling cost may be much less than for a family unit; hence, the annual subsidy "earned" by that unit is much less, since subsidy is percentage of the development cost. With this smaller subsidy the family of the very lowest income must be accommodated—and frequently, in connection with such housing, added community facilities and services must be provided. So, if housing authorities are to do their share in meeting the needs of the elderly, they need to have the benefit of a new subsidy formula.

Repeal of restrictive amendment

We recommend the elimination of subsection 10(j) of the Housing Act of 1954, which requires local authorities to pay over to the Federal and local government all of their net receipts from their low-rent projects after capital indebtedness is liquidated. Under this provision, projects remain under Federal control virtually in perpetuity. Further, the amendment, in effect denies the need for subsidy, and instead puts the Federal Government in the position of extending a loan with what could prove to be a century-long repayment period.

Technical amendment

We recommend perfecting the language of the amendment of the 1959 Housing Act that permits the use of urban renewal sites for public housing; present language seems to limit use of the provision only to future renewal projects rather than to those presently being assembled. The language included in S. 5309 will accommodate this.

4. FEDERAL DEPARTMENT OF HOUSING AND METROPOLITAN AFFAIRS

This association has for several years advocated that all Federal agencies and programs developed to assist cities in meeting problems of urban blight be centralized in a single department that has Cabinet status. Thus, urban problems would be dealt with on the same basis as rural problems—through a department tied in with the overall administrative machinery of the Government. S. 3292, introduced by Senator Clark, has our endorsement as a most important first step, but we think it wise to consider inclusion in the proposed department some operations, relating to urban affairs that are not presently in HHFA and its constituents. We should be glad to work with this committee in defining just what functions this proposed new department should administer.

The arguments in support of this department have been presented forcefully and well on many past occasions. We do not repeat them here, but repeat our strong conviction that the housing and urban renewal program cannot hope to get the kind of national leadership in support it needs if it is not served through a department that is held in the same respect and dignity as the Department of Agriculture.

5. PUBLIC FACILITY LOANS

HHFA, through the Community Facilities Administration, is presently making advances and loans to localities hard pressed for funds to help them finance a variety of public works programs. There are several bills before this committee advocating the extension of all FCA advances or loans to cover new types of public facilities. In view of the serious land problems that builders are facing, it is our view that localities could ease this problem and at the same time exercise much needed control over open land use, if they were to be made eligible to receive CFA advances and loans to assemble outlying tracts and service them with basic public facilities. The land could be turned back to private ownership, but with certain covenants laid on the land as to density, transportation, services, etc. The problems of the inner city and the outer city are inseparably bound together and we must begin to treat them on a simultaneous and coordinated basis.

6. HOUSING FOR THE ELDERLY

We share with the House Appropriations Committee a sense of deep frustration that nothing has happened up to now to set in motion a direct loan program of housing for the elderly that was authorized in the 1959 act. We hope that the pilot program that the Appropriations Committee provided for in the Independent Offices Appropriation Bill for the coming fiscal year will get through the Senate and will quickly move into execution. But regardless of what may happen to this private program, we strongly support the provision in S. 5309 for a \$100 million authorization. It is obvious that housing for the elderly must be provided under a number of different financing devices, to serve the wide variety of needs that exist among the elderly. A direct loan program is the only device that can serve certain needs, just as it was only a direct loan program that could serve certain groups of veterans for whom the FHA loan insurance mortgage program was unworkable.

7. MIDDLE-INCOME HOUSING

No aspect of the housing problem has so persistently confronted us as how to meet the needs of the family of moderate circumstances, particularly a family displaced by some form of public action. Senator Sprakman's recently released "Study of Mortgage Credit," has given us much needed insight into some of the problems involved here. It is only through this kind of study and research that we can hope to come upon a solution consistent with our private enterprise and economy. Our own association is prepared to get into this subject in a major study it hopes to undertake before the year is over. And, certainly, if the kind of Federal research program we advocate below is launched, it will inevitably give us some direction to follow in reaching the solution to this increasingly difficult problem. Our own association has never balked at the idea of a direct Federal Government loan program for this sector of the housing market, but it can understand why there is reluctance to take this step. Our own studies will seek to determine if there is another way out, or whether we must put ourselves full strength behind such a program.

We are pleased to see that an additional vehicle has been proposed to accommodate the middle income market. S. 1342, introduced by Senators Clark and

Javits, provides for the establishment of a Federal Limited Mortgage Corporation to administer a program which will permit financing middle income housing at rates and on terms which will achieve a monthly payment slightly lower than that possible under sections 220 and 221, hereby making it possible to provide more housing for families of lower income. This proposal, we hope, will be supplemented with other programs to reach the large numbers of families whose incomes are not sufficient to acquire housing without some form of subsidy.

8. SCHOLARSHIPS

As evidence that there is a growing need for trained technicians in the housing and urban renewal field, more and more schools and colleges are including renewal courses, seminars, lectures, and workshops in their curriculums. And there is a gathering movement in the direction of privately sponsored fellowships in this field. But still the shortage persists. We, therefore, approve the provision in S. 5309 for a Federal scholarship assistance program. However, we would like to see more emphasis put on the needs for not only training and the skills of planning, architecture, and public administration, but in the skills of human relations, community organization, and the actual housing project management. It is everywhere observable that a large part of the housing and renewal job has to do with better understanding of human motivation, frustrations, and deviations from what is thought of as socially acceptable behavior. There must be more training and technicians capable of giving guidance and leadership in these areas.

9. RESEARCH

It is of considerable significance, we think, that over one-third of the Fisher report to HHFA Administrator Mason builds a case for the need for profound and continuous research into the problems of housing and urban renewal. Our association approves this emphasis and would like to see the 1960 omnibus housing bill authorize the appropriation of funds sufficient to organize and staff a permanent research division within HHFA. Meanwhile, we see both the section 314, demonstration grant program and the section 701, planning assistance program as important research tools and would recommend \$10 million authorization to keep them moving in the year ahead. Further, we would recommend \$500,000 appropriation for making of special housing quality tabulations from the new 1960 housing census data. The new body of information that the census will bring us this year can be used intensively and immediately to get at some of the missing facts about urban conditions to which we referred earlier in this statement. A half million dollars spent now to take full advantage of census data will put us in a position to move ahead much more quickly and with much more confidence in the proper direction than has ever before been possible.

Toward the objective of providing needed information for research, we recommend adoption of S. 3379, introduced by Senator Sparkman, but with the fervent hope that its provisions will be expanded upon to accommodate our recommendations above.

IN GENERAL

NAHRO has repeatedly stressed the importance of adequately serving all parts of the housing market. The success of our city-rebuilding effort centers on an adequate housing supply. This fact was underscored by Senator Sparkman's "Study of Mortgage Credit."

Therefore, we support legislative efforts in this session of Congress aimed at the passage of an emergency housing program which would authorize FNMA to commit up to \$1 billion to the purchase, at par, of FHA-insured or VA-guaranteed mortgages of \$13,500 or less. This follows the pattern set by the Emergency Housing Act of 1958. It has already been approved by the House, and has come into the Senate under the provisions of S. 3471.

We should like to express our approval of the provisions of S. 3512, introduced by Senator Williams, covering amendments to the Housing Act to strengthen and make more effective the cooperative housing program—a very important resource in the provisions of housing.

In conclusion, I want to reemphasize NAHRO's firm commitment to a total housing and urban renewal program, and to underscore the vital element of time in program development. Those who argue that the Federal Government should not commit itself to 10 or more years ahead unless the cities can docu-

ment the time required and the dollars and cents of a full-fledged scale renewal job cannot be aware of the city planning processes in general and the renewal project planning procedure in specific. After more than a half century of city planning activity in this country, not more than a handful of cities have long-range capital plans, tying physical and fiscal planning together for a 5- or 10-year period. Without this basic plan to work against, a forecast of a full-scale renewal plan in terms of time and money cannot be packaged up overnight, or even over a year's time. But the crude facts of urban blight are here for all of us to see. And the renewal experience since passage of the 1949 Housing Act can certainly give us a realistic insight into the time and money costs. For the Federal Government to forsee a continuance of its present role for at least another 10 years is possible simply on the basis of census figures and the amount of substandard housing existent in the country today. When it is then recognized that the very largest part of the renewal job lies in the rehabilitation and conservation of existing housing of standard quality, it can be seen that urban renewal is here to stay as a permanent governmental function.

Senator SPARKMAN. Mr. Boris Shishkin, secretary of the Housing Committee, AFL-CIO. Mr. Shishkin, will you and your associates come around to the table.

While you gentlemen are being seated, I will say something I said before you came in. The Senate is in session, and there are going to be some rollcalls. We do not know just when they will come. Therefore, I would ask you to expedite your statement as well as you can without impairing it.

We are delighted to have all three of you. Mr. Shishkin, for the benefit of the record please identify the two gentlemen who are with you.

STATEMENT OF BORIS SHISHKIN, SECRETARY, HOUSING COMMITTEE; ACCOMPANIED BY JOHN W. EDELMAN, MEMBER, HOUSING COMMITTEE; AND BERT SEIDMAN, ECONOMIST, AFL-CIO

Mr. SHISHKIN. Thank you, Mr. Chairman. I appreciate the opportunity to appear here today to discuss the proposals for housing legislation you are now considering and place before the committee our views with regard to housing legislation.

I have with me Mr. John W. Edelman, a member of the AFL-CIO Housing Committee and national representative of the Textile Workers of America. Mr. Edelman has long been concerned with housing problems in various sections of the country and is one of the pioneers in the field of housing, particularly housing for low-income families.

I also have with me Mr. Bert Seidman, an economist, of the AFL-CIO, who is one of the outstanding national authorities on housing economics.

On behalf of the American Federation of Labor and Congress of Industrial Organizations, I wish at the outset to convey to the members of this subcommittee the sense of deep importance which organized labor attaches to the need for good housing for all Americans and for an effective policy to achieve this objective.

At the most recent convention of the AFL-CIO held in September 1959, the resolution on housing unanimously adopted stated:

America has the skilled manpower, the materials and equipment, and the financial resources to assure every family the opportunity to obtain a decent home. All that is required to achieve this goal is a forward looking, imaginative housing program.

I am attaching to my statement the full text of this resolution, which I respectfully request be included in the record of this hearing.

Senator SPARKMAN. That will be done.

(The resolution referred to follows:)

RESOLUTION ON HOUSING¹

Ten years ago the Congress of the United States established as the immediate goal of the Nation's housing policy "a decent home in a suitable living environment for every American family." Yet, today, nearly one-fourth of all dwellings in which some 13 million American families are forced to live are below minimum standards of decency for family living. Good homes for American families are still a major unmet need.

In the face of continuing acute housing shortage, for 2 successive years a majority of elected representatives of the American people in the Congress has been thwarted in efforts to enact moderate but forward looking housing legislation which organized labor and other prohousing forces enthusiastically supported. In 1958, enactment of a constructive housing bill was blocked by a reactionary coalition in the House Rules Committee. This year the President twice indefensibly vetoed housing legislation passed by substantial majorities in both Houses of Congress, thus forcing enactment of a less adequate bill.

Housing activity during the past year has exceeded the abysmally low level of the preceding 2 years but still falls short of the minimum national requirement of at least 2¼ million dwellings a year. Indeed, housing construction will continue to fall short of minimum housing needs until a much larger proportion of new homes are brought within the means of low- and middle-income families.

Despite the urgent need for greatly expanded housing activity, there is grave danger of a decline in housing construction from the present inadequate levels. A lower rate of housing construction would deprive hundreds of thousands of families of the decent homes they desperately need. The experience of the 1953-54 and 1957-58 recessions demonstrates that a contracted rate of homebuilding might precipitate a general economic recession. High-level housing activity, geared to the Nation's most urgent housing needs, is essential to the Nation's economic prosperity.

Only an improved and greatly expanded low-rent public housing program can provide the opportunity for low-income families to obtain decent housing within their means. Moreover, the slum clearance and urban redevelopment programs, enthusiastically launched in hundreds of communities throughout the country, cannot go forward unless decent homes are available to rehouse displaced low-income families.

Many moderate-income families are also priced out of today's housing market because the homes built by private speculative builders are beyond the financial reach of many families. Yet, appropriate methods of mortgage financing long advocated by organized labor could substantially meet the housing needs of moderate-income families.

America has the skilled manpower, the materials and equipment and the financial resources to assure every family the opportunity to obtain a decent home. All that is required to achieve this goal is a forward-looking, imaginative housing program: Now, therefore, be it

Resolved, That high level housing activity assuring construction of at least 2¼ million dwellings a year should be the recognized goal of the national housing policy.

Achievement of this objective will require a fundamental redirection of national housing programs to assure that the major share of the new homes constructed is made available within the means of the millions of ordinary American families who are priced out of today's private housing market.

For low-income families displaced by urban renewal and other public projects, as well as other low-income families in need of decent housing they can afford, a minimum of 200,000 low-rent public housing units should be authorized for construction each year as an essential part of the overall housing program.

Low-interest, long-term loans should be made available to provide good homes at reasonable rates for hundreds of thousands of moderate-income families who cannot afford the exorbitant financial charges and sky-high rents now required

¹This resolution was adopted at the third constitutional convention of the AFL-CIO, September 1959.

to obtain good housing. This type of financing should be made available on a sufficient scale to assure construction of at least 500,000 units of cooperative, rental and sales housing meeting adequate standards of construction, space, and availability of community facilities and services.

Every encouragement should be given at every opportunity to development of cooperative housing as a particularly effective method of bringing good homes in a democratic living environment within the means of workers' and other moderate-income families. Cooperative housing can be advanced through investment of union-negotiated pension funds, under proper safeguards and guarantees, in well-planned cooperative housing projects. We recommend that our affiliates give special consideration to initiation and sponsorship of cooperative housing developments as a particular effective means of making good homes available to moderate-income families.

Since home purchase is not suitable for or desired by some families, moderate-income families should be able to rent good housing within their means. To this end, liberal financial assistance should be made available for construction of good rental housing with appropriate safeguards against profiteering by builders and operators.

Rural housing in many parts of the country is especially bad. Appropriate legislation should be enacted to permit farm and other rural families to obtain homes that they can afford. Effective programs to provide decent housing for migratory farmworkers and their families are especially needed and should be authorized without delay.

The dilapidated dwellings in which many elderly couples and individuals are forced to live are an affront to the Nation's conscience. Our senior citizens have the right to live out their years in decent and comfortable surroundings. Financial terms should be available to permit construction of both public and private housing developments which will meet the special requirements of the elderly. Housing for the elderly should, whenever possible, be located in normal neighborhoods with adequate community facilities and opportunities for community life but with special features geared to the particular requirements of the aging. We urge our affiliates to consider sponsorship of housing projects especially suited for the elderly.

Discrimination and segregation have denied to millions of Americans the opportunity to obtain decent homes solely because of their race, creed, color, or national origin. Such undemocratic practices must be eliminated. The fair housing practices legislation adopted by a number of States and cities have helped to encourage the policy and practice of equal opportunity in housing. We urge other States and cities to enact similar laws. But the Federal Government must also assume the affirmative responsibility to assure equal housing opportunity to all families without regard to race, creed, color, or national origin. Negroes and other minority families should be assured of the chance to obtain on an equal basis with all other families new housing built with the aid of Federal funds, credit, or any other type of financial assistance.

Legislation to permit temporary lapses of payments under Federal mortgage insurance and guarantee programs should be enacted in order to protect homeowners against foreclosures in the event of illness, temporary unemployment or other emergencies.

Not less than the prevailing wage should be required to be paid to all employees engaged in construction of housing under any program involving Federal financial assistance. Such a requirement is necessary to protect hard-won standards of building trades workers.

The spreading blight of slums in our metropolitan areas points to the urgent need for a considerable expansion of the slum clearance and urban redevelopment program on a sound basis. Funds now available for this program are far too limited to permit a really effective start toward rebuilding the rundown sections which mar almost every American city. While it is recognized that nonresidential reuse of former slum sites may be appropriate in some circumstances, the foremost purpose of urban redevelopment must be to provide decent homes in well-planned communities within the financial reach of ordinary American families. Major emphasis should be placed on slum clearance and thoroughgoing city rebuilding; lesser measures such as "rehabilitation" and "neighborhood conservation" should be undertaken only when they are economically feasible and socially desirable. Sound programs of cooperative metropolitan areas planning are essential for balanced development and growth of metropolitan areas.

The National Housing Conference, which has made an outstanding contribution to the drive for better housing for the entire Nation, deserves the continued support of the AFL-CIO and its affiliates.

Achievement of labor's housing program will require maximum cooperation and support from the entire trade union movement. We therefore urge our affiliated unions and central bodies to organize active housing committees to develop and further sound, positive housing programs and to cooperate in the work of the Housing Committee of the AFL-CIO toward the achievement of labor's housing goals.

Mr. SHISHKIN. Mr. Chairman, we in the labor movement have been dismayed by the failure of the present administration to face up to the full dimensions of the housing requirements of the American people and the housing problems confronting our Nation. This disregard of the basic housing needs of the country has been nowhere more manifest than in the adamant refusal of the administration to ascertain our national housing need. For more than 10 years the national goal of housing policy has been "a decent home in a suitable living environment for every American family." That has been the goal stated by legislative enactment, and that is the goal by which the executive branch of this Government must be guided. But how can this goal be achieved in the absence of an estimate of the true housing need? How can this goal be reached, unless targets are established of the number of homes that must be built and policies are developed which will assure that these targets are met?

For this reason, Mr. Chairman, we wish to commend you and the other members of this subcommittee for your recent report on the subcommittee's study of mortgage credit. This report should do much to lay the groundwork for a realistic assessment of the Nation's housing problems. We especially welcome recommendation No. 1, which would require the President to make an annual report on the minimum number of housing starts needed and on the changes in administrative and legislative policies required to achieve this goal. This objective would be accomplished by the enactment of S. 3379, introduced by you, Mr. Chairman. It would also be reinforced by the provisions in S. 3379 for an effective housing research program.

We certainly concur in the idea implicit in S. 3379 that what is needed more than anything else in our housing program today is the exercise of responsible leadership by the executive branch of the Federal Government. We have every confidence that if such executive leadership is forthcoming the Congress will not hesitate to do its part in assuring a comprehensive, forward-looking housing program.

Let me say in this connection, Mr. Chairman, that here we have the spectacle of a substantial establishment in the executive branch of the Federal Government which is charged with the responsibility of administering the program set forth by Congress and enacted into law. I think it should be pointed out that one of the needs that we have is to have people changed with the administration of these programs who have their hearts in these programs, to be for these programs, not to be either overtly or covertly opposing the very objectives which these programs are intended to reach. The intent of the Congress should prevail, no matter what the personal biases or views may be in the executive branch. That is the way our Government is constituted, and that is the way it should be applied in the housing field.

Now I want to turn to the housing targets. What should be our housing target? While we enthusiastically endorse the basic proposal for establishment of housing goals recommended by the subcommittee, we respectfully suggest that the specific target, construction of a minimum of 16 million permanent nonfarm housing units during the 10-year period beginning in January 1961, falls short of the Nation's minimum requirements.

The results of the 1960 Census of Housing combined with the revised figures on housing starts soon to be published by the Bureau of the Census will give us up-to-date figures on which new estimates of housing requirements can be based. I sincerely hope that when these figures become available they will be analyzed as quickly as possible for that purpose. Pending the availability of these figures, however, we have utilized currently available data to make what we consider to be the best current estimate of housing requirements. I have attached to my statement a table showing the estimate of new housing needs for the period 1960-75. The table speaks for itself, and therefore I shall not repeat its details at this time. If I may, Mr. Chairman, I would like to have that included.

Senator SPARKMAN. Yes, that will be included.
(The estimate referred to follows:)

Estimate of new housing needs 1960-75 (millions of units)

Substandard	15.0
Becoming substandard 1960-75	7.5
<hr/>	
Total substandard	22.5
Less substandard suitable for rehabilitation	-5.0
<hr/>	
Total substandard to be replaced	17.5
Removed by disaster and demolition (nonsubstandard)	2.0
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Total replacement need 1960-75	19.5
Increase in number of families 1960-75 ¹	14.5
Undoubling of doubled up families	1.0
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Total housing requirements 1960-75	35.0
Average annual requirement	2.3

¹ Includes 1-person households.

Mr. SHISHIKIN. I would like to add the fact that we have used the official statistics to arrive at this estimate of our future housing needs over the next 15 years.

Here we have a national Housing and Home Finance Agency which is fully manned, which is fully equipped, and which has a substantial budget. Why in the world, Mr. Chairman, should not the Government of the United States do the kind of job we have done. They have not done it, and simply because of their dereliction we have undertaken to do that study, based on governmental facts, which we have made available. But we as a private organization have been doing the Government's job in getting that vital information before the public and before this committee. Why is there that dereliction? I would like to know. I think that is a question that everybody is entitled to have an answer to.

Currently we are faced with a slump in housing activity. Despite the fact that in no recent year has housing activity even approached

the minimum housing requirements of the Nation, we are now facing, as we have several times during the postwar period, another disastrous decline in residential construction. According to official figures of the Bureau of the Census, 1,341,500 housing units were started by private builders in 1959. The seasonally adjusted annual rate of private housing starts reached a peak of 1,484,000 in April 1959 and has been declining ever since. In the first quarter of 1960, new housing starts were at a seasonally adjusted rate of 1,148,700 units a year. In fact, housing activity in the first quarter of 1960 was 17 percent below the same period in 1959.

It is incredible that in the face of the current sharp dip in housing construction and the gloomy prospects ahead the administration nevertheless seems to display nothing but optimism about the housing situation. The members of the subcommittee may perhaps remember the virtual jubilation with which Housing Administrator Mason welcomed the freak increase in the annual rate of housing starts last December, only to see housing starts fall off sharply in the ensuing months. Mr. Mason has apparently learned nothing from this experience. He has recently announced that the 1,115,000-unit annual rate of housing starts in March, like the February figure the lowest since mid-1958 and more than 20 percent below 1959's pace, "is very encouraging" and points to "a good housing year." Mr. Mason may call this "a good housing year," but for millions of American families deprived of the opportunity to obtain decent homes within their means 1960 could be a disastrous housing year.

The slowdown in housing comes at a particularly bad time because it threatens to help pull the country down into the morass of another economic recession. I am sure the members of this subcommittee will remember that declines in housing activity preceded and helped to precipitate the two most recent recessions, 1953-54 and 1957-58. This must not happen again.

Despite its cheery statements, even the administration seems to recognize that something must be done to revive housing construction. Its contribution to this end has been a reduction of downpayments of from \$50 to \$500 on highpriced houses in the \$15,000 to \$26,000 price range financed with mortgages insured by the Federal Housing Administration. I could comment at length on the ridiculous inadequacy of this measure, but perhaps I can make the point most effectively by simply quoting the headline from the Wall Street Journal article of May 2, 1960, on the FHA's announcement: "FHA Cuts Downpayment on Some Homes; Spur to Building Doubted."

This kind of pale palliative is worse than useless. It is worse than useless because it breeds a false complacency which would delay the effective action urgently needed to boost residential construction.

More than a quick fillip is needed to meet the rapidly expanding housing needs of the Nation. We need a sound and positive program geared to the long-term housing requirements of all American families.

The Congress would be taking an important step forward toward the achievement of that goal by enacting this year housing legislation aimed at meeting America's total housing and redevelopment needs in the years ahead. It is toward the accomplishment of this objective that we make the following specific recommendations.

At this point, Mr. Chairman, I would like to emphasize that it has been our experience over the years that although construction of all

buildings, of course, is the key support sustaining our whole economy, that housing starts have been historically the pace setter of the economic prosperity in the country as a whole. They anticipate and are indicators of what the business cycle is going to be like. Therefore the current decline in housing starts is a real storm warning to us that action is needed and this action must be more far reaching than the piddling action taken by the administration in reducing down-payments on expensive houses. The need for effective action can be seen from the experience of the last recession as well as the previous ones. We have seen that the decline in housing starts has paced the economy as a whole. This is really a focal, critical area in our economic life and if we are going to sustain prosperity in this country we have to have the exercise of real statesmanship in seeing to it that this does not happen, that this trend is reversed and that our sustained prosperity in the United States is assured.

Before I discuss our recommendations on the bills which have been introduced in the Senate, I want to say a word about the proposed Emergency Home Ownership Act, H.R. 10213. The House recently passed this bill by a vote of 214 to 163. By making available \$1 billion to the Federal National Mortgage Association for purchase of mortgages of moderate priced houses this bill would halt the serious slump in residential construction. By directing these funds to needed housing, the Government would be making a sound investment and at the same time it would be making an important contribution toward maintenance of a prosperous economy. The AFL-CIO strongly recommends that the Senate pass this much-needed bill without delay.

Let me turn now to low-rent public housing. Despite all the unfounded charges that have been leveled against the low-rent public housing program, it still provides the only effective means for making decent homes available to low-income families. Certainly improvements can be made in the public housing program. There is no institution or program which after more than two decades could not be refurbished and modernized. But the basic idea and the basic formula are as sound today as they were 23 years ago. Moreover—and this I particularly emphasize—nobody, either friend or foe of the program, has yet come up with a feasible substitute. The choice is still public housing or no decent housing at all for low-income families.

The bitterly fought, extremely limited annual authorizations under which public housing has suffered have made it impossible for local communities to develop long-range planning in their programs. It is no wonder that desperately needed low-rent public housing units eventually drop out of the plans of local communities for construction as their desire for immediate construction of the units they plan and need is thwarted by year-to-year legislative limitations and administrative redtape.

The experience during the past year graphically illustrates the problem. It was not until September 23, 1959, after two Presidential vetoes, that the Housing Act of 1959 took effect. This law authorized construction of 37,000 low-rent public housing units. The procedures of the Public Housing Administration under this legislation did not reach the field until late December 1959. Since at least 6 months lead time is needed from an application by a local housing authority to an annual contributions contract, it is small wonder

that, despite applications by local communities for a sizable number of units, annual contributions contracts for so few units have been signed under the 1959 authorization. This by no means reflects a lack of desire by local communities for public housing and much less does it indicate that the urgent needs of low-income families for decent housing have even begun to be met.

These needs would begin to be met by enactment of S. 3509 introduced by Senator Clark. S. 3509 would restore the authorization by construction of public housing provided in the Housing Act of 1949. This would in effect permit construction of an additional 100,000 units as quickly as possible. The actual pace of construction would be determined by the local communities in accordance with their own capacities and needs rather than by the artificial restrictions imposed by legislative and administrative limitations.

Of course, even restoration of the 1949 authorization is only a beginning. It will not be nearly enough to make alternative accommodations available to hundreds of thousands of low-income families who will be displaced from their homes by urban renewal, highway, and other Government programs. In addition, large numbers of low-income families are forced to live in substandard dwellings which, no matter how unlivable, are not slated for clearance within the next few years.

Thus the public housing authorization in S. 3509 is the rock-bottom minimum requirement at this time and should be incorporated in the legislation this subcommittee recommends.

We also endorse the provision in S. 3509 which would authorize an additional subsidy of up to \$120 per year for each aged family living in public housing whenever such funds are needed to maintain the solvency of the project. In view of the desperate need of our elderly citizens for decent housing and their often severely limited income, this step is most desirable.

Now I would like to turn to urban renewal, Mr. Chairman. S. 3509 authorizes \$600 million for urban renewal capital grants, available upon enactment. With the \$300 million authorized for fiscal 1961 by the Housing Act of 1959, a total of \$900 million would be available for urban renewal during the coming fiscal year.

For some years the AFI-CIO has advocated that sufficient funds be authorized for an extended enough period of time to permit our cities to undertake a full-scale, long-range attack against the blight and slums that are threatening to engulf them. The authorization proposed in S. 3509 will not entirely meet these specifications. However, it will assure at least the minimum of needed funds during the coming fiscal year to take care of those urban renewal efforts which cities can embark upon immediately as shown by the survey just conducted by the American Municipal Association and the U.S. Conference of Mayors.

We strongly hope that the coming year will be used by the Congress and the executive agencies for a thorough going study of the long-term requirements for slum clearance and urban redevelopment. Based on such a study, the Congress should then authorize a long-term urban renewal program on a scale measuring up to the total requirements of our urban communities.

Now, Mr. Chairman, I would like to turn to middle-income housing. It is now more than a decade since the organized labor movement, in cooperation with other public-interest groups concerned with housing, proposed legislation for an effective middle-income housing program. The need for such a program has become all the more urgent during these years as ever-rising financing charges for housing have priced more and more families out of the housing market.

We therefore welcome the support which your subcommittee has given to middle-income housing in your recent report on the study of mortgage credit. Recommendation No. 9 of that report states in part " * * * the subcommittee recommends that bills now pending which propose a Federal program to increase the volume of residential construction for middle-income families, should be given high priority and should be considered as soon as possible during the current session of Congress."

S. 1342, introduced by Senators Javits and Clark, is aimed at providing housing for moderate-income families and for elderly persons. Families of moderate income are described as those "whose incomes are too high for admission to low-rent public housing but too low to afford the range of sales prices and rents required for satisfactory new private housing being produced under the existing Federal programs of assistance to private enterprise in housing."

The bill would establish a Federal Limited Profit Mortgage Corporation authorized to issue bonds up to a maximum of \$2 billion. These funds would be available for 50-year, 90 percent loans to private rental builders and cooperatives at the rate at which the Corporation sells its funds plus one-half of 1 percent for administrative costs and reserves. Borrowers who are nonprofit corporations would have to agree to limit their profits to 6 percent.

In the current market, funds for this program could probably be obtained at a rate of about $3\frac{1}{2}$ percent. This means that the mortgage loans made under this program would require a total interest rate of about 4 percent as compared with the current effective interest rate under the FHA of $6\frac{1}{4}$ percent. On a \$12,000 mortgage, the monthly payments on current FHA terms—30 years, effective $6\frac{1}{4}$ percent—would be \$73.88. The same mortgage under S. 1342 would require only \$46.55. That is a tremendous difference, Mr. Chairman.

Enactment of S. 1342 would permit construction of 150,000 units for middle-income families and elderly persons. Preference for selections of tenants would be in the following order: first, to families displaced by public clearance or enforcement action; second, to families living in substandard homes; and third, to families living in overcrowded homes. Veterans would have preference in each category. In addition, elderly persons would have a preference for tenancy of such housing as was specifically designed and designated for occupancy by such persons.

Mr. Chairman, we do not contend that S. 1342 is the only possible approach to meeting the housing needs of moderate-income families. Others have been suggested which are equally feasible and desirable. But S. 1342 does represent one way of dealing with this critical problem without subsidy.

It is essential that there be no further delay on efforts to deal with this major problem of our generation—how to bring good housing

within the financial reach of the average American family. An effective middle-income housing program should therefore be a major feature of the legislation Congress enacts this year.

I would like now to say a word about cooperative housing. The major requirements for extension and improvement of the FHA section 213 cooperative housing program are met in S. 3512, introduced by Senator Harrison Williams. Without detracting from other desirable features of the bill, we particularly direct the subcommittee's attention to the following provisions of S. 3512:

1. Restoration of the position within the FHA of Assistant Commissioner for Cooperative Housing. When the FHA cooperative housing program was first authorized, the Congress established this position by law. Cooperative housing is now the third largest FHA housing program. To assure that it receives the proper attention, support, and status within the agency, the program should be headed by an assistant commissioner.

2. Authorization of \$50 million for FNMA to purchase FHA-insured cooperative housing mortgages. Projects now in various stages will use up all of the existing FNMA authorization. To assure the continuance of this very worthwhile program, the required funds for FNMA should be made available.

3. Establishment of the principle that the sole test of feasibility of FHA cooperative housing projects shall be the need for housing at the monthly charges applicable under its continued use as a cooperative, rather than the higher charges of a rental project.

OTHER RECOMMENDATIONS

In addition to the proposals that I have already discussed, we recommend that the following items be included in the housing legislation enacted this year:

- (1) Increase of \$50 million in the authorization of direct loans for housing for the elderly, as provided in S. 3509.

- (2) Additional authorization of \$150 million for FNMA mortgages under its special assistance function.

- (3) Increase in the FHA insurance authorization of \$4 billion as provided in S. 3509.

- (4) Extension of the FHA property improvement loan program (title I) for 1 or 2 years. However, in view of the abuses that have occurred in this program in the past, we do not favor the permanent extension provided in S. 3500 introduced by Senator Bennett. That we do not favor.

- (5) Protection of homeowners against foreclosure in the event of temporary unemployment, illness or other emergency. This is an important recommendation, Mr. Chairman, and we hope the subcommittee will really give it serious attention in this session. When temporary unemployment or catastrophic illness or any event of that kind prevent maintenance of payments for a limited period of time, there is no reason why the homeowner, living in the dwelling, should be subject to foreclosure. Steps can be taken to provide a riskless way of sustaining these payments with full repayment after the emergency is over.

(6) Federal action to assure the opportunity to obtain adequate housing to all families without regard to race, color, creed, or national origin.

(7) Requirement of payment of prevailing wage in any housing construction involving any type of Federal financial assistance, including grants, loans, guarantees, and insurance.

(8) Authorization of \$500 million for college housing, as provided in S. 2950, introduced by Senators Sparkman and Fulbright, in order to meet the growing needs of our colleges and universities for student living quarters.

Senator CLARK. Let me ask you, Mr. Shishkin, whether your group does not feel that some assistance has got to be given to our colleges to build libraries, laboratories, and academic facilities such as classrooms. A lot of college students, particularly in lower income groups, live at home. The need has always seemed to me to be greater for educational facilities than merely for a place to sleep.

I wonder if the AFL-CIO has faced up to that problem, not that I am not for Senator Fulbright's program, I am, but it has always seemed to me the other should be a higher priority.

Mr. SHISHKIN. We have supported, Senator Clark, the kind of aid that is needed to provide for classrooms and educational facilities, and the need is very urgent. It has not been met, but this is—

Senator CLARK. A lot of the young people in our families will go to college from home. While we are going to get a good many who are going to be able to afford to go away to college in the rarified Ivy League atmosphere, the real need is for education, it seems to me, rather than for some place to sleep.

Mr. SHISHKIN. Senator, although there are some students that are enrolled in the colleges who are continuing to live at home, at the same time, I think the need for this college housing has been demonstrated. There has been testimony to that effect, and I think here we have another area in which the need should be determined. If it cannot be done by the Housing and Home Finance Agency, and it has not been done anywhere else, I think this committee should take pains to see to it that the available data and evidence of need are placed before this committee in support of this action. But I am very confident that this need is there.

Also, on the point that you have raised, Senator, I would like to point out that when a young person goes to college and enrolls as a college student, he wants to become a part of the university community, and the traditional, historic participation in the schoolbody. Living in the facilities as part of the university and becoming part of the student body outside of the classroom is a very important part of the educational process. If these students remain living at their homes because of need and are outcasts and don't belong in the campus, that is a handicap in their educational advancement.

Senator CLARK. I do not want to argue with you because I agree with you. But I point out there is not much use building a nice new dormitory with adequate plumbing and dining room facilities and finding there is no chemistry laboratory to study in, or a library to get a good book, or a classroom where the student can sit down to listen to his professors teach.

Mr. SHISHKIN. Both are a part of our educational need and should be met.

(9) Adequate funds for professional training in housing, urban renewal and city planning.

(10) Funds to permit the Bureau of the Census to provide a complete analysis of the data which will become available from the 1960 Census of Housing.

(11) Establishment at Cabinet level of a Department of Housing and Metropolitan Affairs, as provided in S. 3292 introduced by Senator Clark, in order to strengthen and coordinate Federal activities relating to housing and urban planning and development.

Senator CLARK. Thank you very much, Mr. Shishkin, for a very helpful and lucid and clear and comprehensive statement.

I have one question I would like to ask you and, perhaps, your associates. If you will turn to the estimate of new housing needs, which is a part of your formal statement, this estimate ends up with an average annual requirement of 2,300,000 units for each of the next 15 years. It is considerably higher than the estimates made by this subcommittee, which showed a minimum need of 1,600,000 for each of the 10 years.

I am not suggesting that you are not right; you may well be, but I wondered if we could get some reconciliation of the figures.

Perhaps Mr. Seidman would be the man I should direct this inquiry to. Your first heading there is "Substandard, 15 million." The census showed 13.1 million as of January 1, 1957, and the subcommittee thought that had been cut down by the first of this year to 11.5 million.

I wonder if you have any helpful information you could give us as to how you arrived at the 15 million.

Mr. SEIDMAN. Yes, Mr. Chairman. I agree with the first figure which you stated, 13 million which was for 1956. The National Housing Inventory showed that the number of units which were actually substandard, the individual units that were substandard, was 13 million. In addition to this, we made a rough estimate of about 2 million units, which, although not themselves substandard, were surrounded by substandard units and, therefore, could themselves be considered substandard.

Senator CLARK. You did not allow for any diminution in that number since 1956?

Mr. SEIDMAN. As far as the question of diminution between 1956 and 1960, we could not see any reason to think that there had been any substantial diminution in the number of substandard units. However, as Mr. Shishkin has indicated in his statement and as I have already indicated, our figures are based on the 1956 housing inventory.

In another few months or a year, perhaps, we will have up-to-date figures from the Census. I am very happy, incidentally, that this time we will have, not only the units which are dilapidated and without certain plumbing facilities and so on, but we will also have a new category of the so-called deteriorating units, which will give us a much better picture of the quality of our housing supply.

Senator CLARK. Let me turn to another point in the same table. You show becoming substandard in this 15-year period, 7.5 million, and you deduct, two lines further down, less substandard suitable for rehabilitation, so you get a plus figure of 7 million additional substandard units.

The subcommittee showed a net gain of 4 million units, largely because the subcommittee felt the potential for rehabilitation was substantially higher than you did and also estimated as lower those which would become substandard during the next 15 years. Could you give us, for the record, any helpful commentary on how you prepared your figures?

Mr. SEIDMAN. As far as the question of how many units are suitable for rehabilitation is concerned, of course, this is a subject of considerable controversy. We were basing our figures largely on what we think the experience has been. There has been a lot of talk about the feasibility of large scale rehabilitation during the past 10 or 12 years.

Senator CLARK. It has not really gotten on the road.

Mr. SEIDMAN. We have not seen it. We have heard all kinds of ballyhoo, beginning with the Baltimore plan and New Orleans plan and the "build America better" plan of the real estate boards, but we have not seen it.

We are for as much rehabilitation as possible, which will, in the first place, provide decent, livable housing for the families who are going to live in these dwellings and, secondly, which is really economical, which is not spending more for rehabilitation than you would have to spend for new construction. If this is possible, we welcome it.

Senator CLARK. You suggest the subcommittee is unduly optimistic.

Mr. SEIDMAN. I would think, judging from the experience to date, the subcommittee's figures or the figures prepared for the subcommittee appeared to be unduly optimistic.

Senator CLARK. You would think your figure, as to a pretty large amount which is going to become substandard, 7.5 million—to be sure, you use a 15-year period and the subcommittee used a 10-year period—but you do not feel your figure is high?

Mr. SEIDMAN. It was based on the experience of the previous two census periods as to the number of units which had become substandard, and this was the estimate that we had made. It is conceivable that this figure may be somewhat higher or somewhat lower. After all, we are trying to project into a period ahead, and we cannot be certain what the conditions will be in that period.

Senator CLARK. I have been saying myself for some years we needed 2 million housing units a year. I guess we are just about halfway between the subcommittee and the AFL-CIO, so maybe I am not too far off.

Mr. SEIDMAN. Let me say, Mr. Chairman, we had no preconceived figure in mind when we made these estimates. We made a previous estimate, that is, the AFL did, back in 1953, I believe it was, in which we came to the conclusion there would be a need for 2 million units a year at that time. We then used figures that became available only fairly recently, from the 1956 national housing inventory, to develop these new figures, based pretty much on the same methods which we had used in developing the figures of 1953.

Senator CLARK. I understand the Census has, to some extent, changed its criteria, or is about to. Did you use the new criteria in making up this table?

Mr. SEIDMAN. The Census is changing its criteria for new housing starts. We did not, and all this means is that, as I understand it, the

level of housing starts will be shown to be somewhat higher than the previous official published statistics showed. This is partly because they will be counting as housing starts, farm housing units, for example, which are housing starts, but the previous figures were confined to nonfarm housing starts. Also, because they are going to be counting every shack and every shanty that goes up, and I am somewhat skeptical about this.

Senator CLARK. Maybe they like to make it look as good as they can.

One final question: You do not know of any change in criteria contemplated by the Census Bureau with respect to the definition of a substandard housing unit?

Mr. SEIDMAN. Of course, the Census itself has never defined what a substandard housing unit is. Users of the Census have, therefore, been forced to make their own decisions as to how they want to analyze the Census figures to determine what are substandard units. I think that with the figures available until now and the classifications available until now, users have generally taken the units which are dilapidated, plus those lacking plumbing facilities, plus the overcrowded units, as being substandard.

It seems to me we may have a better way of doing this with the new category of deteriorating units, but I would not be able to make a judgment on that until I actually see the figures.

Senator CLARK. Thank you very much, Mr. Seidman.

Thank you, Mr. Shishkin and Mr. Edelman. We appreciate having you with us.

Mr. SHISHKIN. Thank you, Senator Clark, and I thank the subcommittee for its reception and its attention. I want to express the hope, again, that action will be forthcoming on this issue because I think it is of very vital importance. Housing is a very crucial area of action for the whole economy, and housing, homebuilding, foreshadows upturns as well as downturns in the economy as a whole.

We have had a record of deficit in housing, which is really a source of anxiety, and I think that situation must be changed and changed quickly if we are going to avoid another recession.

I would like to say also on the statements that were given here that ours was the effort to bring before the public the data on the basis of the data that is available, the best estimate, which I firmly believe is a conservative estimate. It has been prepared in good faith as the best evaluation of the need over the next 15 years.

Senator CLARK. I have no doubt of that at all. Thank you very much.

Our next witness is Mr. Charles Wellman, the chairman of the Federal legislative committee of the National League of Insured Savings Associations.

Mr. Wellman, we are happy to have you back. It is always a pleasure to greet you before this subcommittee.

STATEMENT OF CHARLES WELLMAN, CHAIRMAN, FEDERAL LEGISLATIVE COMMITTEE; ACCOMPANIED BY BRYCE CURRY, GENERAL COUNSEL, NATIONAL LEAGUE OF INSURED SAVINGS ASSOCIATIONS

Mr. WELLMAN. Thank you, Senator.

Senator CLARK. Please proceed in your own way.

Mr. WELLMAN. Yes, Mr. Chairman. I have a printed statement, which I will file for the record, and I would like to merely take this opportunity to summarize some of the contents of it.

Senator CLARK. That will be fine. The statement will appear in full in the hearings at the close of your remarks, and the witness will summarize his testimony.

Mr. WELLMAN. My name is Charles Wellman and, as the chairman has indicated, I am chairman of the Federal legislative committee of the National League of Insured Savings Associations and I am accompanied here today by Mr. Bryce Curry, who is general counsel of that league.

Our testimony today is directed specifically and exclusively to those provisions of the bill that are before this committee relating to the Federal National Mortgage Association, more particularly, some of the provisions contained in H.R. 10213. When the Congress of the United States, in 1954, undertook the reorganization of the Federal National Mortgage Association, it, in effect, divided its functions into two major areas. The first area was the area of special assistance, to which it was fully and frankly realized public funds would be necessary to sustain the acquisition of the various mortgages under special assistance programs.

The other part of the legislation in the reorganized Federal National Mortgage Association related to the secondary market operations of that Association. Here, it was contemplated that equitable capital would be raised from the users of the corporation plus such contributions from the U.S. Treasury as might be necessary to beef up the equity base of the operation. From this equity base, funds would be obtained by the sale of the debentures of the corporation in the private capital markets.

It is our basic position that if you take this concept of the secondary market operations of FNMA as a private operation, there are certain inescapable elements which must be contained in the charter of that corporation for this aspect of its operations.

First and most important of all, it is essential in our opinion that this corporation's purchase activities in the secondary market aspects of its operation must be within the range of market prices. The corporation has to obtain its capital publicly in the private capital markets. It has to pay going rates in order to do so. To ask the corporation to get its raw material in a free market and then turn around and say that it must invest its funds in a fixed market is, in our opinion, a complete contradiction in terms—

Senator CLARK. Let me, just to be the Devil's advocate—I am not saying I disagree with you—raise this question. After all, this is an instrumentality of government, although there are a number of private stockholders. So why might it not be sound public policy for the agency to seek its funds in the free market, but to make its

investments in accordance with a national policy which attempts, at least, to shore up the mortgage market to do what can be done to provide good mortgages closer to par, to minimize discounts and, generally speaking, to stabilize the market.

That may be wrong, but I do not see why there is any necessary inconsistency if we make the basic assumption we are dealing, not with private enterprise, but, essentially, with a governmental organization.

MR. WELLMAN. Senator, I am not taking the position it is an impossible task. I am merely taking the position that if you are going to do it, do not call it a private secondary market operation, and do not try to have it a private operation as to the obtaining of funds and then turn around and call upon it to perform public functions in its acquisition aspects.

Senator CLARK. It might be wise, might it not, to let it get its money in the private market in order to take the drain off the Treasury. But, then, to consider it a Federal governmental agency in its investing operation. I am not saying that is right; I am just saying that that inconsistency does not seem to me to be basic. Why should it do that? Maybe it is unwise, but tell us why it is unwise. Rather than saying it is not right to go get your money in the free market, and then buy your investments under a policy which is not a free market.

MR. WELLMAN. What it amounts to is buying high and selling low.

Senator CLARK. Yes. The end result will possibly be a loss.

MR. WELLMAN. That is right.

Senator CLARK. But what is wrong with that if it is carrying out a governmental policy?

MR. WELLMAN. There is nothing wrong with it, but I happen to believe we ought to be frank about it, then, if we are going to approach it that way.

Senator CLARK. I do, too.

MR. WELLMAN. That really is my essential point. If you are going to deal with this corporation and say that it is supposed to perform a function in the secondary market and separate that function from its so-called special assistance aspects of the program, then do not mingle the two and confuse the two because they are two separate and distinct operations.

The corporation has operated on that premise since 1954, and I frankly feel has operated very successfully on that basis.

Senator CLARK. Also, from where you sit, it is a little unfair to have lured some private people into the stock company and then change the rules of the game.

MR. WELLMAN. Yes, sir, to say nothing of the several billions of dollars of other people's money that are being held in the form of debentures of the corporation.

Senator CLARK. But they are pretty well protected by the credit of the Federal Government, in the last analysis.

MR. WELLMAN. That is true, but it does affect price, even though it does not affect their ability to get their funds back, ultimately, at the term of the debenture.

Senator CLARK. I think we understand each other.

MR. WELLMAN. We always do, Senator.

There are a number of other aspects to this proposed bill that deal with its basic character. For example, the bill seeks to take out what I think is the cornerstone of the secondary market operation by removing out of the charter of the corporation this injunction that its purchases shall be within the market range.

Other aspects relate to the fact that the corporation is, for at least 1 year, supposed to buy any mortgage that is insured or guaranteed, whatever the market, provided only that the mortgage is not in default. We all recognize in the mortgage business that there are different qualities, differing degrees of marketability of mortgages, even those that are insured or guaranteed by the Government.

Senator CLARK. Does this go further than we went with the Emergency Act of 1958?

Mr. WELLMAN. Yes, sir, as far as this aspect of it is concerned. The provisions of this bill could be divided into, really, two parts. The first part is those provisions that, in my opinion, make substantial changes in the charter and the functioning of the secondary market operations of the corporations.

The other portion is the so-called par purchase program. The par purchase program is the program that was contained in the 1958 Housing Act.

Senator CLARK. There is also the third, and perhaps, more important part of the bill. It provides for \$1 billion to go out and buy some mortgages.

Mr. WELLMAN. Yes, sir, that is what I was referring to in the case of the par purchase program. I do not wish to labor this point. As I say, as my statement shows, there are a number of specific provisions contained in the House bill which, in my opinion, constitute a drastic change in the nature of the corporation so far as the secondary market operations are concerned. I firmly feel that they are not necessary for the secondary market operations and, in fact, would inhibit and hurt the secondary market operations of the corporation.

I would like to turn my attention, Senator, if I may, to the second aspect, plus the third, which involves the billion dollars. I would like to speak very frankly on this subject.

Senator CLARK. That is what you are here for.

Mr. WELLMAN. When a Government guaranteed or insured mortgage with a fixed interest rate comes into the marketplace, the interest rate, the contract rate, shown on the note may be equal to the prevailing market rates. It may be above, or it may be below. We know, at the present time, the contract rate is below the yields obtainable.

Therefore, a system has grown up known as "discounts." Discounts on insured or guaranteed mortgages are as common today in the mortgage business as they, in effect, are in the Government or corporate bond markets.

Senator CLARK. Actually, it is the same thing, is it not?

Mr. WELLMAN. That is correct, it is an attempt to equalize the contract rate on the particular obligation with the prevailing market rates.

When a builder sells a house under a fixed contract interest rate on an FHA or a VA loan and has a discount, he absorbs the discount out of his profit. If he has no profit left, he takes a loss. When a par purchase program is inaugurated, the effect is that the builder's loss has been either eliminated or his profits have been increased.

I submit that if we are really trying to improve the lot of the consumer who, after all, is buying these houses, is going to have to live in them, we ought to carefully examine what is the impact of a par purchase program on the consuming public.

Senator CLARK. Is it your suggestion that all the par purchase program does is to increase the profit of the builder?

Mr. WELLMAN. Yes, sir. It is my contention that while there have undoubtedly been some examples in which builders have voluntarily reduced the prices of the houses they were selling where the mortgages were destined for the par purchase program, the bulk of the builders did not reduce the price to the consumer and that the effect of the par purchase program was a windfall so far as the builder was concerned. It did not affect the price to the ultimate consumer, which, in the last analysis, should be the intent and objective of both lenders and builders.

Senator CLARK. Have you got some specific evidence that you could furnish the subcommittee to back that up?

Mr. WELLMAN. Yes, sir. We financed three tracts in Los Angeles County. On two of the tracts, we took the loans ourselves. One of the tracts, the third tract, went under the par purchase program. The difference in price to the consumer—the houses were identical and were all part of one development—was minute, if any. The prices were the same.

Senator CLARK. Right next to each other?

Mr. WELLMAN. Right next to each other, and the difference in the par purchase program only meant that the builder made more money in the one case, where the discount, in effect, was absorbed by the U.S. Treasury through a par purchase program, and, in the other case, the discount was absorbed by the builder.

Senator CLARK. I suppose there is always the possibility that the fellow who had to pay the discount took a loss.

Mr. WELLMAN. That is possible, too.

Senator CLARK. I am sorry to say that last bell indicated a roll-call vote on the floor, and I will have to go and vote. I will come right back. I would hope to get back in less than 15 minutes. I regret having to recess the hearing, but I do have to go vote.

(Whereupon a recess was taken.)

Senator CLARK. Mr. Wellman, we will be happy to have you continue to testify.

Mr. WELLMAN. All right, sir.

I think, after all, Senator, that the best evidence of whether or not a par purchase program works to the reduction of housing cost to the consumer is to make an analysis of what happened to the par purchase program No. 10 under the 1958 act. I think that can very simply be done. I would suggest that the committee ask the Federal National Mortgage Association to provide it with a breakdown of the number and dollar amount of mortgages which it purchased. VA mortgages which it purchased, under that program, the price of which housing was lower than the certificate of reasonable value.

Senator CLARK. You had better explain a little more fully why this would give us the real thing.

Mr. WELLMAN. The Veterans' Administration, when it appraises the property, sets the ceiling price of that property by virtue of its

issuance of a certificate of reasonable value. If a builder builds a house and sells it, he cannot sell for more than that price.

Senator CLARK. And still get his mortgage.

Mr. WELLMAN. And still get his mortgage. If he is selling houses with VA mortgages on them where there are discounts involved, he is taking the discount because he cannot sell it for any more than the CRV. If he is selling the mortgage under a par purchase program, theoretically, at least, he should be selling at a price lower than the certificate of reasonable value, passing on to the consumer the benefit of the absorption by FNMA of the discount which he would ordinarily have made in the marketplace.

Senator CLARK. Does the discount go into the CRV?

Mr. WELLMAN. In effect, it does, Senator. There is no way to keep it out.

Senator CLARK. It should not, should it?

Mr. WELLMAN. No, it should not. It was always, as I have said before, either a sharing of profits or a sharing of losses, depending on the situation.

Senator CLARK. What you are saying is that the appraisal includes quite a few factors in addition to the land, the bricks and mortar and the furnishing.

Mr. WELLMAN. Well, at least, a reasonable profit. It also has to allow, as part of costs, reasonable financing costs. The CRV normally does not openly come out and say, "We have to allow for 5 or 6 percent discount."

Senator CLARK. But they do.

Mr. WELLMAN. In effect, in most areas, they do. So, as I say, the answer to this whole question as to who got the economic benefits that flowed from the par purchase program of 1958 can be determined by looking into the records of the purchasers of FNMA.

Senator CLARK. And the people who did not get the mortgages they hoped to get were the building and loan and savings associations and mortgage bankers because FNMA took them, is that it?

Mr. WELLMAN. Actually, everybody was getting all the mortgages they could handle anyway. But it is purely a question of where every program of this nature has economic benefits attached to it, and the question is very simple as to: Where do the economic benefits flow?

I certainly would not want to be in the position of appearing to oppose profits for builders because I am not in favor of opposing profits for anyone. But I frankly do not feel that the conditions of the country or of the building industry itself justify the use of a billion dollars in public funds where the principal economic benefit is going to go to a small group of people.

As a matter of fact, Senator, if we have got a billion dollars that we can play around with, I would a lot rather have it go into your proposals relating to urban renewal rather than to have it flow into an area like this where the economic benefit is to a very small segment of our society.

Senator CLARK. I assume I can quote you on that?

Mr. WELLMAN. Yes, sir; you can.

Senator CLARK. About how many houses do you think this billion dollars would build under the House bill?

Mr. WELLMAN. I would guess around 83,000, 85,000.

Senator CLARK. So you would go along with me, for the moment, even though you do not agree with me, if we make the basic assumption that we have need for 1,600,000 new units each year, and we are only going to get around 1,100,000, this will make some, but not much, dent in the difference; would it not?

Mr. WELLMAN. That is true, and I am not even sure it would necessarily have a net increase in the total number of housing starts. It might well be merely a diversion of housing starts between different institutions.

Senator CLARK. Possibly we would have more lower priced houses and fewer higher priced houses built, or do you not think that is an assumption—

Mr. WELLMAN. Yes, I believe it would be \$13,500 or \$14,500, depending on whether it is a high cost area or not. I do not, frankly, feel that that would, in itself, necessarily stimulate many housing starts in that price range. But I think we are back again to the thing you and I have discussed before which is the question of priorities of allocation of Government funds. It has always been our position that public funds perform a needed and necessary function in our society. But they should not be diverted into areas where the function can be performed by private agencies.

That, sir, concludes the statement that I am summarizing here.

Senator CLARK. Thank you very much.

May I presume on your wide knowledge in this field to ask you to comment, if you will, possibly only as an individual, on another bill? If you do not know anything about it, I am sure you will say so. This is the middle-income housing bill, S. 1342, introduced by Senator Javits and me to provide for the establishment of a Federal limited-mortgage corporation to administer a program which would permit the financing of middle-income housing at rates and on terms which will achieve a monthly payment slightly lower than that possible under sections 220 and 221. Thus making it possible to provide more housing for what we call middle-income families, which, generally speaking, are those who have too much income to get into public housing and not enough to get into privately sponsored housing.

Mr. WELLMAN. Senator, I am not sufficiently familiar with the bill to make any intelligent comment on it, but I would like to make this general observation. Perhaps I am biased in this respect. But I think that one of the great problems facing the Housing industry is the cost of housing, and I have the feeling that too much of our legislative effort in housing is directed at the cost of money and not enough of it is directed at the cost of materials and land.

Senator CLARK. And labor.

Mr. WELLMAN. And labor.

Senator CLARK. I agree with you 100 percent. What can we do about it?

Mr. WELLMAN. I do not know. I think the Housing and Home Finance Agency ought to be spending a good deal more money and doing more research in the area of bringing the cost of houses down, than all of these things that we are continually confronted with such as juggling this percentage or that percentage or this much allowance in housing, in one room, and all the rest of it.

To me, the core of the problem is: How do we bring the price down to the ultimate consumer?

Senator CLARK. I think you are absolutely right. I would think that the homebuilders could give us some help. I know they are trying, but I think the best approach is what you say. We had better have some more research.

Mr. WELLMAN. I think so.

I will show my complete impartiality in this matter. I think the United States Savings and Loan League's efforts in emphasizing quality, in emphasizing, "Let us do something to bring the cost of housing down," are efforts that should be applauded and efforts in which the segments of the financial industry should work together on because this is our real problem.

We cannot continue to extend amortization as a means of bringing housing within the reach of people who need it and yet cannot afford it by simply financing devices because all we are doing is concealing the price rises that are taking place and have been taking place over the past 10 or 15 years.

Senator CLARK. Whether you are entirely right or not, certainly you are completely right in saying that there is only a limited distance we can go in financing, and the major cost of the house is not in financing.

Mr. WELLMAN. That is correct, sir.

Senator CLARK. Thank you very much, Mr. Wellman. You have been your usual candid self.

(Mr. Wellman's prepared statement follows:)

STATEMENT OF CHARLES A. WELLMAN, CHAIRMAN, LEGISLATION COMMITTEE,
NATIONAL LEAGUE OF INSURED SAVINGS ASSOCIATIONS

My name is Charles Wellman. I am executive vice president and managing officer of Glendale Federal Savings & Loan Association, Glendale, Calif., and chairman of the Legislation Committee of the National League of Insured Savings Associations, in which capacity I am appearing today. I am accompanied today by Mr. Bryce Curry, general counsel of the National League of Insured Savings Associations.

Our comments today will be confined to those provisions in the housing legislation before this committee relating to the Federal National Mortgage Association.

In the 1954 housing bill this committee and its counterpart in the House of Representatives gave detailed and affirmative consideration to the reorganization of the Federal National Mortgage Association. This reorganization sought a series of important objectives. One was to clearly delineate and fiscally separate special assistance programs from the normal secondary market operations assigned to the newly constituted corporation. This reorganization provided for the accumulation of private equity capital to support a private capital debenture base to finance the secondary market operations of the corporation. Accordingly over the years private capital has purchased approximately \$63 million of the stock of the Federal National Mortgage Association and this stock, plus stock purchases of the U.S. Treasury have provided a base whereby the corporation could enter the capital markets and obtain the funds necessary to finance its acquisition of mortgages. Although many had particular disagreements with the resulting reorganization of FNMA, time has proved the agency to be an important and constructive innovation in the institutional pattern for the provision of housing credit in our country.

The amendments of the House bill make significant and drastic changes in the essential character of this corporation; and for this reason if for no other, these amendments should be most carefully considered by this committee and this Congress.

There are basically two means by which capital is provided for the mortgage credit needs of our Nation. One method is to obtain it from the savings of private individuals. The other method is for the Government to provide it. The only basis by which private individuals can provide credit is in terms of price. The marketplace becomes the regulator. It becomes the mechanism by which funds are distributed between the competing claimants for the public's savings and, indeed, between sections of the country and down to different types of mortgages and the underlying physical security behind. When the Government seeks to allocate resources, it is not bound as directly by the dictates of the marketplace; hence its disciplinary standards must be replaced. Objective and impartial standards must be established on the basis of which the Government funds are to be allocated. Without such standards and in the absence of the market and of price, allocation of Government funds can violate the simple principles of justice and equity. Both of these techniques were written into the original reorganization of FNMA in 1954. There were created special assistance programs designed to meet specific social needs, the capital for which obviously could not come from the private capital market.

The other and larger aspect of FNMA's operations was the secondary market, where the allocation of funds was to be done under the discipline of a marketplace mechanism written into the act itself.

The proposed amendments to FNMA in our opinion would strike down the distinction between these two separate approaches, would blend one with the other, and would deprive the corporation of any objective method of allocation other than the size of the appropriation. Who gets the money would depend on who got there first. Any effort to maintain the distinction between the public and private sectors of the FNMA operation would have been destroyed.

Section 4 of the bill adds a new purpose to the secondary market, namely, to aid in establishing the mortgage market, and proceeds to strike from the statute that section which tied the FNMA purchases to that range of prices dictated by the marketplace.

Section 5 of the proposed amendments goes further along the same path by requiring that FNMA purchase all or any mortgages insured or guaranteed, regardless of any difference in degree in the marketability of the particular mortgages.

Section 7 of the amendments reduces the required stock purchase for the use of the facility and then sections 8 and 9 would require par purchase by the agency without regard to interest rates and create inflexible statutory fee regulations for the use of the private facilities of the corporation.

While we as an organization are genuinely sympathetic with the objectives of the House Banking Committee, we strongly resist these abrupt changes in the underlying character of FNMA. Underlying the entire operation of the FNMA in its secondary market aspect is the concept that the market will determine the allocation of the resources of the corporation; and this is inescapably necessary because the corporation receives the funds it lends from the market. If FNMA has to buy any mortgage, making no distinction in price based on difference in quality, if the equity price for the use of the facility is to be reduced, if inflexible fee standards are to be written into the law respecting the use of the facility, and if we are to take out the solemn injunction in the statute that the secondary market gear its purchases to the range of prices fixed by the market, then we have completely changed the character of the corporation. It is no longer a secondary market operation. We have removed from the statute those basic provisions which confine its operations to the marketplace. These amendments add up in effect to a simple statement that the secondary market operations of FNMA have been a failure and that it is necessary to reorganize the corporation and in effect to compel the corporation, if it is to continue to function, to resort to Treasury financing; and I emphasize when I say Treasury financing, I do not refer to the so-called par purchase program. No financial operation can make its investments in a vacuum in which price is no factor when it has to raise its money in the marketplace where price is a dominant factor. If FNMA obtains its money from private investors by selling its debentures to those investors at prices and yields fixed by the private capital market, it must lend those funds on the same basis. Otherwise it is in the position of buying high and selling cheap. Moreover, it would have lost the only system of traffic lights it has available by which it can regulate the investment of its funds; namely, price.

It was realization of these basic fundamentals that led the Congress of the United States to create the corporation in 1954 the way it was created; and in accordance with its basic principles, this corporation has functioned competently, efficiently, and has made a genuine contribution to the vitality of the mortgage market, putting into the housing market this year a billion dollars in funds obtained from private investors and without costing this Government a cent.

It is my opinion that the changes proposed by this bill in the secondary market aspects of FNMA will cost a great deal more in money in addition to the so-called par purchase program to which I would now like to address my attention. When the market states that new mortgages must bear a certain yield, any investor willing to lend money at a lower yield is going to do a land office business. A par purchase program of insured or guaranteed loans means the purchase of mortgages, the sales price of the underlying security has been fixed by a Government agency. If discounts are paid by builders for the purpose of selling such mortgages, then the builder is either having to absorb losses or enjoy a reduction in his profits. If you provide that builder with a par purchase program, so that he no longer has to absorb the discounts, you have created a program for the exclusive benefit of the builder. The only way in which the consuming public can participate in the benefits of a par purchase program is for the builder to reduce his prices by at least a portion of the discount he would otherwise have had to pay. If a par purchase program is for the benefit of the home-buying public, it should result in lower housing cost for the home buyer.

I have seen no study of the actual operations of the section 10 program of the 1958 Housing Act as to whether or not in fact mortgages sold to FNMA under that program were sold at prices below the reasonable value fixed by the Veterans' Administration. In my opinion and from my own experience, the bulk of such mortgages sold under that program were sold at the same price that the same houses were sold at, where the builder did absorb the discount. The net effect present in many cases was that program 10, while it stimulated housing in a recession, constituted a windfall to the bulk of builders using the program.

Program 10 didn't lower the cost to the home buyer in most cases; it merely increased the profit of the builder. Undoubtedly there were instances where builders did pass on to the consumer some of the benefits of the par purchase program. Before this Congress passes another program of similar magnitude, however, it ought to find out what happened to the billion dollars spent in 1958 and 1959 and who received substantial economic benefits and who is going to benefit from the proposed program in 1960. I certainly do not believe that the condition of the building industry today is in such serious state that a billion dollar Treasury program is necessary to improve the profit margins of the builders.

Senator CLARK. Mr. Joe L. Sneed, cochairman, James White's Fort Association, Knoxville, Tenn.

Mr. Sneed, would you sit down in the middle chair and then tell us who your associates are for the record.

STATEMENT OF JOE L. SNEED, COCHAIRMAN; ACCOMPANIED BY MRS. EARLE COULTER, PRESIDENT, JAMES WHITE'S FORT ASSOCIATION, KNOXVILLE, TENN.; AND DAVID BATTAGLIA, WITH SENATOR KEFAUVER, WASHINGTON, D.C.

Mr. SNEED. Senator Clark, this is Mrs. Coulter, who is also a co-chairman of the James White's Fort Association.

Mr. BATTAGLIA. I am David Battaglia, sir. I am with Senator Kefauver.

Senator CLARK. We are happy to have you. I am sorry my associates on the subcommittee are not here. I can assure you we will read your testimony with interest.

Will you proceed in your own way. I understand you have no prepared statement. Try to be as brief as you can.

Mr. SNEED. Mr. Chairman, and members, I am very grateful for the opportunity to appear before your subcommittee in support of the bill, S. 3148, which would permit the Housing and Home Finance Agency to donate to a public or private and nonprofit organization real property, not to exceed 1 acre, acquired in an urban renewal area, if the Administrator finds that the property has historic significance of general interest and if such property is to be preserved on a non-profit basis as an historical site or monument.

I have here a file which I would like to submit for the record from citizens throughout the State, the city, and the county who are so influential and important to our area that we do not have any hesitancy in presenting to you. The Knoxville Housing Authority is in accord with this project, but is unable to give us this land without proper legislation.

Senator CLARK. Is there not some thought that it could be authorized at the Washington level if the Agency wanted to do it?

Mr. SNEED. I beg your pardon?

Senator CLARK. It is my understanding, which may be wrong, that this could be done administratively if the people in Washington wanted to do it, but they do not?

Mr. SNEED. I was informed that it could not be done.

Am I right?

Mr. BATTAGLIA. Sir, section 1 of the Housing Act precludes the donation of land without compensation in the amount of what is determined to be the fair value of the land. I have a letter from Mr. Walker concerning that.

(The letter referred to follows:)

HOUSING AND HOME FINANCE AGENCY,
URBAN RENEWAL ADMINISTRATION,
Washington, D.C., December 11, 1959.

HON. ESTES KEFAUVER,
U.S. Senate, Washington, D.C.

DEAR SENATOR KEFAUVER: Administrator Norman P. Mason has asked me to reply to your note of November 18, concerning a letter you received from Mrs. Earle Coulter of Knoxville, Tenn.

This Agency has taken every step it can reasonably take to assist in the restoration of historic sites located in the urban renewal areas of America's cities. However, title I of the Housing Act of 1949, as amended, precludes this Agency from permitting the sale of urban renewal project land at less than its fair value.

While I can certainly appreciate Mrs. Coulter's concern over the acquisition of a satisfactory site for the Gen. James White House and Fort, there is no authority under title I to dispose of the urban renewal project land proposed for this site at less than its fair value.

Mrs. Coulter's letter to you of October 26, 1959, is returned herewith.

Sincerely,

DAVID M. WALKER,
Urban Renewal Commissioner.

Senator CLARK. You agree that it could be sold for a pretty moderate price?

Mr. SNEED. I think that it could, sir. They have it valued at \$32,000. I think that is because of the entire project being as large as it is, and they are taking the whole value of the land and throwing it in with the administrative cost and so forth.

Senator CLARK. They are thinking of it for some use other than historical purposes, so that runs the price up, does it not?

Mr. SNEED. Commercial, yes.

Senator CLARK. So if they wanted to consider this in accordance with the urban renewal plan to preserve a historical monument there, they could knock this price down very substantially, could they not?

Mr. SNEED. I feel it could be done.

Senator CLARK. So we are in a position where you ask us to legislate because the Agency will not do what you think it ought to do anyway.

Mr. SNEED. It is my understanding that the law will not permit it. The present housing law has to be amended in order to be able to do it.

Senator CLARK. We are interested in your proposition.

Mr. SNEED. As a matter of fact, we are just intimidated little citizens here to appear before you and are rather unprepared.

Senator CLARK. It may well be that we ought to pass your bill anyway just to make the Agency do what some of us think they ought to do. But you go ahead and make your presentation.

Mr. SNEED. That is very wonderful, Senator Clark. We would be very happy to have it done.

Senator CLARK. I am speaking only for myself and not for the others. You go ahead.

Mr. SNEED. We have a letter from the agency of the Knoxville Housing Authority, also a letter from the mayor of the city of Knoxville, John Duncan, who is in favor of it.

Senator CLARK. I would like to have those letters appear in the record, if it will be all right with you. Leave copies with the stenographer, please.

Mr. SNEED. I will leave it for you, Senator.

We also have a letter from a Knox County Board of Commissioners and we have one from the Knox County judge. We have letters from the State societies of the Daughters of the American Revolution and the Daughters of the American Colonies, the Daughters of Patriots and Founders of the American—

Senator CLARK. Copies of all these letters will be printed in the record at the end of your statement.

Will you just tell us, Mr. Sneed, what White's Fort is and who Gen. James White was? I admit my ignorance in not knowing.

Mr. SNEED. May I turn that over to Mrs. Coulter, with your permission, sir.

Mrs. COULTER. Gen. James White was a public official, and the founder of Knoxville. He was born in Rowan County, N.C., in 1747. He was a captain in the Revolutionary War and, as such, was entitled to a land grant, which he accepted in middle Tennessee, but never lived upon.

He purchased this land in Knoxville, which he bought from the State of North Carolina. In 1786, he built a story-and-a-half log house.

I am going to give you here, written by the head of the History Department of the University of Tennessee, a compilation of the national significance of this area. It is by Dr. Folmsbee, who says—

At the request of the James White's Fort Association, Inc., I am making this statement concerning the place of James White and White's Fort in our national history. After purchasing a large tract of land from North Carolina, James

White was in the vanguard of a considerable migration of settlers into a region which was Indian country, according to the Federal Treaty of Hopewell of 1785 with the Cherokee Indians.

Senator CLARK. I suggest you just put that statement into the record where it can be read by all the members of the subcommittee.

Mrs. COULTER. Yes, we will.

Senator CLARK. I understand this fort was founded in 1788, was it?

Mrs. COULTER. Yes, it was, and it was garrisoned 2 years later by a small garrison of Federal soldiers. Of course, when Governor Blount was made governor of the territory south of the Ohio River, he was in charge of Indian affairs, and the Indians were all over the mountains.

They had nowhere to stay, no cabins of any sort. So General White built this himself. It was not a fort, as we think of a fort. It was only three-quarters of an acre. A stockade that they could put their cattle in. It had these little houses at each corner that they might stay until they took up their land.

Senator CLARK. Does the sketch which you have presented to this committee represent the appearance of the fort today?

Mr. SNEED. No, sir, not today, because the fort is gone.

Mrs. COULTER. We only have the house, which is in good condition and which we will relocate.

I would like to state here that we did not ask for this land just because it was in an urban renewal area, and we thought we might get it. It is part of the original land that James White owned.

Senator CLARK. What is your purpose?

Mrs. COULTER. The reason for having this at all is because we feel that the schoolchildren and people in the future will never have a chance to know anything but pushbutton living unless we save something of the primitive for them to see.

Senator CLARK. Do you propose to restore the original fort?

Mrs. COULTER. Yes, at its three-quarters of an acre size.

Senator CLARK. To make it look like the sketch which is before the committee?

Mrs. COULTER. Just like that, yes, sir.

The house was moved in 1906. Progress came along and took the land, so the house was moved, and it was carefully moved. Every log was marked. We want to bring it back.

Senator CLARK. What you want to do is to get from the urban renewal area the original land?

Mrs. COULTER. No, some of the original land, not the exact spot.

Senator CLARK. Some of the original land, not in excess of 1 acre?

Mrs. COULTER. That is right.

Senator CLARK. You want to move back the old house and restore the stockade and other buildings and preserve it as a historical monument?

Mrs. COULTER. That is right.

Senator CLARK. If you get the land as a result of this bill, can you raise the rest of the money from private funds?

Mrs. COULTER. We think we can. We will have some help from the State and from the State Historical Commission, to which we have already made application, and we have already raised locally over \$15,000. We will have the land on which the house now stands to sell, which is a good piece of land also.

Mr. SNEED. We have bought the house; it is paid for.

Senator CLARK. You own this other land?

Mrs. COULTER. Yes, we do.

Senator CLARK. Let the record show that the witnesses produced a sketch, showing a proposed restoration of Gen. James White's home in Knoxville, Tenn., known as White's Fort, built in the 1780's, which, unfortunately, cannot appear in the record. You can leave it with us if you want.

Mr. SNEED. We would like to have this for the record.

Senator CLARK. Does that just about cover your problem, or do you want to add something?

Mrs. COULTER. Of course, we realize that the housing authority may object to this on account of the fact that it does take some money out of their budget, so to speak. But, at the same time, our own housing authority is very, very much in favor, to a man, of our having it. We feel it is of enough interest, as these letters will show that we have furnished you for the record, to make it worthwhile for the Federal Government to take a hand.

Senator CLARK. How much are they asking for that land now?

Mrs. COULTER. \$32,000.

Senator CLARK. Have you been up there to try to negotiate with them and see if they will not make you a better offer?

Mrs. COULTER. We were given to understand, as things stand now, as Mr. Sneed explained to you, there is some other land in this whole area which they have taken over, which is very valuable. It just happens that this is in the downtown area. In fact, it is only one block from the Andrew Johnson Hotel, the largest in town.

Senator CLARK. So this is very valuable real estate.

Mrs. COULTER. It is very valuable real estate.

Mr. SNEED. I do not think this is so valuable as the other pieces. They are on the level area and down in the business district.

Mrs. COULTER. But the strange thing is that the historic area of Knoxville does lie right behind the main street, almost. Yet, it is an urban area because it has gone down in that particular area.

Senator CLARK. I would make an informal suggestion, which is only for me personally, that while you are here in Washington you go down and see the agency people and explain to them what took place at this hearing and ask them if they cannot give you a better figure, which you might be able to raise from your own sources, without asking the Congress to make an exception in this case. Then, if you find they will not do it, let us know, and we will see where we go from there.

Mr. SNEED. We are hoping that this national bill will not only help the James White Association, but it will help many other historic organizations.

I would like to mention that this fort was most important nationally because it was the territory south of the Ohio River. It was a fort that was used in opening the westward movement. Today, General James White's descendants are still prominent in the law-making bodies of our country.

Senator CLARK. Thank you very much.

Do you care to add anything, any of you?

Thank you so much. We are happy to have you.

Mr. SNEED. Thank you for the opportunity of appearing.
(The material attached to Mr. Sneed's statement follows:)

STATEMENT OF ESTES KEFAUVER, A U.S. SENATOR FROM THE STATE OF
TENNESSEE

Mr. Chairman and members, I'm very grateful for the opportunity to appear before your subcommittee in support of my bill, S. 3148, which would permit the Housing and Home Finance Agency to donate to a public or private nonprofit organization real property, not to exceed one acre, acquired in an urban renewal area, if the Administrator finds that the property has historic significance of general interest and if such property is to be preserved on a nonprofit basis as an historical site or monument.

Surely there's not one person here who doesn't recognize the importance of preserving our Nation's historic sites and buildings. They serve as eloquent reminders of the debts we owe those Americans who came before us, and as a constant inspiration, illustrating as they do the hardships men endured in order to be free.

My good friends, Mrs. Earle Coulter and Mr. Joseph Sneed, have told the subcommittee something of the remarkable story of a truly admirable man, General James White, who to my mind represents what is finest in our American heritage. It is the purpose of my bill to promote and encourage the preservation of tangible reminders of men like James White, not only in Tennessee but throughout the Nation.

Time moves on, and what was virgin timber in the late 18th century becomes thriving, pleasant towns. By now, though, the oldest parts of many of our towns and cities—where historic sites are usually found—have become blighted and in need of renewal. True, most old buildings don't warrant special consideration; but here and there is a spot that because of some association in the past is worth keeping. I submit that our urban renewal programs can be even more effective if more than token encouragement is given to the preservation of historic sites that fall within urban renewal areas. Reminders of the past will add character, interest and value to what otherwise might be expanses of raw, new mid-20th century buildings.

The James White's Fort Association is embarked upon a very, very meritorious project, and the public-spirited citizens who make up the association are doing a magnificent job in marshaling support for permanent recognition of James White. The project will cost the association and its supporters some \$100,000 to move and furnish General White's house, and to construct a replica of the stockade which protected the early settlers. In light of this substantial expense, and in light of the debt that the entire Nation owes James White, as detailed by Mrs. Coulter and Mr. Sneed, it's felt that the Federal Government can bear a greater burden in acquiring the land than the law now allows.

I feel that there are in the country other sites that merit the treatment which my bill would provide, and I hope that the law can be changed so that we and those who follow us can gain inspiration from those who came before. Thank you very much.

STATEMENT OF ALBERT GORE, A U.S. SENATOR FROM THE STATE OF TENNESSEE

Mr. Chairman, I am glad to have this opportunity to appear before this subcommittee in support of S. 3148, introduced by my distinguished colleague, Senator Kefauver.

Enactment of this bill would make possible the restoration and preservation of historic shrines lying within the area of urban renewal projects. Some urban renewal projects already underway include sites of major historic interest, the significance of which will be forever lost unless action is taken promptly.

The need for prompt enactment of legislation such as that proposed in S. 3148 is demonstrated by a situation which exists with respect to an urban renewal project in Knoxville, Tenn. This particular urban renewal area includes part of the tract upon which were located the historic residence and fort of Gen. James White, a Revolutionary War officer, a pioneer settler of the territory south of the Ohio and founder of the settlement which became the city of Knoxville.

There is a great deal of interest among local citizens and civic groups in the restoration of the James White cabin and fort. The James White Fort Association has been organized to undertake a restoration program and to preserve the shrine on a nonprofit basis. The plans of the association can go forward if the association can obtain title to the small plot of land which is part of the original tract upon which the structures were located. I am informed by the executive director of the Knoxville Housing Authority that the plans of the association are fully consistent with plans for the construction of a housing project within the area and that the housing authority strongly supports the proposal of the James White Fort Association.

Under the provisions of S. 3148, conveyances are limited to transfers to eligible public and private nonprofit organizations. In no instance could land in excess of one acre be conveyed. The authority contained in the bill is permissive only and may be exercised only when the Administrator finds that the project has historical significance of general interest which is to be preserved, restored, or otherwise developed as a historical site to be operated on a nonprofit basis under a plan of use which is not inconsistent with the overall urban renewal plan. These limitations constitute adequate safeguards against misuse of the authority contained in the bill and restrict the use of such authority to those instances in which the preservation of a historic site is in the public interest.

Congress has long recognized the importance and desirability of preserving for posterity landmarks which played an important role in the development of our country. This bill proposes no direct appropriation of Federal funds. It would only make possible the conveyance of small historical sites to public-spirited groups interested in preserving them. It would, thus, encourage both public and private groups to take such action.

I commend this bill to the attention of the subcommittee and respectfully urge its favorable consideration.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D.C., March 22, 1960.

HON. HOWARD H. BAKER,
House of Representatives,
Washington, D.C.

MY DEAR COLLEAGUE: I am writing in answer to your letter to Chairman Spence on your bill, H.R. 10894. I am glad that there is so much local support in your district for the preservation of a historical site and am certainly in sympathy with their objectives. Moreover, this would seem to fit in well with the growing feeling that parks and other open areas should receive more emphasis.

At present our attention is concentrated on H.R. 10213, the Emergency Home Ownership Act, which I feel is sorely needed to halt the sharp drop in home-building. I am hopeful that this bill will speed through the House before the Easter recess. My Housing Subcommittee will begin hearings on a general housing bill sometime late in April and I assure you that we will have your proposal before us when we do.

Sincerely yours,

ALBERT RAINS, *Chairman.*

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., March 28, 1960.

HON. ALBERT RAINS,
Chairman, Subcommittee on Housing,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: I deeply appreciate your fine letter of March 22 relative to H.R. 10894.

Senator Kefauver has introduced an identical bill in the Senate, and we are very much interested in obtaining enactment at this session.

It is most gratifying to know of your interest in this matter.

Sincerely,

HOWARD H. BAKER.

CITY OF KNOXVILLE, TENN.,
March 30, 1960.

HON. ESTES KEFAUVER,
U.S. Senate,
Senate Office Building,
Washington, D.C.

DEAR SENATOR: I appreciate your interest in the James White Fort project for Knoxville and I am sure it will be a fine attraction for the city of Knoxville when it is completed.

City council went on record February 11, 1960, supporting this project and appropriated \$3,000 toward the expense of this project.

Anything you do in support of this bill will be appreciated.

Best wishes, I am,

Sincerely,

JOHN J. DUNCAN, Mayor.

KNOXVILLE, TENN., May 2, 1960.

HON. JOHN SPARKMAN,
U.S. Senator,
Senate Office Building,
Washington, D.C.

DEAR SIR: In connection with your subcommittee hearing on S. 3148 I would like to inform you and the committee that the city of Knoxville is very much in favor of the project sponsored by the City Association of Women's Clubs in view of the fact the city of Knoxville has obligated for certain financial assistance in order that this land can be obtained for the James White Fort and House.

The City Council of Knoxville has gone on record also in favor of this bill and your earnest consideration will be appreciated by all.

Sincerely,

JOHN J. DUNCAN, Mayor.

KNOXVILLE HOUSING AUTHORITY, INC.,
Knoxville, Tenn., January 29, 1960.

Senator ESTES KEFAUVER,
Senate Office Building, Washington, D.C.

DEAR SENATOR KEFAUVER: Mrs. Earl Coulter, president of the James White's Fort Association and its members have requested of the Knoxville Housing Authority a plot of land approximately 1 acre which is located at the east end of Hill Avenue Bridge north side. This land is to be used for the restoration of the James White's house and fort which is of great historic value to not only this section of the United States but is of national importance due to the part it played in the early development of Tennessee and also of the opening of the west.

We regret that due to the title I of the Housing Act we are unable to donate this land. However, the Knoxville Housing Authority wishes to go on record as heartily endorsing this most worthwhile project. We hope that some action can be taken to allow this land be given this association and appreciate any assistance that you can give regarding the reconstruction of this historic fort.

Yours very truly,

ROBERT C. HEMBREE, Executive Director.

KNOXVILLE HOUSING AUTHORITY, INC.,
Knoxville, Tenn., May 2, 1960.

Senator ESTES KEFAUVER,
Senate Office Building,
Washington, D.C.

DEAR SENATOR KEFAUVER: In a conversation with Mr. J. L. Sneed this morning, there seems to be some doubt as to the Knoxville Housing Authority's attitude concerning bill No. S. 3148 introduced by you.

This is to advise that the Knoxville Housing Authority, Inc., heartily indorses this worthwhile program.

If we can be of any help, please advise.

Yours very truly,

ROBERT C. HEMBREE, Executive Director.

KNOX COUNTY BOARD OF COMMISSIONERS,
Knoxville, Tenn., May 9, 1960.

In re SB-3148.

HON. JOHN SPARKMAN,
Senator From Alabama,
Senate Office Building, Washington, D.C.

DEAR SENATOR SPARKMAN: It is our considered opinion that the above-named bill is certainly worthy of your full support and we jointly urge that you use every means at your disposal to aid in the passage of this measure.

The restoration of the James White Fort as a historical development is a most highly favorable project from every angle and has gained the full cooperation of your elected officials as well as other civic leaders. We, of the board of commissioners, would be most grateful for your careful consideration on this matter.

Most sincerely,

C. C. SPANGLER,
Chairman.
 WM. P. WILSON,
Secretary.
 WM. C. TALLENT,
Member.

KNOXVILLE COUNTY, TENN., *May 9, 1960.*

SENATOR JOHN SPARKMAN,
Chairman, Housing Subcommittee of the Committee on Banking and Currency,
Senate Office Building, Washington, D.C.

DEAR SENATOR SPARKMAN: I am writing to request that you lend your support to bill No. S. 3148, amendment to housing authority, to allow land up to an acre to nonprofit organizations to be used for the preservation of historical shrines.

The Knox County Board of Education approved a plan for the solicitation of funds for the purpose of restoring the James White Fort. The board felt that the preservation of the James White Fort is of local, State, and National historical value.

We will appreciate anything that can be done to see that this land is given to the James White Fort Association.

Sincerely,

MILDRED E. DOYLE,
Superintendent, Knox County Schools

KNOXVILLE CHAMBER OF COMMERCE,
Knoxville, Tenn., May 10, 1960.

HON. JOHN J. SPARKMAN,
Chairman, Subcommittee on Housing, Banking and Currency Committee, Senate
Office Building, Washington, D.C.

DEAR SENATOR SPARKMAN: We understand that your committee is currently considering a possible amendment to the housing bill, S. 3148, which would allow the use of certain properties in redevelopment areas for historical, nonprofit purposes. May we respectfully urge your favorable consideration of such an amendment.

We have found broad interest in Knoxville and Tennessee for the establishment of a historical shrine on a site in a redevelopment area here, and we feel that this interest is paralleled in many other areas throughout the country.

In our country's tremendous growth and development, we hope that proper attention always can be given to recognition of the pioneers who built our Nation. Such recognition may be most opportune in redevelopment areas—as is true in Tennessee's effort to create a suitable memorial to James White, the founder of Knoxville.

We are taking the liberty of conveying this endorsement to Tennessee's Senators Kefauver and Gore and to our own Congressman Howard Baker.

Respectfully yours,

CHARLES F. HERB, *Manager.*

STONE, BOZEMAN, HORDE & STOCKTON,
Knoxville, Tenn., April 4, 1960.

In re Senate bill No. 3148.

HON. ESTES KEFAUVER,
Senator from Tennessee,
Senate Office Building,
Washington, D.C.

DEAR SENATOR KEFAUVER: This letter is written for the purpose of congratulating you for your continuing interest in the preservation of historical monuments and grounds as evidenced in the Senate bill No. 3148 which you introduced for the purpose of providing for the disposition for historical site purposes of certain real property acquired in urban-renewal areas. In preserving those things of historical significance, we, in effect, are preserving America and the American way of life for generations yet to come.

The enactment of this proposed legislation into law will assure the preservation of James White Fort which played so important a part in the development of Knoxville, the State of Tennessee, and even the territory south of the Ohio. Several hundred Tennesseans have already been involved in the attempt to preserve this historical monument. Both the city and county school boards have enthusiastically endorsed the restoration and preservation of this fort and have included this project as part of the school program to the extent of allowing the more than 50,000 schoolchildren here to participate by donating pennies and honoring James White by writing essays, playlets, etc. The last time I can remember this having been done here was for the preservation of Old Ironsides many years ago.

The city and county governments are supporting this project and have contributed, along with other citizens, toward the purchase of the James White House, which was purchased last summer. The city of Knoxville has already named the new city auditorium which is presently under construction the James White Memorial Auditorium. The land on which the James White Fort is to be reconstructed is located adjacent to the James White Memorial Auditorium on property presently owned by the Knoxville Housing Authority. Your efforts in acquiring that land for this purpose will be greatly appreciated by all.

Because I feel sure there are other historical sites located within urban renewal areas which should be preserved, I am sure you will have other Senators and Congressmen who will assist you in the passage of this measure. We wish you the best of luck in this endeavor.

Yours truly,

C. HOWARD BOZEMAN.

HAMILTON NATIONAL BANK,
Knoxville, Tenn., May 10, 1960.

HON. JOHN SPARKMAN,
U.S. Senate,
Washington, D.C.

DEAR SENATOR SPARKMAN: Some of the outstanding citizens of Knoxville, Knox County, State of Tennessee, are very much interested in the restoration of the Gen. James White Fort to be one of the historical monuments of this country. These people would not be advocating any thing they weren't entitled to, and we would be very appreciative if you would give your support to Senate bill S. 3148.

We assure you that all your efforts in behalf of this bill will be deeply appreciated by the State of Tennessee.

Yours sincerely,

HOWARD P. PRESTON, *Chairman.*

KNOXVILLE, TENN., May 9, 1960.

Senator JOHN SPARKMAN,
Chairman, Subcommittee on Housing of the Banking and Currency Committee,
Senate Office Building, Washington, D.C.

DEAR SENATOR: The James White Fort Association, a nonprofit organization for the James White Fort in Knoxville, Tenn., will appear before your committee on Thursday, May 12, 1960. They are appearing in support of bill S. 3148 which is an amendment to the housing authority providing for some tracts of land to be given for historical purposes.

This amendment is supported by our Senators and we hope that you will be able to give us some help in this connection. We know that you have great influence with the committee and trust that you will be able to give your assistance to this very important historical restoration program.

Sincerely,

CHARLES D. LOCKETT.

HOME FEDERAL SAVINGS & LOAN ASSOCIATION,
Knoxville, Tenn., May 9, 1960.

HON. JOHN SPARKMAN,
*Chairman, Subcommittee on Housing of the Banking and Currency Committee,
Senate Office Building, Washington, D.C.*

DEAR SENATOR: We understand that the Gen. James White Fort Association chairman is to meet with you on Thursday, May 12. We would like to go on record as wholeheartedly endorsing this association in their effort to restore the James White Fort and home, as we feel it played a very important part in the early history of our State. We are in favor of and endorse S. 3148 which will permit the housing authority to donate this land for historical purposes. We will appreciate all of the assistance that you can give the representatives appearing before you.

Sincerely yours,

WILLIAM C. WALKUP, *President.*

EAST TENNESSEE AUTOMOBILE CLUB,
January 19, 1960.

Senator ESTES KEFAUVER,
*Senate Office Building,
Washington, D.C.*

DEAR SENATOR: The AAA East Tennessee Automobile Club asks your help in a project of historical interest. We are very much interested in seeing that the reconstruction of the James White Fort is a reality in the city of Knoxville.

It is our understanding that this project will need assistance in acquiring the land necessary for construction. We believe this project is important enough to merit consideration for a piece of the surplus land brought about by the redevelopment of First Creek by the Knoxville Housing Authority.

May we remind you of the early settlement of this land and the importance it played in the territory south of the Ohio. Since there are so many tourists that visit this area, we believe it is a project of great historical interest, not only to the State, but to our many millions of visitors.

We solicit your support in this historical development.

Sincerely,

LUKE WRIGHT, *General Manager.*

EAST TENNESSEE AUTOMOBILE CLUB,
May 2, 1960.

Senator JOHN SPARKMAN,
*U.S. Senate,
Senate Office Building,
Washington, D.C.*

DEAR SENATOR SPARKMAN: The East Tennessee Automobile Club is very much interested in bill S. 3148. I understand this bill is to come before your committee in the very near future and we hope for favorable action. For several years now, the automobile club has had an interest in promoting the James White Fort Memorial in Knoxville.

This fort has special significance to this area as it was the first house and fort in Knox County and was used as a headquarters for the settlers and in the development of the territory south of the Ohio River. Further, it is my understanding that it served as a gateway to the Southwest. Therefore, this fort is not only of historic interest to the State of Tennessee but to the United States as well.

With over 3 million people visiting our Great Smoky Mountain National Park each year, a great portion of these people passing through Knoxville would have an opportunity to visit this historical spot.

The passage of bill S. 3148 will enable the James White Fort Association to acquire the land and to locate this national shrine very near to its original location.

Your support and interest will be greatly appreciated by the East Tennessee Automobile Club.

Sincerely,

LUKE WRIGHT, *General Manager.*

PARK NATIONAL BANK,
Knoxville, Tenn., May 10, 1960.

HON. JOHN SPARKMAN,
*Chairman, Subcommittee on Housing,
Banking and Currency Committee,
Senate Office Building, Washington, D.C.*

MY DEAR SENATOR SPARKMAN: We would like to inform you that we endorse and sponsor restoration of James White's Fort and feel that it is of great historical interest to our State and country because of the early part this fort played in the development of the territory south of the Ohio and the opening of the West.

We will appreciate any consideration you can give the members appearing before you of the James White's Fort Association on Thursday, May 12.

We endorse bill S. 3148, which is now in process and will appreciate your giving it every consideration for prompt passage.

Yours very truly,

JOS. V. ANDERSON, *President.*

KNOXVILLE, TENN., *May 9, 1960.*

Senator JOHN SPARKMAN,
*Chairman of Housing Subcommittee,
Banking and Currency Committee,
Senate Office Building, Washington, D.C.*

DEAR SENATOR: As chairman of the Housing Subcommittee, we would like to appeal to you to support and promote bill S. 3148, which is an amendment to the housing authority providing for some tracts of land to be given for historical purposes.

The James White Fort Association is to appear before your committee on Thursday, May 12. We wholeheartedly endorse the James White Fort and the association that is supporting it.

Any assistance that you can give to this group will be appreciated.

Sincerely,

JOHN C. COX,
President, Bank of Knoxville.

TENNESSEE SOCIETY,
DAUGHTERS OF THE AMERICAN REVOLUTION,
Nashville, Tenn., March 14, 1960.

Senator ESTES KEFAUVER,
Senate Office Building, Washington, D.C.

DEAR SENATOR KEFAUVER: The Tennessee Society, Daughters of the American Revolution, at their annual State conference, Memphis, March 9, 10, 11, 1960, went on record as approving and endorsing the plan to make the James White Home and Fort a Tennessee historical shrine. Our State society represents a membership of over 4,000 women vitally interested in the preservation and restoration of historical sites in our beautiful State.

Our organization hopes that you will do all in your power to make available the land needed from the property acquired by the Federal Government in the urban renewal program.

Very truly yours,

HELEN HAWKINS MORFORD
Mrs. Theodore Morford,
Regent.

MARY NEAL BRYAN
Mrs. Edward E. Bryan,
Recording Secretary.

GEN. JAMES WHITE HOME AND FORT RESTORATION

Nine local chapters of the Daughters of the American Revolution are sponsoring a benefit tea, Friday, March 25, from 3 to 5 at the Andrew Johnson Hotel. Tickets are 50 cents and may be purchased from any DAR Chapter, Miller's & Rich's. Tickets may also be purchased at the tea.

Schoolchildren, both city and county, are having a week of history. They will be given an opportunity to donate to the restoration fund.

The following historic organizations are sponsoring the restoration:

Tennessee Society, Daughters of the American Revolution.

Tennessee Society, Sons of the Revolution.

Tennessee Society, Daughters of the American Colonists.

Tennessee Chapter, Daughters of Founders and Patriots of America.

East Tennessee Historical Society and other patriotic and civic organizations.

Gen. James White, soldier, public official, and founder of Knoxville, first came to Tennessee in 1783. He settled and built his home on land located at what is now just north of First Presbyterian Church, between State Street and Central Avenue.

White's Fort. The home became one corner of the fort in 1786, was garrisoned by Federal troops in 1788.

This house is still standing, 174 years later, and being used as a home.

White's Fort was first in North Carolina, then the State of Franklin, the territory south of the River Ohio, and now State of Tennessee.

James White was a captain of North Carolina Militia during the Revolutionary War. He was given lands in middle Tennessee for revolutionary service, but decided to settle in east Tennessee and purchased land in what is now Knoxville and Knox County.

In 1785 he was a member of General Assembly of the State of Franklin which met at Jonesboro and was speaker of the senate. He was a member of the Constitutional Convention that met at Greeneville. He was a representative from Hawkins County in the Legislature of North Carolina. Member of the Convention that ratified the Constitution of the United States. Governor Blount, while Governor of the territory south of the Ohio appointed Captain White major of the militia and justice of the peace of Hawkins County.

Major White had the city laid out into 64 lots by Col. Charles McClung, who later became his son-in-law, into ½-acre lots and sold for \$8 each.

Major White was appointed lieutenant colonel and justice of peace for Knox County and was chosen chairman of the court of pleas and quarter session.

Colonel White was gifted with sympathy, understanding, patience, and tact. He rendered valuable service in dealing with Indians and hotheaded settlers. He displayed these qualities when he protected the red man from the settlers at Gist's, near the mouth of Dumplin Creek. On another occasion when he rescued his half-sister, Mrs. Joseph Wilson and family from Creek Indians in Sumner County, Tenn., the Indian chief told him that because of his goodness the Great Spirit had aided him.

Colonel White was sent to Gamble Station to prevent trouble between the settlers and Indians. This required great force of personality.

General White was placed in command of the defense of Knoxville when the city was to be attacked by the Cherokee and Creek Indians, which were led by John Watts and Doublehead.

General White had a lot laid out for Blount College, now the University of Tennessee and was a charter member of the board of trustees.

James White was an elder in Lebanon Presbyterian Church, the first church organized in Knox County. He was also an elder in First Presbyterian Church in Knoxville, for which he donated the land and cemetery lot.

General White was a member of the territorial house of representatives and when the State was preparing for admission into the Union, General White was a member of the Constitutional Convention.

He was elected Senator in the first General Assembly of the State of Tennessee and later became speaker of the senate.

James White was brigadier-general of Hamilton district and served in the Creek War of 1813 in Alabama.

Dr. Mellon, the historian, says of General White, "* * * of James White, as a soldier, citizen, official, and Christian, nothing needs to be added to the bare records of his service to his home, country, and church."

General White and his wife, Mary Lawson, are buried in First Presbyterian churchyard. They were the parents of three sons and four daughters.

1. Hon. Hugh Lawson White, statesman, who was asked to run for President of the United States and U.S. Senator.

2. Moses White, married Isabella McNutt. Their son, George McNutt White, held a number of local offices.

3. Margaret White married Col. Charles McClung.

4. Melinda White married Col. John Williams who was also a U.S. Senator and Minister of Affairs to Guatemala.

5. Cynthia Berry White married Gen. Thomas Adams Smith.

6. Mary McConnell White, the widow of Dr. Francis May; married the second time, Judge John Overton of Nashville. Judge Overton was the founder of Memphis. Their home in Davidson County is now owned by the Colonial Dames and is known as Travelers Rest.

7. Andrew White died at age 27.

Richmond Pearson, chief justice of North Carolina, married General White's granddaughter and his great-grandson was Adm. Richmond Pearson Hobson of the U.S. Navy, whose birthplace was Magnolia Grove in Greensboro, Ala. This home is now a State shrine. The Pearson home, Richmond Hill, is located in Asheville, N.C. It also is being converted into a State shrine.

Gen. James White and his wife have many descendants throughout the State of Tennessee as well as the United States.

TENNESSEE CHAPTER,
DAUGHTERS OF FOUNDERS AND PATRIOTS OF AMERICA,
Knoxville, Tenn., March 7, 1960.

Senator ESTES KEFAUVER,
Senate Office Building, Washington, D.C.

DEAR SENATOR KEFAUVER: The Tennessee Chapter, Daughters of Founders and Patriots of America, recently went on record as approving wholeheartedly of the restoration work now underway on behalf of the James White home and fort. We have also made a financial contribution.

We hope that you will do all within your power to further the bill which will make the land available for the permanent maintenance of this east Tennessee shrine.

Of course, you realize as we do that it is more than an east Tennessee shrine, for James White has descendants all over the State. Many of the pioneers of other sections of the State passed through James White Fort on their way.

Sincerely,

MARIANNE T. BURKE
Mrs. James H. Burke,
President.

EAST TENNESSEE HISTORICAL SOCIETY,
Knoxville, Tenn., March 25, 1960.

Hon. ESTES KEFAUVER,
*U.S. Senate,
Washington, D.C.*

MY DEAR SENATOR: The East Tennessee Historical Society, with a membership of over 700 persons residing in all parts of the United States, has unanimously endorsed the proposed restoration of the James White home and fort in Knoxville, sponsored by the James White Fort Association, Inc.

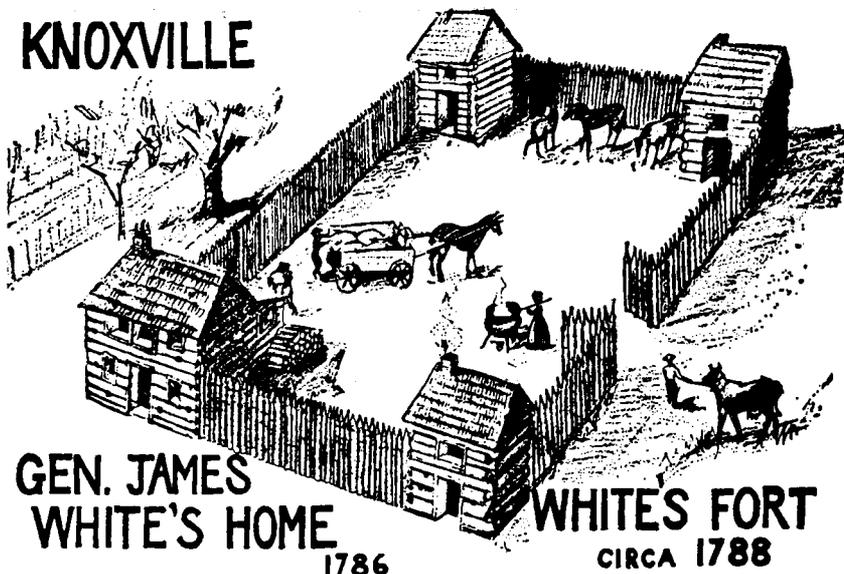
Very truly yours,

POLLYANNA CREEKMORE, *Secretary.*

The Beginning Of Knoxville

Below is a sketch of WHITE'S FORT, built by James White
He was the founder of Knoxville*

KNOXVILLE



GEN. JAMES
WHITE'S HOME

1786

WHITE'S FORT
CIRCA 1788

HOW KNOXVILLE STARTED—How'd you like to have lived in Knoxville when it was no more than James White's Fort, built about 1785? Gen. White, Knoxville's founder, first built his cabin, shown at lower left, and later erected three other cabins to house visitors. He built the stockade as defense against possible Indian attacks. Today the City Association of Women's Clubs is heading a movement to restore the cabin and fort on an E. Main Ave. site adjacent to the James White Memorial Auditorium. Betty Mitchell, Knoxville artist, did this sketch.

JAMES WHITE, PIONEER

In 1786, James White, his wife and children came across the mountains from North Carolina, down the French Broad and Holston Rivers, to become Knoxville's first settlers. Finding a spot where a large creek flowed into the winding Tennessee River, James White followed the creek a few hundred yards upstream and built a cabin for his family on a wooded hill above it.

In order to build this cabin, trees had to be felled and shaped with hand tools to form square logs. This was such hard work that James White would certainly have been forgiven if he had built the simplest possible structure. However, the house he built was very elaborate under the circumstances, having dimensions of 20 by 30 feet, and being a story and a half in height.

Through land grants from the State of North Carolina, James White owned all the land on which the city of Knoxville would later be built. It required great courage for his family to come to this wilderness spot, however beautiful it was, for they knew that the lands directly across the river had been reserved by law for the Cherokee Indians, and Cherokee towns on the Little Tennessee River were only 25 miles away.

By the following year, settlers were beginning to pour into the Tennessee country. Many of them found it convenient to visit the Whites for a few days before going on to take up land of their own. James White was a kindly and hospitable man, so he rebuilt his original home into a fort for the protection of his family, their neighbors, and their visitors, and he built a small tub mill

across the creek from the fort to grind the corn which was the settlers' staple crop.

The fort that he built was a simple one. Using his own house as one corner of it, he built three smaller cabins to form a square. Between the cabins, a stockade of pointed posts was constructed, with a large gate on the side that was near a clear spring.

In 1791, William Blount of North Carolina had been appointed Governor of a new Federal territory, called the Territory South of the River Ohio. White's Fort was selected by William Blount as the spot for an important meeting with the Cherokee chieftains at which the Treaty of Holston was signed.

PLANNING THE TOWN

Because this treaty meeting was so important and successful, William Blount chose White's Fort as the site of the Territory South of the River Ohio, and planned a town to be built there. Of course, James White owned all the land on which Blount planned to build the capital city, but he agreed to sell the necessary ground, reserving certain portions of it for his own use. White's son-in-law, Charles McClung, surveyed the land, and then divided it into 16 blocks containing 64 lots. On October 1, 1791, the new town was christened Knoxville, in honor of Maj. Gen. Henry Knox, who, as Secretary of War, was William Blount's superior in the Department of Indian Affairs.

James White had retained eight lots for himself, and of these he gave one to the town to be used for a church. People who knew James White considered it typical of the man that the lot given for church use was the very one which he had first cleared and on which he had planted his first crop of turnips. This lot, at the corner of State and Church Streets, is still occupied by the First Presbyterian Church, whose churchyard was Knoxville's first cemetery. It seems particularly fitting that James White, who gave the land, and William Blount, who envisioned the city, both are buried there.

James White was a man of wealth and prominence as the wilderness area he had first settled was becoming the capital of the territory south of the River Ohio and the first capital of the State of Tennessee. He was appointed major general of militia, and was called Gen. James White, but he also served as one of the first trustees of Blount College (chartered in 1794, now the University of Tennessee) and as a member of the State legislature, being elected speaker of the State senate. Knoxville is fortunate in having such a man of character and accomplishment as her founder.

Many years ago, James White's loghouse was about to be torn down to make way for business. There was not, at that time, much interest in saving it as a historic shrine. Mr. Isaac Ford, however, felt that the house must be saved; he bought it himself, and had it moved to its present location on Woodlawn Pike. Now the City Association of Women's Clubs has purchased the house, and it is to be moved back to downtown Knoxville, to a spot near where it was originally built. This location, close to the new city auditorium which has been named for Gen. James White, will be both appropriate and convenient.

Plans are to reconstruct the other cabins of White's Fort and the stockade that joined them, and then to refurnish the buildings with furniture and tools of the period. This will be a tremendously interesting thing for all of us who live in Knoxville, and also for visitors to our city. Where else is there a city that is able to show the actual house that was the first one built within its borders?

In 1961, James White's house will be 175 years old. We hope that its restoration, and the reconstruction of White's Fort, will be complete by this birthday.

JAMES WHITE AND WHITE'S FORT

At the request of the James White's Fort Association, Inc., I am making this statement concerning the place of James White and White's Fort in our national history. After purchasing a large tract of land from North Carolina, James White was in the vanguard of a considerable migration of settlers into a region which was Indian country according to the Federal Treaty of Hopewell of 1785 with the Cherokee Indians. Consequently, his log cabin, constructed in 1786 at the site of Knoxville, Tenn., soon became one corner of a small fort which was built for defense against the Indians. The large migration made necessary

the negotiation of a new treaty with the Cherokee to acquire possession of the lands settled. This was done in 1791 at White's Fort by Gov. William Blount of the Territory of the United States South of the River Ohio, which had been created in 1790 after North Carolina had ceded the Tennessee country to the United States. Governor Blount then selected White's settlement for the territorial capital and named it Knoxville in honor of Secretary of War Henry Knox. White's Fort was then supplemented by a Federal barracks, or block-house, garrisoned by Federal troops. As major and then colonel of the territorial militia White was in charge of the defense of the Knoxville area, and he was of great assistance to Governor Blount in his efforts to sustain peace between the Indians and hot-headed settlers.

Before coming to Tennessee James White had been a captain of North Carolina troops in the American Revolution. After moving west he was Speaker of the Senate of the "Lost State of Franklin"; and after this State collapsed he was elected to the North Carolina legislature and to the convention which ratified the U.S. Constitution. After the Tennessee country became a Federal territory and Knoxville (White's Fort) the territorial capital, White was elected a member of the Territory's House of Representatives, the first legislative body created in accordance with the provisions of the Northwest Ordinance of 1787. He was also a delegate to the convention of 1796 which drafted Tennessee's first State constitution as a part of the procedure by which Tennessee became the first State admitted to the Union after having been a Federal territory. White became speaker of the Tennessee Senate but resigned in 1798 in order that William Blount, who had been expelled from the U.S. Senate, might be elected to fill the vacancy. Another reason for White's resignation was to accept an appointment as a commissioner to represent Tennessee at the negotiation of the Treaty of Tellico, by which Federal commissioners acquired more land from the Cherokee Indians. Before 1800 White had become a brigadier general of the Tennessee militia, and when called into Federal service in the War of 1812 he served with distinction, especially in the campaigns against the Creek Indians.

Finally, it should be pointed out that the White cabin and fort, which the association is planning to restore, was the boyhood home of Hugh Lawson White, the son of James White and one of the most distinguished Senators from Tennessee and a presidential candidate in 1836.

Respectfully submitted.

STANLEY J. FOLMSBEE,

Professor of History, University of Tennessee.

Senator CLARK. Mr. Dwight Townsend, director of the Washington office of the Cooperative League of the United States.

Senator SPARKMAN. Mr. Townsend, before you begin, I am going to have to leave. I regret I shall not be able to stay here for your testimony. I will read it most carefully as, usually, you and Mr. Campbell bring some good suggestions for a program which, as you know, I have long believed in and have strongly supported. I just apologize to you for not being able to be here.

Senator CLARK. Mr. Townsend, Senator Williams asked me to express to you his regret in not being able to attend. He is presiding at hearings of another committee right at this point. He is going to try to get here before you get through. I have had him called to tell him you have started your testimony.

Sit down and proceed in your own way.

STATEMENT OF DWIGHT TOWNSEND, DIRECTOR, WASHINGTON OFFICE, COOPERATIVE LEAGUE OF THE UNITED STATES OF AMERICA; ACCOMPANIED BY WALLACE CAMPBELL

Mr. TOWNSEND. I have with me Mr. Wallace Campbell, my predecessor, who is now director of public affairs, National Insurance Co., Columbus, Ohio.

I am pleased to present testimony and express our support for both the Clark bill, S. 3509, and the Williams bill, S. 3512, on housing legislation. Also we support H.R. 10213, which has passed the House and is now pending before this committee.

I want especially to urge favorable action on the proposed cooperative housing amendments to the National Housing Act. These are contained in the Williams bill.

The Cooperative League is a federation of consumer, purchasing, and service cooperatives owned by 14 million family members across the Nation. These people are members of cooperatives that serve their own interest as consumers. They operate in fields of farm supplies, insurance, credit, petroleum, electric energy, medical care, home supplies, housing, and others.

The Cooperative League embraces the largest organized group of consumers, as such, in the country. The interest of the Cooperative League in housing legislation predates the enactment of section 213 when your chairman introduced S. 2246 in 1950 as a middle-income housing bill. It was the loss of this bill by a very few votes that encouraged the addition of section 213 to the National Housing Act. The interest of the Cooperative League consistently has been a matter of record since that time. I am authorized by the resolutions of the league congress and its board of directors to present testimony for legislation to give impetus to the cooperative housing program. The Williams bill, S. 3512, gives this kind of encouragement.

With my statement I would like to file a digest explaining and justifying the provisions of the Williams bill, section by section, with permission of the chairman to include it as part of the record.

Senator CLARK. The digest will be received and admitted at this point as part of the record.

(The material referred to follows:)

EXPLANATION OF THE WILLIAMS BILL, S. 3512, RELATING TO HOUSING COOPERATIVES

I. FHA AMENDMENTS

Section 1. An amendment is proposed that, when FHA receives a request from a local public agency or consumer cooperative to purchase a project acquired by FHA as a result of default, the Commissioner should give first preference to the sale of the project to the local public agency or consumer cooperative, at a price representing the fair market value of the property as determined by FHA. As a practical matter, competitive bidding procedures have precluded such sales. It would be a good policy for the FHA to give such a first preference to the sale of projects to local public agencies or consumer cooperatives, since this will accomplish the sound objective of providing housing at lower costs through nonprofit operations; also where a cooperative purchases, this will enable residents to become cooperative homeowners. The proposed dispositions will better secure the future success of projects which have previously failed as rental properties.

Section 2(1). Section 221 provides for cost certification by the investor-sponsor upon the completion of the physical improvements on the mortgaged property and prior to final endorsement of the investor's mortgage. However, in the completion of the contemplated transaction under section 213, there is a second transaction involving the sale of the project to the cooperative. The Housing Act now limits the price to certified cost, but does not provide for a second cost certification by the investor-sponsor which reflects total project costs as of the date of the sale to the cooperative. A clarifying amendment is proposed which provides for such a cost certification at the time of the sale to the cooperative.

Section 2(2). This amendment would exclude exterior land improvements from the FHA statutory dollar limitations applicable to those portions of the project which are attributable to dwelling use. This amendment merely applies to

section 213, a provision which is already in the law on projects under section 220.

Section 2 (3) and (4). This amendment would conform the definition of replacement cost appearing in section 213 to the definition in section 220 on projects in renewal areas, including the following amendments which are also being currently proposed for sections 220 and 207 :

First, the amendment would include in the estimate of project replacement cost interest, taxes, and miscellaneous approved charges (such as premiums for mortgage and hazard insurance) during a period following completion of the project which FHA determines is necessary before a project reaches a point of "break-even income." This is the period required to permit such percentage of the dwelling units in the project to be sold and occupied as is necessary to produce enough income to meet operating costs and debt service.

Currently it requires from 15 to 24 months (depending upon size and types) to complete the construction of a multifamily project. It also requires 1 to 2 years after completion for the sale and occupancy of a sufficient number of units to produce enough project income to pay operating expenses and debt service. Section 213 recognizes that an investor-sponsor has 2 years after completion to consummate a sale of a project to a cooperative after it has achieved a sufficient percentage of sales and occupancy to enable the cooperative to meet its operating expenses and debt service.

Thus, it is recognized that it may take this additional period before a project will reach the point of "break-even income" (i.e., sufficient project income to pay operating cost and debt service, but without any return or recovery on the sponsor's investment). It is, therefore, proper that the replacement cost should include interest, taxes, mortgage, and hazard insurance premiums up to the estimated date of "break-down" operations. This is customary in the financing of revenue-producing public improvements (such as waterworks), where the bonds are payable solely from the income produced by the project. FHA will require a full accounting of all project income until the date principal amortization starts, with any net income to be applied to the reduction of the mortgage loan.

Second, the amendment would clarify the fact that the value of land to be included in the estimated project replacement cost is its fair market value, taking into account such off-site improvements as FHA requires in connection with the project. The cost of off-site improvements outside the boundaries of the property are not included in the estimated project replacement cost and no part of their cost is paid from mortgage proceeds. The sponsor must pay all such costs and deposit the cash required for their construction in an escrow account. This amendment would clarify the fact that these costs for off-site improvements are taken into account in determining the fair market value of the land.

Section 2(5). There are communities where there will be a market for a cooperative project because it will serve families of more moderate incomes; yet, in the same community, there may not be a market for the same project at the higher charges required by rental operation for profit. Since the project is being undertaken with a statutory requirement for sale to a cooperative by the investor within 2 years after project completion, this is the only purpose and market which should be considered in processing the project. A clarifying amendment is proposed which provides that the sole test of the feasibility of such a project should be the need for it at the monthly charges applicable under its continued use as a cooperative.

Section 2(6). As a matter of sound and effective administration, it is necessary to restore the position of Assistant Commissioner for Cooperative Housing. In recognition of the public interest involved in this program and its need for special attention and assistance, Congress established this position by law. It later repealed this mandatory provision with the understanding that, without it, the administration of the program would continue to be encouraged and assisted. From past experience it is clear that the program received better assistance and support during the period when it was handled by someone with the status and responsibility of an Assistant Commissioner. An amendment is proposed which would restore that position.

Section 2(7). An amendment is proposed to authorize the FHA Commissioner to refuse, for such period as he deems appropriate, to insure any additional 213 investor sponsor mortgages where any of the stockholders were identified with a project which failed to become a cooperative. This amendment is more fair and workable than the present provisions.

Section 2(8). An amendment is proposed to permit cooperative projects which are undertaken separately to be combined in one cooperative with the same mortgagor. This will avoid the expense and problems of separate cooperative

corporations and separate managements on properties separately undertaken in the same area as part of a larger program.

Section 2(9). The FHA would be authorized and directed to establish two mutual mortgage funds for housing cooperatives, paralleling the mutual mortgage fund now covering section 203 housing. One fund would cover the management type, or continuing consumer cooperatives. The other would be for sales type cooperatives where the mortgages become the property of individual owners. It is anticipated that there would be a different rate of savings in the management type, or continuing cooperative, as compared with the sales type cooperative. FHA now returns to the mortgage holder the savings made on the insurance of mortgages for single-family homes under section 203. The failure to establish similar provisions covering cooperative housing actually discriminates against cooperative housing because the consumer is not eligible for refunds from savings made possible through the successful operation of the mortgage program and the absence of losses on cooperative mortgages.

Section 3. This amendment would include in estimated replacement cost an amount for financing costs equal to the amount of financing costs and fees charged by FNMA on the permanent financing. This would be in addition to the amount now allowed by FHA for construction financing and the services of the mortgagee. These charges on the permanent financing are established by a sister Federal agency and should be recognized by FHA as legitimate costs. Where the mortgage is not sold to FNMA, even though higher fees and discounts are paid on the permanent financing, only the amount which FNMA would have charged would be recognized as part of FHA's estimate of replacement cost.

II. AMENDMENTS RELATING TO FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA)

Section 4(1). FNMA would be authorized to purchase mortgages of cooperatives on section 213 housing in urban renewal areas in an amount per unit equal to the mortgage insured by FHA, just as FNMA does on mortgages covering section 220 rental projects located in urban renewal areas.

Section 4(2). This amendment would correct a technical defect in the present FNMA law. Apart from certain specially excepted types of mortgages, FNMA may not purchase any mortgage which exceeds \$17,500 for each such family residence or dwelling unit covered by the mortgage.

Under FHA provisions for insurance of mortgages for multifamily housing, the dollar limitations which apply to the maximum amount of the mortgage relate to the part of the project "as may be attributable to dwelling use." Thus, to the extent that the project includes community facilities or other nondwelling items as may be required to serve the needs of the occupants, such facilities are outside the applicable dollar limitations for purposes of FHA insurance. However, they are now included within the FNMA dollar limit. This amendment would treat such facilities on exactly the same basis for the purpose of the FNMA applicable dollar limitation as they are treated on applicable FHA dollar limitations.

Section 4(3). For a period of 1 year, the Federal National Mortgage Association would be authorized and directed to purchase mortgages under its special assistance program at par instead of at discounts. Also, during that period, the FNMA charges would be reduced from 1½ percent to 1 percent of the mortgage amount, with the initial payment upon commitment being one-fourth of 1 percent instead of one-half of 1 percent.

Section 4(4). This amendment would provide an additional authorization to FNMA to make commitments and purchases on cooperative housing projects under the special assistance fund of \$50 million per year. These funds would be reserved for mortgages insured under section 213 of FHA where the project is to be undertaken or acquired by a consumer cooperative.

The applications now pending with FHA or in the FHA pipelines will use up the entire balance of the current FNMA authorization for housing projects involving consumer cooperatives. In addition, projects are now in process or preparation which would absorb all of the proposed additional \$50 million authorization for FNMA purchase of mortgages on projects involving consumer cooperatives.

The continued development of these and other projects for consumer cooperatives is dependent upon a firm indication that FNMA will have adequate funds to make advance commitments to purchase such mortgages. Otherwise, there will be no assurance of a market for the mortgages by the time the projects are ready. If there is no such assurance, sponsors will not initiate or continue with

projects for consumer cooperatives because of the large costs involved in bringing such projects to a point where they are eligible for a FNMA commitment.

By its previous authorization to FNMA for cooperatives, Congress has made possible a program which is bringing better housing to many thousands of American families at costs which average 20 percent below the monthly carrying charges for rental housing insured by FHA.

Section 4(5a). Section 213(a)(3) of the act provides that the investor-sponsor shall have a period of 2 years after completion of a project to make a sale to a cooperative. The investor-sponsor must secure interim financing to cover this period, but such financing cannot be obtained without a takeout commitment from FNMA covering a like period. The past practice of FNMA has been to issue commitments for a period of 2 years. This amendment provides that the FNMA commitments for the purchase of mortgages under section 213(a)(3) shall extend for the same period contemplated by the FHA statute, namely, 2 years after completion of the project rather than 2 years after the date of the FNMA commitment. That is the only way the special assistance function will fulfill its objective of implementing this FHA cooperative housing program.

Section 4(5b). This amendment provides for a FNMA reservation of funds for a 213 project where a statement of feasibility has been issued by FHA. This provides a necessary assurance that funds will still be available for the mortgage financing by the time the FHA mortgage insurance commitment is issued.

Mr. TOWNSEND. In addition I want to make these observations:

- (1) Cooperative housing provides another form of home ownership.
- (2) The section 213 program has been successful in FHA. Losses are negligible under the cooperative housing program and much less than rental housing. FHA's losses on section 213 portion of the housing insurance fund is four one-thousandths of 1 percent of the insurance premiums collected.

Senator CLARK. That is covered by the reserves?

Mr. TOWNSEND. Right.

- (3) Cooperative housing produces monthly charges which are 20 percent less than rents for comparable housing. This is due to the savings inherent in the cooperative approach under section 213.

(4) Through group action, a cooperative makes housing available to people who cannot acquire it when acting alone as individuals.

(5) Cooperative housing enables its members to accumulate an equity, at the same time that monthly charges are less than rents paid by tenants.

(6) Cooperatives discourage speculation and encourage production and sale of housing in a manner which protects the consumer.

While the various amendments are explained in this attached digest, we believe special emphasis should be placed on several provisions that will be helpful to the program and to the fullest utilization of section 213.

Senator CLARK. Mr. Townsend, does your testimony refer to sales cooperative housing or just the management cooperative housing?

Mr. TOWNSEND. My testimony almost completely is directed toward consumer cooperatives of the management type, which are reflected in a statement I have a little further on.

An additional authorization of \$50 million should be provided for FNMA to buy mortgages on projects involving consumer cooperatives. The limitation to consumer cooperatives is in keeping with present congressional sentiment, as we observe it.

Attached to my statement is a list of section 213 projects in various stages of organization.

Mr. Chairman, at this point, I would like to ask permission to have this list included and made a part of the record.

Senator CLARK. That may be done.

(The list of section 213 projects follows:)

SEC. 213 PROJECTS OF CONSUMER COOPERATIVES OUTSTANDING—NOT YET COMMITTED BY FNMA

A. For FNMA special assistance under program 6 (nonrenewal areas)

1. PROJECTS ON WHICH APPLICATIONS HAVE BEEN FILED AND FEES PAID TO FHA

Location	Identification	Number of units	Amount
Riverside, Calif.	Braemar Riverside	90	\$1,217,900
San Francisco, Calif.	Sunnyhills No. 4	152	2,022,700
Do	San Raphael Manor	151	2,711,100
Do	Marina Gardens	165	3,152,500
Pasadena, Calif.	Pasadena Gardens, section 1	72	1,277,500
North Hollywood, Calif.	Coldwater Ardmore	62	970,000
Los Angeles, Calif.	Queensland Manor, North	72	1,260,000
Do	Queensland Manor, South	96	1,680,000
Colfax, Calif.	Colfax Corp. Estates	44	675,000
North Hollywood, Calif.	Canyon Corp. Estates	14	227,000
Jacksonville, Fla.	San Jose Mutual No. 1	13	209,000
Do	San Jose Mutuals Nos. 2, 3, 4, 5	74	1,225,000
Key West, Fla.	Key Margo	94	1,410,000
Atlanta, Ga.	Habersham Apartments, Inc.	194	3,500,000
Shreveport, La.	Broadmore Corp. No. 1	18	140,000
Elizabeth, N.J.	Queen Mary	104	1,820,000
Do	Queen Elizabeth	104	1,820,000
New York, N.Y.	Merrick Park	141	2,400,000
Do	Walker Terrace	65	782,700
Do	Jamaica; sponsor, Lustbader	141	2,500,000
Philadelphia, Pa.	River Park House	604	8,820,000
Pittsburgh, Pa.	Chatham Village	219	2,200,000
Total			42,074,400

¹ Cases where FHA commitment has been issued.

2. ADDITIONAL PROJECTS ON WHICH FHA STATEMENT OF FEASIBILITY HAS BEEN ISSUED OR REQUESTED

Pasadena, Calif.	Pasadena Gardens, section 2	180	\$3,150,000
San Mateo, Calif.	Marina Gardens No. 2	100	1,750,000
Hollywood, Calif.	Hollywood Ardmore	206	3,600,000
Chicago, Ill.	Oglesby Towers	189	3,553,400
Wauconda, Ill.	Larkdale Cooperative	121	2,117,500
New Orleans, La.	Victory Drive Plaza	503	5,000,000
East Orange, N.J.	Sponsor—Harry Brody	171	2,992,500
Hamilton Township, N.J.	Hamilton Gardens, sections 1 and 2	240	2,880,000
Pittsburgh, Pa.	Baldwin Arms	112	1,000,000
Total			26,043,400

3. PARTIAL LIST OF ADDITIONAL PROJECTS ON WHICH APPLICATION FOR FHA STATEMENT OF FEASIBILITY IS IN PREPARATION

Hollywood, Calif.	Winton Grove	60	\$1,000,000
West Hollywood, Calif.	Sponsor—David Crompton	15	225,000
Bridgeport, Conn.	Seaside Park	225	4,000,000
Clearwater, Fla.	Island Estates Apts	90	1,570,000
Coral Gables, Fla.	Sponsor—Emil J. Gould	217	3,000,000
Champaign, Ill.	Sponsor—Twin City	200	3,000,000
Chicago, Ill.	5740 Sheridan Road	73	1,275,000
Do	Chatham Park Village	554	4,600,000
Elizabeth, N.J.	Sponsor—Harry Brody	95	1,662,000
Annapolis, Md.	Sponsor—Anderson & Biens	300	4,500,000
Passaic, N.J.	State Veterans Housing	200	1,100,000
Paterson, N.J.	State Veterans Housing	240	1,400,000
Dallas, Tex.	Demov and Morris	250	4,370,000
Milwaukee, Wis.	1626 Corp	126	3,600,000
Madison, Wis.	Chalet Gardens	80	1,068,000
Total			37,070,000

Total pending consumer cooperative projects under program 6 (nonrenewal areas)..... 105,187,800

B. For FNMA special assistance under program 3 (renewal areas)

1. PROJECTS ON WHICH APPLICATIONS HAVE BEEN FILED AND FEES PAID TO FHA

Location	Identification	Number of units	Amount
Minneapolis, Minn.....	092-30046, Glenwood.....	184	\$2,330,000
New Brunswick, N.J.....	031-30047, Bishop Towers.....	169	2,957,500
Cincinnati, Ohio.....	Park Town.....	323	3,445,000
Total.....			8,732,500

¹ Cases where FHA commitment has been issued.

2. ADDITIONAL PROJECTS ON WHICH FHA STATEMENT OF FEASIBILITY HAS BEEN ISSUED OR REQUESTED

Washington, D.C.....	Southwest renewal area—River Park View.....	503	\$7,765,000
Kansas City, Mo.....	Attucks, section 1.....	214	2,280,000
Total.....			10,045,000

3. PARTIAL LIST OF ADDITIONAL PROJECTS ON WHICH APPLICATIONS FOR FHA STATEMENT OF FEASIBILITY IS IN PREPARATION

San Francisco, Calif.....	Western Addition.....	200	\$3,500,000
Kansas City, Kans.....	Gateway.....	300	3,000,000
Kansas City, Mo.....	Attucks, section 2.....	380	3,800,000
Yonkers, N.Y.....	Renewal area.....	600	10,000,000
Total.....			20,300,000
Total pending consumer cooperative projects under program 3 (renewal areas).....			39,077,500

SUMMARY

A. Pending consumer cooperative projects under program 6 (renewal areas).....	\$105,187,800
B. Pending consumer cooperative projects under program 3 (renewal areas).....	39,077,500
Total pending consumer cooperative projects under both programs.....	144,265,300

DETAILED EXPLANATION OF COOPERATIVE HOUSING

To strengthen and make more effective the cooperative housing program as an important resource in the Nation's housing supply and give it the attention it so richly deserves, it is recommended that the following be included in appropriate legislative provisions:

(a) When FHA receives a request from a local public agency or consumer cooperative to purchase a project acquired by FHA as a result of default, the Commissioner should give first preference to the sale of the project to the local public agency or consumer cooperative, at a price representing the fair market value of the property as determined by FHA. As a practical matter, competitive bidding procedures have precluded such sales. For the FHA to give such a first preference to the sale of projects to local public agencies or consumer cooperatives will accomplish the sound objective of providing housing at lower costs through nonprofit operations; in the case of cooperative purchases, it will enable residents to become cooperative homeowners. The proposed dispositions will better assure the future success of projects which have previously failed as rental properties.

(b) Section 227 provides for cost certification by the investor-sponsor upon the completion of the physical improvements on the mortgaged property and prior to final endorsement of the investor's mortgage. However, in the completion of the contemplated transaction under section 213, there is a second transaction involving the sale of the project to the cooperative. The Housing Act now limits the price to certified cost, but does not provide for a second cost certification by the investor-sponsor as of the date of the sale to the cooperative. A clarifying amendment is proposed which provides for such a cost certification at the time of the sale to the cooperative.

(c) There are communities where there will be a market for a cooperative project because it will serve families of more moderate incomes; yet, in the same community, there may not be a market for the same project at the higher charges required by rental operation for profit. Nevertheless, where investor-sponsors propose to build a project for sale to a cooperative, we find that FHA offices are frequently determining the feasibility of such a project on the basis of whether there is a market for it at the higher rents which would be charged as a rental project rather than the lower monthly charges of a cooperative. Since the project is being undertaken with a statutory requirement for sale to a cooperative by the investor within 2 years after project completion, this is the only purpose and market which should be considered in processing the project. A clarifying amendment is proposed which provides that the sole test of the feasibility of such a project should be the need for it at the monthly charges applicable under its continued use as a cooperative.

(d) As a matter of sound and effective administration, it is necessary to restore the position of Assistant Commissioner for Cooperative Housing. In recognition of the public interest involved in this program and its need for special attention and assistance. Congress established this position by law. It later repealed this mandatory provision with the understanding that, without it, the administration of the program would continue to be encouraged and assisted. From past experience it is clear that the program received better assistance and support during the period when it was handled by someone with the status and responsibility of an Assistant Commissioner. An amendment is proposed which would restore that position.

(e) An amendment is proposed to authorize the FHA Commissioner to refuse, for such period as he deems appropriate, to insure any additional 213 investor-sponsor mortgages where any of the stockholders were identified with a project which failed to become a cooperative. This amendment is more fair and workable than the present provisions.

(f) Cooperative projects which are undertaken separately should be permitted to be combined in one cooperative with the same mortgagor. This will avoid the expense and problems of separate cooperative corporations and separate managements on properties separately undertaken in the same area as part of a larger program.

(g) The FHA would be authorized and directed to establish two mutual mortgage funds for housing cooperatives, paralleling the mutual mortgage fund now covering section 203 housing. One fund would cover the management type, or continuing consumer cooperatives. The other would be for sales type cooperatives where the mortgages become the property of individual owners. It is anticipated that there would be a different rate of savings in the management type, or continuing cooperative, as compared with the sales type cooperative. FHA now returns to the mortgage holder the savings made on the insurance of mortgages for single family homes under section 203. The failure to establish similar provisions covering cooperative housing actually discriminates against cooperative housing because the consumer is not eligible for refunds made possible through the successful operation of the mortgage program and the absence of losses on cooperative mortgages.

(h) In estimated replacement cost an amount for financing costs equal to 1½ percent is now allowed; the amount of financing fees charged by FNMA should also be included. These charges are established by FHA as legitimate costs. Where the mortgage is not sold to FNMA, even though higher fees and discounts are paid, only the amount which FNMA would have charged would be recognized as part of FHA's estimate of replacement cost.

(i) Interest and taxes should be included in the FHA estimate of replacement cost, not merely during an allowed construction period, but also a period until occupancy and cooperative sales reach a break-even point. In addition, it is necessary to include certain other costs to be paid by the cooperative at the time it acquires title, such as mortgage and hazard insurances for 1 year and the tax escrow.

Mr. TOWNSEND. Over \$42 million of projects are in the immediate future. A total of \$105 million for 7,135 units are involved in all stages that should have special assistance under FNMA program No. 6. This more than absorbs the balance of special assistance funds available for consumer cooperatives plus the additional \$50 million proposed in the Williams bill.

Senator CLARK. Let me ask you this, Mr. Townsend: How much of this additional need and activity that you have just referred to do you think will get to the point where mortgage authorization will be requested? Do you need this for fiscal 1961?

Mr. TOWNSEND. Part of this would be needed before 1961, but not all of it. As the detail will show, there are additional amounts in the planning stage, some of which are of record, some of which have been actually in the form of applications with fees paid.

Senator CLARK. As you know, there usually is brought before this committee the story that the sales cooperatives which, in many senses, are not cooperatives at all, use up the authorization immediately. The consumer or management cooperatives have been pretty slow to take up their share.

Mr. TOWNSEND. That is right.

Senator CLARK. I would like to have your testimony as strong as the facts will permit to indicate that you can really use this authorization because my guess is the agency is going to tell us you do not need it, and it is going to be a little hard to prove that you do.

Mr. TOWNSEND. That is why we do have attached this statement which shows what proportion of the projects are in the immediate future and those that are a little further away and those that are only in the planning stage.

We have said here, in addition, there are \$39 million of projects pending for 2,873 units in urban renewal areas. These would be financed under FNMA program No. 3. The Clark bill provides additional funds for such projects in renewal areas.

This list presents a grand total of 10,009 units of cooperative housing for \$144 million. This is an average of \$14,425 cost per unit.

Mr. CAMPBELL. If I may interrupt you, I would like to underline there all of the projects you have listed in the testimony are consumer projects. These do not include any builder-sponsored salestype cooperatives at all.

Mr. TOWNSEND. Provision should be made to parallel the special assistance functions of FNMA with those of FHA.

Senator CLARK. Let me ask you if you have any breakdown of these 10,000 units as between apartments, single dwellings and duplexes?

Mr. TOWNSEND. They are either townhouses, garden apartments, or high rise, all of them.

In renewal areas, it is only reasonable to ask FNMA to buy mortgages having the same maximum amount as those FHA commits to insure in renewal areas; so that the same practice would be followed on section 213 projects in urban renewal areas as are now followed on section 220 rental projects in such areas. In addition, in nonrenewal areas the \$17,500 FNMA limitation should apply only to the costs attributable to dwelling uses, as is true with the dollar limitations in FHA.

Correspondingly, the period of the FNMA commitment to buy should run concurrently with the period of FHA's commitment to insure the mortgage of a cooperative. The FHA law now allows a period of 2 years after the completion of construction for the investor-sponsor to transfer a project to a cooperative. The FNMA commitment should run for the same period.

Mortgages purchased by FNMA with its special assistance funds should be at par. Commitment and purchasing fees should not exceed 1 percent. Because of the longer period of time necessary to consummate arrangements for a consumer cooperative, it should be possible to earmark funds in order for the cooperative to know that permanent financing will be available at the time the project is ready to go forward. Such a provision is included in the Williams bill.

The customary tests of feasibility for rental housing have proven inappropriate for cooperative housing projects. Experience has shown that the sole test of feasibility for cooperative housing should be the need for the housing based on monthly charges applicable to a cooperative housing project. In cooperatives the use factors predominate instead of the yield or profit factors.

The position of Assistant Commissioner for Cooperative Housing should be restored. Responsibility without authority is inconsistent with all accepted management practices. The cooperative housing program deserves adequate management to achieve the results indicated by congressional direction.

In the period of time between completion of the physical structure of a cooperative housing project by an investor-sponsor and the time that it takes to complete the cooperative sales and organization, expenses such as interest insurance and taxes should be included in the replacement cost. In short, this would cover the period until the project reaches the break-even point. This would be consistent with the amendment which in 1956 provided that an investor-sponsor would have a 2-year period to sell to a cooperative after the completion of construction.

The total cost of a cooperative housing project should be reflected in computing the mortgage thereon. Each and every dollar spent for fees, financing, land, surveys, material or labor must of necessity be paid by the man who will live in the house. In computing the mortgage, the replacement cost must include the financing costs involved in a sale of the mortgage to FNMA. When financing is obtained outside of FNMA, the amount included in replacement costs would be limited to the FNMA charge.

The Williams bill provides that a local public agency or consumer cooperative shall have a first preference in purchasing Commissioner-owned properties. We believe that this amendment is eminently sound, and that it should be adopted. Where a project has failed in rental operation, it can succeed as a nonprofit operation by a consumer cooperative. Such projects would be sold by FHA at their fair market value. FHA tried an experiment with one defaulted rental property in selling it to a consumer-cooperative. This was a project called Van Brunt Boulevard Homes in Kansas City, Mo., which FHA acquired through foreclosure. Its 192 units were only 60-percent occupied when the program for cooperative sale was initiated. The sale to a cooperative called Boulevard Village met with complete success, and full occupancy was achieved. The cooperative has always been current in meeting its debt services, and it retired some of its obligations a year in advance of their maturity. The proposed amendment would encourage FHA to make similar properties available for cooperative purchase by people who would achieve homeownership and better housing through the cooperative techniques. This program is

not only in the general public interest, but should result in the FHA getting full value for the properties.

Provision for mutual insurance funds for cooperatives under section 213 is very important to the encouragement of homeownership. The mutual features permit a refund to the homeowner whose payments have been made and the mortgage lifted. This is borne out by the success of the mutual insurance program under section 203. The Housing Insurance Fund, under which section 213 operates, has over \$10 million of reserves. As you may know, under 213, there are \$640 million of mortgages insured.

In conclusion, we fully support all of the amendments and proposals in the Williams bill. Also, Mr. Chairman, we want to join our support for the Clark bill with those organizations, National Housing Conference and National Association of Housing and Redevelopment officials as well as the AFL-CIO and others who have testified in support of our general housing needs.

As a technique, cooperative housing has proven itself both in the conventionally financed projects and in projects insured by FHA under section 213. In fact, far more units of cooperative housing have been conventionally financed than have been provided through FHA. So this is proof of the effectiveness of this technique.

The Cooperative League is particularly gratified at the recognition of the role of cooperative housing in urban renewal areas. Faced with the necessity of providing housing for families of more moderate incomes, a number of cities have recognized that cooperatives can best serve this objective. The lower monthly charges of cooperative housing make it possible to reach lower into the income scale in providing housing in renewal areas. Moreover, cooperative housing provides more stable occupancy and homeownership in the renewal areas which substantially contributes to their success. Evidence of this feeling among renewal authorities is indicated by the fact that some of them have offered land only for redevelopment by sponsors who agree to build a cooperative housing project.

Cooperative housing can make a very real contribution to the homeownership program of this country and entirely without any subsidy from the Federal Government. We urge the adoption of Senator Williams' bill as a means of continuing the successful accomplishments of the cooperative housing program.

Senator CLARK. Thank you very much, Mr. Townsend.

For the record, do you have a list of States and the major cities in which consumer-cooperatives are now actually operating?

Mr. TOWNSEND. I have a list. I am sorry, I do not have it with me. I can tell you from memory there are 38 of them.

Senator CLARK. States?

Mr. TOWNSEND. Thirty-eight States in which cooperative housing is insured under FHA section 213—

Senator CLARK. One reason I ask this is because there has not come to my knowledge much interest in cooperative housing in Pennsylvania. I have often wondered why. Maybe you could tell me.

Mr. TOWNSEND. Sir, I point with a great deal of pride to 2101 Walnut in Philadelphia as one of the outstanding cooperatives insured under section 213. It is one of the early ones and a very successful one. Another one that I think we might point to with pride

is one at Eighth and Brown, and one at Eighth and—I have forgotten the next street to it, but built by the Friends Service Committee.

Senator CLARK. All in Philadelphia?

Mr. TOWNSEND. Yes, sir.

Senator CLARK. Yes, I know about the Friends' proposition and 2101 Walnut. But, comparatively speaking, there has not been much. Perhaps you could produce some out of the rest of the State.

Mr. TOWNSEND. Yes, we can. One is in Pittsburgh, an outstanding one, the Belmar Gardens, which has been a very successful one.

Senator CLARK. Do you have some problems with your financing?

Mr. TOWNSEND. We have always had some little problem in getting financing. Fortunately, we have had no difficulty with defaults. We have had very little, as testified here, in FHA's experience, as I saw this when I was with FHA.

I am sorry if I leave the wrong impression. I am speaking, now, not as a representative of FHA, but we did enjoy very successful operation across our total experience, particularly with the management type.

Senator CLARK. Most cooperative building is in larger cities or smaller cities or relatively small towns, or how is it scattered?

Mr. TOWNSEND. It has varied. The large city where the concentration of the population amplifies the need, cooperative housing has moved in faster. New York, I suspect, being the outstanding example of it.

Senator CLARK. If you could furnish the committee with a list of cities and towns in which cooperative housing is now operating, I think it would be helpful.

Mr. TOWNSEND. We shall be happy to do that.

Senator CLARK. Thank you very much, Mr. Townsend.

(The list referred to follows:)

LIST OF CITIES IN 38 STATES WHERE COOPERATIVE HOUSING HAS BEEN INSURED UNDER FHA SECTION 213 OF THE NATIONAL HOUSING ACT

Alabama: Birmingham, Butler.

Arizona: Phoenix.

Arkansas: North Little Rock.

California: Anaheim, Canoga Park, Los Angeles, Sacramento, San Diego, Bakersfield, Fresno, Long Beach, Merced County, Milpitas, North Hollywood, Redlands, Riverside, Santa Clara, Hayward, San Mateo, San Rafael, Santa Maria.

Colorado: Denver.

Connecticut: Stamford.

District of Columbia.

Florida: Ft. Lauderdale, Jacksonville, Sarasota, Eau Gallie, Key West, Miami, Miami Beach, North Bay Village, North Miami Beach, South Miami, Carol City, North Orlando, North Palm Beach, Opa Locka, Orlando, Palm Beach, Palm Springs, West Palm Beach, Boca Raton, Casselberry, Fern Park, Lauderhill, Longwood, Perrine, Plantation, West Hollywood.

Georgia: Smyrna.

Hawaii: Honolulu.

Idaho: Idaho Falls.

Illinois: Chicago, Evanston, Park Forest.

Indiana: Indianapolis.

Iowa: Atlantic, Council Bluffs, Glenwood, Des Moines, Cedar Rapids.

Kentucky: Louisville.

Louisiana: Shreveport, Jackson.

Michigan: Inkster, Waterford Twp., Royal Oak Twp., Detroit.

Minnesota: Minneapolis, Coon Rapids, Rochester, Cottage Grove.

Missouri: Hazelwood, St. Louis, Kansas City.
Nebraska: Omaha.
Nevada: Sparks.
New Jersey: West Deal, East Orange, Franklin Twp., Jersey City, New Brunswick.
New Mexico: Alamogordo, Hobbs.
New York: Bayside, Bronx, Brooklyn, Corona, Dobbs Ferry, Elmhurst, Far Rockaway, Flushing, Forest Hills, Hollis, Irvington, Jackson Heights, Jamaica, Little Neck, Mamaroneck, Mount Vernon, New Rochelle, New York, Ozone Park, Queens, Rego Park, Ridgewood, Riverdale, Staten Island, White Plains, White-stone, Woodhaven, Yonkers, Long Beach, Ossining, Eastchester, Greensburgh, Syracuse, Woodside.
North Dakota: Bismarck.
Ohio: Vandalia; Columbus; Dayton; Parma.
Oklahoma: Cushing; Hobart; Perry; Walters; Altus; Fairview; Frederick; Alva; Apache; Oklahoma City; Durant; Watonga; Mangum; Shawnee.
Oregon: Corvallis.
Pennsylvania: Allegheny Co.; Philadelphia; Pittsburgh.
South Carolina: Charleston; Anderson; Columbia.
Tennessee: Memphis.
Texas: Lubbock; Fort Worth; Wichita Falls.
Utah: Salt Lake City.
Virginia: Front Royal.
Washington: Moses Lake.
West Virginia: Ravenswood.
Wisconsin: Madison; Thiensville.
Wyoming: Casper.
Maryland: White Oaks; Prince Georges Co.; Glenarden Woods; Hyattsville; Oxon Hill; Glen Arden.

Senator CLARK. The committee will stand in recess until 10 a.m., Monday.

(Whereupon, at 12:45 p.m., the hearing recessed until 10 a.m., Monday, May 16, 1960.)

HOUSING LEGISLATION OF 1960

MONDAY, MAY 16, 1960

U.S. SENATE,
COMMITTEE ON BANKING AND CURRENCY,
SUBCOMMITTEE ON HOUSING,
Washington, D.C.

The subcommittee met, pursuant to recess, in room 5302, New Senate Office Building, at 10:07 a.m., Senator John Sparkman (chairman of the subcommittee) presiding.

Present: Senators Sparkman, Clark, and Bush.

Senator SPARKMAN. Let the subcommittee come to order, please.

We have a rather full schedule for this morning. Unfortunately, several of our members are out of town; others will be here later, but I think we had better get started.

The first witness is Mr. P. N. Brownstein, of the Veterans' Administration. Mr. Brownstein, would you come around and identify yourself and those with you for the benefit of the record.

STATEMENT OF P. N. BROWNSTEIN, DIRECTOR, LOAN GUARANTY SERVICE; ACCOMPANIED BY JOHN M. DERVAN AND PHILIP J. MALONEY, LOAN GUARANTY OFFICE; AND RAY P. BLAND, DIRECTOR OF LEGISLATIVE SERVICE, VETERANS' ADMINISTRATION

Mr. BROWNSTEIN. Mr. Chairman, I am P. N. Brownstein, of the Loan Guaranty Service. To my immediate left is Mr. John M. Dervan and Mr. Philip J. Maloney, of the Loan Guaranty Office; and to my right is Mr. Ray P. Bland, who is Director of Legislative Service, Veterans' Administration.

Senator SPARKMAN. We are glad to have all of you.

Mr. BROWNSTEIN. Mr. Chairman, I have a prepared statement here which I will read.

Senator SPARKMAN. Go right ahead.

Mr. BROWNSTEIN. We welcome this opportunity to present our views on S. 3276 which you have under consideration and to discuss recent developments in the field of veterans' housing.

The purpose of S. 3276 is to extend the direct loan program for veterans of World War II and the Korean conflict from July 25, 1960, to February 1, 1965. Loans could be made subsequent to January 31, 1965, however, on the basis of commitments made on or before that date. The bill would also authorize additional funds for direct loans of \$150 million per fiscal year but not over \$50 million per quarter.

In our report to the committee on S. 3276, dated May 11, 1960, we pointed out that the direct loan program was established as a sup-

plemental aid for veterans living in rural and semirural areas, where the existence of private mortgage financing has traditionally been scarce. Since the World War II loan-guarantee program is due to terminate on July 25, 1960, S. 3276 would have the effect of continuing a supplemental program after the principal program has ended.

We believe that the GI-loan programs for World War II veterans should not be further extended since these benefits have been available for a period of time which is ample to satisfy the basic readjustment concept. In his budget message to the Congress on January 18, 1960, the President stated that there is no longer justification for continuing the readjustment program of direct housing loans to veterans and that there is no need for further extension of the World War II loan-guarantee benefits.

The loan-guarantee program for Korean conflict veterans will continue through January 31, 1965. Although the extension of direct loan assistance to this group would offer partial assistance in the designated shortage areas it would leave untouched the basic interest rate problem which impedes the primary loan-guarantee program in all areas.

It is our belief that the concept of inducing private capital to satisfy the housing needs of veterans, on which the veterans home loan program was based, may best be preserved by authorizing flexibility in fixing interest rates at competitive levels in keeping with market conditions. A renewed recommendation to this effect has just been sent to the Congress.

If enacted, S. 3276 would involve an expenditure on a lending basis of around \$1 billion over the period of approximately 4½ years. About three-fourths of this amount would be additional Treasury advances and the remainder would be repayments of principal on loans previously made.

We estimate that the direct loan funds under the bill would be enough for about 90,000 loans with an administrative cost, at \$500 per loan over the estimated life of the loans, or a total of \$45 million. This amount would be offset, however, by any excess of interest collections on direct loans over the interest paid to the Treasury on direct loan advances, less direct loan foreclosure costs. In addition, the fees charged borrowers for origination costs and the 2-percent commitment fees from builders would also offset origination costs and the costs of administration.

As we also indicated in our report on S. 3276, there are certain other matters of a technical nature which should be clarified if the bill is considered further.

We have been advised by the Bureau of the Budget that enactment of this bill would not be in accord with the program of the President.

We believe the committee will be interested in a résumé of our direct loan activities. As of the end of March 1960, a cumulative total of \$1,431,100,000 had become available in the direct loan revolving fund for making loans to veterans in rural areas and in small cities and towns where private funds for VA-guaranteed home loans were not generally available.

The \$1,431,100,000 revolving fund was made up of \$1,159,400,000 of Treasury advances, \$217,800,000 of principal repayments, and \$53,900,000 of proceeds from the sale of direct loans to private investors.

As of the end of March, expenditures for direct loans totaled \$1,217,700,000. In addition, funds had been encumbered for 17,350 loan applications in process amounting to \$181,900,000. Fifteen million two hundred thousand dollars was outstanding in commitments to make loans to veterans to purchase homes to be constructed by builders. This left \$16,300,000 of uncommitted funds at the end of March. An additional \$20 million Treasury advance and an estimated \$12 million from principal repayments and sales has been allotted and is available for loans before the scheduled expiration of the program on July 25 of this year. The \$48,300,000 thus available should produce about 4,500 loans.

A telegraphic report for the end of April showed 1,711 applications on hand awaiting fund reservations, 23,478 veterans on the active waiting list, and approximately \$16,600,000 unreserved balance still on hand. This balance should be enough for about 1,580 loans.

It has been our practice to take the veteran's name upon his initial inquiry and place him on the waiting list. When funds are available for more loans, applications are then mailed to the number of veterans which we estimate can be taken care of with the funds at hand. In doing this we estimate a washout of some of the veterans who because of changed circumstances are no longer interested in direct loan financing.

As of the end of March, 152,800 direct loans, amounting to \$1,216,300,000, had been closed and fully disbursed, and an additional \$1,400,000 of partial disbursements had been made on 200 construction loans. Of the 153,000 direct loans on which full or partial disbursements had been made, 148,150 were on nonfarm residences and 4,850 were farm and farmhouse loans.

As of the end of March, interest and miscellaneous income in connection with the direct loan program amounted to \$162 million, of which \$95 million had been paid to the Treasury as interest on direct loan advances and \$5 million had been paid out in connection with liquidation proceedings, leaving a net balance of \$62 million.

To date, 7 percent of the direct loans have been repaid in full and 5 percent have been sold to private investors. Only seven-tenths of 1 percent of the direct loans made have resulted in foreclosure. The outstanding principal balance of loans in force at the end of March amounted to \$939 million.

Mr. Chairman, the direct loan program has been an effective one and one which has been beneficial to more than 150,000 veterans. However, we believe that it has accomplished its initial purpose.

Thank you, sir.

Senator SPARKMAN. Thank you, Mr. Brownstein.

I think I understand your position. It is this: that if the loan guarantee program is not continued, the direct loan program ought not be continued. If the loan guarantee program is continued, then you still recommend that the direct loan program be dropped, but that would be a matter for us to consider.

However, you do make a point there with reference to the Korean veterans. The question is whether or not the direct loan program, needed to supplement the loan guarantee program for Korean veterans, remains in force until 1965?

Mr. BROWNSTEIN. Yes, sir. January 31, 1965.

Senator SPARKMAN. Mr. Brownstein, do you know what action is contemplated by the House Veterans' Affairs Committee? Have you testified before that committee, or are there any hearings pending?

I may say that I tried to call Congressman Teague, the chairman of the committee, who has been out of town a good length of time. On last Saturday I found he was back in town but I was not able to reach him.

Mr. BROWNSTEIN. In the closing days of the last session, Mr. Chairman, the House Veterans' Affairs Committee voted out a straight 2-year extension of both the guarantee and direct loan programs. So far as I know there has not been a rule granted on that bill.

Senator SPARKMAN. That bill then is still pending on the House Calendar?

Mr. BROWNSTEIN. That bill is pending on the House Calendar, yes, sir.

In addition, the chairman of the House Veterans' Affairs Committee had scheduled hearings on bills, which would authorize a considerable expansion of the direct loan program and the funds to be obtainable by the Veterans' Administration, by the issuance of debentures. Initially, we were to testify on that bill tomorrow, but I have been advised that the hearing on that has been deferred.

Senator SPARKMAN. If I understand the figures you have given, this program has carried itself and in addition there is a net balance of \$62 million?

Mr. BROWNSTEIN. Yes, sir.

Senator SPARKMAN. Putting it another way, you would say that represents really the profit of the operation?

Mr. BROWNSTEIN. It represents the profit of the operation without giving effect, Mr. Chairman, to the administrative expense. It does include the cost of the money that we have borrowed from the Treasury.

Senator BUSH. How would the administrative costs affect that figure?

Mr. BROWNSTEIN. We do not have a breakdown, Senator Bush, between our guaranteed and direct loan administrative costs. It would show a very substantial profit still.

Senator BUSH. What has been your record in respect of defaults?

Mr. BROWNSTEIN. We have had a foreclosure experience of seven-tenths of 1 percent.

Senator BUSH. And the losses that may have occurred in connection with those are taken into account in this \$62 million?

Mr. BROWNSTEIN. Yes, they are.

Senator SPARKMAN. Senator Clark, any questions?

Senator CLARK. I understand that the administration is against your bill, Senator Sparkman, largely because it believes we ought to have higher interest rates for rural loans.

Senator SPARKMAN. Of course, the interest rate on direct loans is the same as the rate under the GI guarantee program. That is a question really that has to be argued out on other legislation rather than ours. We have kept the direct loan interest rate tied all along to the loan guarantee rate, and as that rate has gone up ours has gone up.

Thank you very much, Mr. Brownstein and gentlemen.

The next witness is Mr. Robert E. Scott, chairman of the Realtors Washington Committee of the National Association of Real Estate Boards.

Mr. Scott, if you will come around we would appreciate it.

In the meantime, without objection, I should like to insert in the record a statement of Mr. Austin E. Kerby, assistant director, National Economic Commission, of the American Legion, in connection with this same legislation that Mr. Brownstein has testified to.

Senator CLARK. Does he support the bill?

Senator SPARKMAN. Yes.

(The statement referred to follows:)

STATEMENT OF AUSTIN E. KERBY, ASSISTANT DIRECTOR, NATIONAL ECONOMIC COMMISSION, THE AMERICAN LEGION

Mr. Chairman and members of the subcommittee, our appearance here today is with reference to S. 3276, a bill to amend and extend the veterans' direct home loan program.

It is the traditional policy of the American Legion that direct loans should be made to veterans residing in rural and remote areas of our country when private financing is unavailable; provided, the Administrator of Veterans Affairs designates such areas as a "housing credit shortage area."

The need of the direct home loan program has been an ever-present actuality in the past and this need is still present today.

Due to the many complex fiscal factors there was a scarcity of available mortgage loan money to veterans when the GI loan interest rate ceiling was 4¾ percent. Last year many felt that an increase in the interest rate from 4¾ to 5¼ percent would alleviate the scarcity of mortgage money.

It appears, however, that changes in fiscal policies have counteracted any marked increase in the supply of GI home loan mortgage money and there is today an inadequate supply. While the increase in the interest rate, effective June 30, 1959, did perhaps result in some additional money being made available to veterans, it by no means was adequate. Less than 3 months after the increase in GI loan mortgage money, the FHA Commissioner, on September 24, 1959, increased the interest rate on FHA loans from 5¼ to 5¾ percent. This increase in FHA interest rate obviously hampered the flow of GI home loan money at the fixed 5¼ percent.

Without reiterating in detail, we feel it will suffice to say that the American Legion has been, and still is, in favor of governmental assistance in the lending field when there is absolutely no private capital available.

To further illustrate the continuing need of the direct home-loan program, there were, as of December 31, 1959, 32,897 applications for direct home loans pending with the Veterans' Administration, all from areas which are eligible under the program.

Since the beginning of the direct home-loan program, which was approved April 20, 1950, Public Law 475, 81st Congress, through March 31, 1960, the Veterans' Administration has closed and made full disbursement on 152,793 loans. This does not include several thousand applications which are in various stages of processing. The American Legion feels that the above-cited figures alone adequately testify to the need of extending the program.

On April 19, 1960, the American Legion testified before the Subcommittee on Veterans' Affairs of the Senate Committee on Labor and Public Welfare in connection with hearings on S. 3275, a bill to extend World War II veterans guaranteed loan programs to February 1, 1965. Our testimony in respect thereto was in accordance with our 1959 Resolution No. 622, which called for a 2-year extension. However, we assured the subcommittee at that time that an extension to February 1, 1965, would meet with our approval. The American Legion's position remains unaltered in connection with S. 3276.

In view of the continued need of the direct home-loan program, and since the present law will expire on July 25, 1960, we respectfully request that the existing veterans' housing direct-loan law be extended to January 31, 1965.

Mr. Chairman, since the subcommittee is considering numerous bills other than S. 3276, we feel it appropriate at this time to state for the record the historic

position of the American Legion, namely, that all functions affecting veterans should be contained within the Veterans' Administration. This firm stand was reiterated by our 1959 National Convention in Resolution No. 625.

Wherefore, the American Legion respectfully requests the subcommittee to approve the bill, S. 3276, above referred to.

We appreciate this opportunity to appear and express the views of the American Legion in connection with this important housing legislation.

STATEMENT OF ROBERT E. SCOTT, CHAIRMAN, REALTORS WASHINGTON COMMITTEE; ACCOMPANIED BY JOHN C. WILLIAMSON, DIRECTOR, DEPARTMENT OF GOVERNMENTAL RELATIONS, NATIONAL ASSOCIATION OF REAL ESTATE BOARDS

Mr. SCOTT. Mr. Chairman, accompanying me is John C. Williamson, who is secretary-counsel to our Realtors Washington Committee and director of our Department of Governmental Relations in the National Association of Real Estate Boards.

Senator SPARKMAN. We know Mr. Williamson quite well. He appears before us rather frequently, and we are always glad to see him.

Mr. SCOTT. Mr. Chairman and members of the subcommittee, I am Robert E. Scott, of Elizabeth, N.J., where I have been engaged in the real estate brokerage and mortgage banking business for more than 28 years. I appear before you on behalf of the National Association of Real Estate Boards, a federation of 1,341 local real estate boards with a membership of more than 67,000 realtors in every State of the Union.

On behalf of our national association, I appreciate this opportunity to express our views with respect to several bills pending before the subcommittee. Our testimony will be rather brief with respect to some of the bills and more extensive as to others.

S. 3541

I would like first to express our appreciation for the introduction by the chairman and Senator Capehart of S. 3541, a bill which represents the study, work, and general agreement of the National Association of Real Estate Boards, National Association of Home Builders, and the Mortgage Bankers Association. The latter two organizations will, I am sure, discuss this measure in their testimony.

S. 3541 represents the culmination of many years of effort on the part of these three associations to develop a formula which would cure the mortgage industry of its chronic ailment—the fluctuation in the availability of mortgage money, which finds the industry and the borrowers always in either a feast or a famine. This subcommittee and its staff have also devoted considerable time and effort to the study of such a facility.

Some refer to this objective as a central mortgage discount bank, others as a central mortgage reserve facility. Whatever the label, since the rechartering of FNMA in 1954, we have always believed that FNMA possesses the framework within which we could develop a facility which would accomplish the desired objective.

The bill, S. 3541, is divided into two parts. One would make certain changes in the present FNMA, and the other would create new

local and regional mortgage investment companies. The provisions, briefly, are:

FEDERAL NATIONAL MORTGAGE ASSOCIATION

1. FNMA would be authorized to make short-term loans on the security of FHA-insured and VA-guaranteed loans. This is similar to the provisions in last year's vetoed S. 57, which provision was eliminated from the bill as subsequently enacted.

2. A Board of Directors of three persons appointed by the President, subject to confirmation by the Senate, would replace the present unsatisfactory arrangement whereby the President of FNMA is appointed by the Housing and Home Finance Administrator who is Chairman of the present Board of Directors. The Chairman of the President's Council of Economic Advisers and the Assistant Secretary of the Treasury are also members of the present Board of Directors. FNMA's augmented role envisioned by this bill certainly dictates that its stature be not less than that of the Federal Home Loan Bank Board.

3. Loans would be for 12 months, although renewable for an additional 12 months' period, and may not exceed 90 percent of the unpaid principal balance of the pledged mortgages, and borrowers would be required to subscribe to common stock in an amount not in excess of one-half of 1 percent of the loan, which subscription would be non-refundable.

4. FNMA's borrowing authority would be increased to 15 times its capital, surplus, and reserves, instead of 10 as under existing law.

5. An Advisory Council would be created consisting of 12 members, selected by the Board of Directors for 2-year terms, who would represent all segments of the industry.

FEDERAL MORTGAGE INVESTMENT COMPANIES

1. The Board of Directors of FNMA would be authorized to charter and supervise Federal mortgage investment companies upon the application of at least five qualified persons. These would be capitalized at not less than \$1 million, 25 percent of which must be subscribed in cash, Government securities, or first mortgages before a charter may be issued. The entire \$1 million must be subscribed before these FMIC's may borrow money from the public. No Federal money is involved, and there is no Treasury backstop. These companies would have to stand on their own feet.

2. These FMIC's would be authorized to originate, purchase, service, and sell FHA-insured and VA-guaranteed mortgages out of their borrowings and capital. However, they would be able to originate and purchase conventionally financed mortgages, residential and non-residential, up to 75 percent of appraised value, but only out of capital. We believe that this latter provision is a most significant step, because it points the way toward a central mortgage reserve facility for all types of real estate mortgages. However, in view of the fact that money borrowed by the FMIC's through the issuance of obligations to the public may be used only for FHA and VA mortgages, activity with respect to the latter will represent their principal activity.

3. FMIC's would be authorized to issue their obligations up to 20 times their paid-up capital and surplus. These obligations would not be federally guaranteed and would not be tax exempt.

We are confident that many of these Federal mortgage investment companies will be organized and will be able to tap local or regional sources of funds which may not be readily available for mortgage investment at the present time. These local sources could be individual savings as well as pension and retirement funds.

In many respects this proposal reaches back into the National Housing Act as it was originally enacted in 1934. Title III of that act authorized the creation of national mortgage associations to purchase and sell first mortgages on real estate and issue their debentures to the public. At the request of the President in 1938, the FHA chartered the first and only one of these national mortgage associations, and this became the Federal National Mortgage Association. The architects of this original proposal must have envisioned the creation of local and regional mortgage associations chartered and supervised by an instrumentality of the Federal Government—in that instance, the FHA. Now, 26 years later, appreciating the wisdom of this earlier proposal, we urge its enactment with certain modifications dictated by the experience gained throughout this period.

Title III of the bill proposes certain amendments to the Securities Act of 1933, the Trust Indenture Act, the Investment Company Act, and the Internal Revenue Code, which are designed to make applicable to these Federal mortgage investment companies provisions of the several acts as they relate to comparable institutions chartered by instrumentalities of the Federal Government. We recognize that this committee does not have jurisdiction over amendments to the Internal Revenue Code. However, we thought it best to follow the analogy of the Small Business Investment Act and, should title II be approved by this subcommittee, the tax-writing committees might then be prevailed upon to consider the pertinent changes in the Internal Revenue Code.

We recommend your sympathetic consideration of this legislation.

S. 3500

We strongly recommend the subcommittee's approval of S. 3500, which would remove the statutory limitation as to time and outstanding insurance obligations with respect to the FHA title I home repair and improvement program. This program has proved an invaluable instrument for upgrading the housing standards of the country. Its success in this area dictates, in our opinion, an end to further speculation as to its continued existence. This is no blank check. The Congress would still have the right to investigate the program, amend it, or repeal it altogether.

S. 3504

We also urge approval of S. 3504, which would extend the FHA mortgage insurance system program on a continuing basis. Our comments with respect to extending title I are equally appropriate to this measure. The FHA has made a magnificent contribution to the American people in the 26 years of its existence, and at no cost to the taxpayers. Speculation as to the continued existence of this valuable

program should cease to perplex and plague the home-buying public and the great homebuilding and home-finance industries so vital to the national economy. Approval of this legislation would by no means result in inability on the part of Congress to keep the program under continual scrutiny. We have heard too much in the past about the FHA being a so-called hostage for omnibus housing bills containing programs which are unable to survive the legislative process on their own merits. Approval of this bill as well as S. 3500 would end once and for all the unfortunate controversy which recurs almost annually over the role of the FHA, or its alleged use as a vehicle to insure enactment of other programs having no relationship to the highly successful FHA mortgage insurance system.

Senator BUSH. May I ask a question there, Mr. Chairman? Did we have testimony from the administration on S. 3541, the first bill that Mr. Scott discussed?

Senator SPARKMAN. No. As a matter of fact, that bill was just introduced on Friday. I made a statement on the floor regarding it. It is a bill that was prepared very largely by the cooperating work of the National Association of Real Estate Boards, the Mortgage Bankers Association, and the National Association of Home Builders. Senator Capehart and I joined in introducing the bill and I made a statement that we were doing it in order to provoke thought and discussion.

It embodies an idea that we have threshed around here a great deal in the past—a central mortgage bank or institution.

Senator BUSH. Has that been sent down for comment by the administration?

Senator SPARKMAN. It will be done immediately if it has not.

Mr. SCOTT. S. 3379 proposes that the President in his annual message to the Congress include a residential construction goal for the current year or for a two-year period, recite steps which the Federal Government will take to achieve this goal, and what changes in the law are necessary to accomplish this goal.

We question the need for such a requirement and are concerned with the precedent which would be established, a precedent which could conceivably extend throughout the economy.

For one thing, such a housing goal would at best represent human estimates flowing from the consideration of a multitude of factors which touch upon government and industry actions in other sectors of the economy. Presumably, if the past is any indication, dispute will first arise as to the validity of the figure advanced as the year's goal, and we can visualize the hearings before the Joint Economic Committee as well as this committee, as the elements which produced the number are exhaustively probed. Who could ever be certain that this artificial limit placed upon the Nation's productive power in the field of housing construction is an adequate one? What would be the result of speculation in April and May of each year as conjecture piled on top of hypothesis produces a host of conflicting estimates as to whether the Nation is moving toward its goal? Will it influence the Federal Reserve Board or the Treasury to take action limiting the funds which might otherwise go into the mortgage market?

We do not mean to be facetious in making these statements, but we are fearful that the fixing of a housing goal will produce a host of

problems diverting energy and attention from more realistic problems, the solutions to which we are confident would continue the upgrading of housing standards of the American people.

H.R. 10213

I will now turn to the so-called Emergency Home Ownership bill H.R. 10213, which recently passed the House of Representatives and is now pending before the subcommittee. While our association endorses several provisions of the bill, we strongly urge that the subcommittee reject the provision which would direct \$1 billion of Treasury funds into the support at par of FHA and VA mortgages.

We do not favor enactment of this proposal because we view this form of remedy for the existing problem of relative tightness in the money market as too drastic, not responsive to the basic cause of the problem, and calculated in the long run to do more harm than good to the housing industry and the national economy.

For one thing, we do not believe we are in an emergency. The downward trend in homebuilding to approximately 1,200,000 starts in comparison with 1,310,000 last year certainly does not suggest that we are on the threshold of a recession in the homebuilding industry.

This downward trend in homebuilding, slight as it is, will not be cured by fashioning a \$1 billion pipeline into the U.S. Treasury. Rather, it suggests that we look deeper into the problems facing the FHA and VA sectors of the market and develop solutions which will be enduring.

This downward trend is the result of the inability of the FHA and VA sectors of the market to compete in the capital market with the demands of the Treasury, business, and the consumer, who apparently have no inhibitions and no restrictions about paying the market price for the money they need. Thus the \$1 billion subsidy would pour a soothing balm on the industry's difficulties, resulting in less attention and a lessened desire to get at the basic root of the problem.

The high discounts on VA mortgages present a problem, a problem which would be reduced to manageable proportions if the Congress gave to the Administrator of Veterans' Affairs the authority with respect to interest rates presently vested in the Commissioner of the Federal Housing Administration.

While the FHA rate is below the market in many parts of country, we believe that there are unmistakable signs of improvement in the flow of mortgage money into this sector of the market. Certainly the difficulty experienced in this area will not be met by supporting FHA mortgages at par with Treasury money.

There are other steps which the Congress might well consider taking which address themselves to the long-range role of the FHA in the mortgage market.

For one, the Congress should immediately lift or remove the 4¼ percent ceiling on long-term Government bonds so that the Treasury's management of the public debt would have less impact on the mortgage market. We recognize that this is a subject over which this subcommittee has no jurisdiction, yet it is perhaps related enough to prompt the subcommittee to take cognizance of the matter in its report on this bill. Restricting management of the public debt to the short-term market has serious implications for all financial institutions, particularly banks and savings and loan associations. The "tragic

fives"—5 percent, 4-year-10-month notes of October 15, 1959—resulted in an estimated loss of about \$450 million in long-term savings which could have been available for home mortgages. A less restrictive debt management policy is bound to inure to the benefit of the mortgage market.

I believe that there would be no disagreement with the statement that residential construction in the FHA and VA sectors of the market has been affected by monetary controls more than any other sector of the economy; and, to quote from the December 24, 1959, staff report of the Joint Economic Committee, "a continuing high degree of sensitivity seems likely as long as the ceilings on FHA and VA interest rates remain in effect."

The question then must resolve itself thus: If the Congress is to persist in controlling the FHA and VA interest rates, what changes in monetary policy must be made so that this sector of the market does not bear a disproportionate burden?

Or, in the alternative: What changes are necessary in the present control of FHA and VA interest rates so that these programs will cease to be more affected by monetary controls than any other sector of the economy?

In seeking solutions to either of these alternatives, we should not forget that sometimes the effects of monetary policy may arise from private credit rationing or the disposition of the consumer to put a strain on the money market for items other than housing.

The subcommittee could make a great contribution to the solution of the first question by recommending to the Committee on Banking and Currency the approval of legislation similar to S. 599, 85th Congress, which would establish a nonpartisan monetary and financial commission to launch a broad inquiry into the adequacy of our monetary and financial institutions to meet the needs of our expanding population and economy.

The second question of what to do about ceilings on FHA and VA interest rates is an old one for this subcommittee. However, I do not want to leave the subject without reading this excerpt from the recent staff report of the Joint Economic Committee:

Prior to 1953, housing does not appear to have been influenced very much by general credit controls, for the simple reason that relatively little use was made of such controls. The pronounced impact on housing since 1953 is chiefly due to the existence of a rather peculiar but very simple mechanism. Due to ceilings on the interest rates that may be charged on mortgages insured by the Federal Housing Administration and guaranteed by the Veterans' Administration, a rise in yields on other competitive types of investments, such as corporate and Government securities, has tended to attract the supply of investment funds away from these mortgages. On the other hand, when credit conditions have eased and yields on competitive investments have fallen, the supply of investment funds has tended to flow back into the Government-supported mortgage programs.

We submit, therefore, that pumping \$1 billion of Treasury money into the support of these programs at par is nothing more than a costly "coverup" of the basic problem, and merely postpones the decision as to how long the mechanism of interest rate controls will be permitted to run its anticyclical or contracyclical course in our economy—a course which we believe runs counter to the best interests of the home-buying public.

I will now turn to some of the other provisions of H.R. 10213.

FEDERAL HOUSING ADMINISTRATION

Section 2 authorizes the FHA to approve an individual as a mortgagee instead of limiting such mortgagees to corporate entities showing showing a net worth in liquid assets of at least \$100,000. We endorse this provision provided the origination, processing, closing, and servicing of such loans are accomplished by FHA-chartered institutions, since it would be obviously difficult if not impossible for an individual to understand and properly comply with the FHA regulations in this regard. It is believed that permitting individuals to make FHA-insured mortgages would bring a considerable amount of additional money into the home mortgage field and would also permit many sellers of homes to take back fully insured purchase money mortgages and avoid paying the discounts otherwise applicable. We have already urged the FHA to accomplish this by administrative action. This, we understand, is presently under active consideration.

Section 3 would authorize the FHA to reduce the minimum mortgage insurance premium to one-fourth of 1 percent instead of the present one-half of 1 percent minimum. We urge the approval of this section.

FNMA SECONDARY MARKET OPERATIONS

Section 4 of the bill would rewrite the basic objectives of FNMA's secondary market operations from one of supplementary assistance to the private secondary market by providing a degree of liquidity to neutralize fluctuations in the availability of mortgage funds to "aid in the stabilization of the mortgage market".

This is a fundamental change in FNMA's charter. FNMA's present approach to the market is not something that stands alone in the statute. It is geared to FNMA's capitalization, which has produced more than 5,000 private shareholders holding more than \$60 million in common stock. It is related also to the reception which FNMA debentures meet in the private investment market. We cannot tamper with FNMA's role in the secondary mortgage market by requiring it to buy "over the market" and expect the interest of the private shareholders to be unimpaired and the private investment sources of FNMA's borrowings to be unaffected. We reiterate our last year's opposition to this change and urge that it be deleted from the bill.

Section 5 provides that for a period of 1 year following enactment FNMA would be required to purchase any FHA-insured or VA-guaranteed mortgage offered to it so long as the mortgage is not in default or in imminent danger of default and the title is not defective. Presumably, FNMA would still retain the regulatory authority to qualify mortgages as to time since origination, which is presently 4 months, and to fix varying prices so that any marginal or submarginal characteristics attaching to the physical property, neighborhood, or credit of the borrower would be reflected in the price. Therefore, in the light of this administrative discretion retained by FNMA, we believe the proposed amendment has considerable merit. However, because we believe the amendment is consistent with sound business principles, we urge that this be made permanent, rather than for 1-year period.

The purpose of section 6 is to prevent FNMA, for a period of 1 year following enactment, from exchanging any mortgage from any of its three portfolios for Government bonds.

The prohibition against exchanges stems from the controversy generated by the mortgage-bond exchanges which took place in December and March. In the former, FNMA exchanged approximately \$188 million of VA 4-percent mortgages from its management and liquidation portfolio for 2¾-percent Government bonds, and in the latter, \$130 million was exchanged for 2¾-percent bonds. These exchanges actually benefited the mortgage market, since they permitted investors to exchange frozen assets of about \$318 million for amortizing mortgages which provide rollover, or fresh money available for reinvestment in home mortgages, money which would not have become available until the maturity of the bonds exchanged.

We therefore oppose approval of this section of the bill.

Section 7 fixes at 1 percent for a period of 1 year the capital stock subscription required of those who sell mortgage to FNMA's secondary market operation. Presumably, the purpose of this section is to make certain that for one year it will cost 1 percent less to do business with FNMA.

FNMA must accumulate capital in order to expand its borrowing authority without further reliance upon the Treasury. Reduction of the stock subscription required by 50 percent would reduce its borrowings by exactly that same percentage.

We urge rejection of this proposal.

FNMA SPECIAL ASSISTANCE FUNCTIONS

Section 8 requires that for a period of 1 year FNMA pay not less than par for mortgages purchased under the special assistance program.

Our association opposes this section, although we want to make it clear that our opposition to the par purchase requirement is not to be construed as opposition to the purchase of any special assistance mortgage at par. However, we do oppose a requirement for support at par—or at any stated price—of all of the nine classes of mortgages which are today eligible for special assistance.

A review of the different mortgages which would be eligible for par support underscores the unreasonableness of the provision. These mortgages would run the gamut from FHA section 203's—if section 11 is approved—which are acceptable to the private market, to section 221 mortgages whose marketability has yet to be established. Between these two we have the military 4½ percent loans, which are as acceptable as a Government bond at that same rate, and the section 213 mortgages which have always been financed by private sources in substantial amounts except now and then when the Congress has required that they be purchased at par by FNMA. Incidentally, FNMA is buying section 213 loans right now at 99, only a 1 point discount.

To require that all these mortgages be purchased at the same price presupposes that all these mortgages have the same degree of acceptability or unacceptability in the market. This, of course, is not the case.

We believe that FNMA has done an excellent job in establishing prices for special assistance mortgages in the light of the intent of the Congress that these programs accomplish their objectives. I seriously doubt that there is any evidence that these programs have suffered since Congress decided in 1958 to terminate the mandatory par purchase requirement.

Section 9 limits the charges or fees which FNMA may impose to 1 percent of the mortgage instead of the present 1½ percent. We note that while this section amends section 305(b) only to the extent of reducing the fees and charges to 1 percent, it leaves untouched the criterion which FNMA must employ in fixing the amount:

With the objective that all costs and expenses of its operation under this section should be within its income derived from such operations and that such operations should be fully self-supporting.

Thus the section, if enacted, would charge FNMA with conducting a "self-supporting" operation so long as it does not charge more than 1 percent purchase and marketing fees. It would seem to us that the question should be: What must FNMA charge in order to fulfill the mandate that its operation be self-supporting? The section dilutes the mandate, yet leaves the language unchanged. We seriously doubt that the limitation on the fees and charges as proposed would result in increased activity in the special assistance program sufficient to warrant this tampering with the "self-supporting" principle. We recommend that this section not be approved.

I have already discussed the \$1 billion provision of sections 10 and 11.

Section 12 provides for special assistance at par of section 203(i) mortgages of \$8,000 or less on new construction, provided the permitted service charge of one-half of 1 percent is not imposed on the borrower. A separate \$50 million special assistance fund is made available for this purpose.

We question the wisdom of encouraging lenders to refrain from charging a fee on section 203(i) loans which the law permits and the FHA considers reasonable in order to permit the originator to sell these loans to FNMA, when the imposition of this usual charge would make the loans acceptable to the secondary market.

Section 14 would require that the originating mortgagee report to the FHA or VA the amount of any fee, charges, or discounts paid by the builder, seller, broker, sponsor, or any other person in connection with or for the purpose of arranging a mortgage.

We endorse this section as a far better approach to the problem of discounts than others which have been advanced in the past. The realtors of America fully recognize the necessity for charges for interim financing, standby commitments, and discounts sufficient to translate the current submarket VA and FHA interest rates into yields commensurate with the prevailing rates in the respective areas of the country. However, it is believed that full disclosure of discounts might have the effect of inhibiting the charging of discounts in excess of current requirements.

S. 1342

S. 1342 would establish a new constituent agency within the Housing and Home Finance Agency with the power to raise money through

the issuance of tax-exempt obligations; such money in turn to be lent to private builders or nonprofit organizations for the purpose of constructing multifamily housing for families of moderate income or for elderly persons. Two billion dollars of federally guaranteed tax-exempt bonds would be issued for a target of 150,000 dwelling units. Of course, this represents only the initial phase of the program.

Families of moderate income, who would be the recipients of the benefits from this money raised in unfair competition with the homebuyers, are defined as families or individuals "whose incomes preclude them from purchasing or renting conventionally financed new housing with total monthly housing expenditures of 20 percent of their normal stable income as defined by the Federal Housing Administration." It is assumed that "conventionally financed" as used in this definition includes FHA-insured and VA-guaranteed mortgages.

Our association opposes the bill, because its enactment would represent an unwarranted and unnecessary intrusion by the Federal Government through the tax exemption device into an area which private enterprise is adequately serving. Its enactment would retard the progress which private enterprise is making in meeting the housing needs of the people on a more promising scale than even the present. The tax exemption device for this program would divert \$2 billion—ultimately more and more billions as the fascination of subsidy takes hold—from funds available to the homebuyer who cannot compete with tax exemption.

The definition of "families of moderate income" underscores the faulty premise underlying the measure. It presupposes that all families have a right to buy a new home or rent a new unit, and that this right if not satisfied through one's normal stable income must be satisfied through subsidy in the form of tax exemption.

The definition's use of the phrase "normal stable income" implies that a family's assets—whether they be in the form of money in the bank, shares in a savings and loan association, stocks and bonds, equities in real estate, and so forth—must not be tapped to acquire a new home. It rejects the impressive figure of \$956.2 billion in financial assets and net equities of individuals, an increase of almost 300 percent from the 1950 estimate, according to the 1960 Economic Report of the President. It rejects the findings of the Federal Reserve Board in early 1958 that three-fourths of all spending units reported holding some liquid assets exclusive of equities in real estate. While it is true that only one-tenth reported \$5,000 or more and less than half reported \$500 or more, nevertheless large holdings were reported about as often in the two lowest quintiles as in the third and fourth. Income cannot therefore be a sole criterion of the ability to acquire a suitable dwelling unit.

The bill's premise is completely illogical. It presumes that the inability of a family to acquire a new house necessitates the intervention of the Federal Government through subsidized direct lending. It disregards the fact that existing homes represent the great source of housing for lower-income families, and that a constant source of adequate housing is continually being made available as more and more families upgrade their housing standards. This process of upgrading is minimized by some proponents of this bill who prefer to call it "filtration" or "filtering down." This deplorable and

cynical approach to the upgrading process is probably best expressed by one of the housing experts whose views were cited in the subcommittee's Mortgage Credit Study Report. This expert would take care of filtration by overbuilding, thus deflating the price of existing homes. He calls this inducing filtration. Of course, no thought is given to the elimination of people's savings and equities in existing homes, equities which in increasing numbers are proving the means for acquiring newer and larger homes.

According to a recent release of the FHA, the typical new-home buyer in 1959 had an income of \$6,912. Yet one of the cosponsors of the measure, in a statement to the Senate upon introducing the measure, referred to the "shocking gap" represented by those whose incomes are too high for public housing and too low for FHA. I respectfully suggest that investigation might find more than a little overlap instead of this shocking gap.

We note from an April 15, 1960, release of the Department of Commerce that the percentage distribution of family personal income for all groups in the \$6,000 and below brackets has shown a steady decrease since 1947: From 7 percent to 2 percent for those under \$2,000; 28 percent to 10 percent in the \$2,000-\$4,000 bracket; 28 percent to 18 percent in the \$4,000-\$6,000 bracket. The higher brackets have sustained corresponding increases. Surely this favorable trend in income distribution ought to preclude favorable consideration of legislation so far reaching as this and which fails to reflect the commendable progress being made in providing homeownership opportunities by private enterprise.

We strongly urge the subcommittee's rejection of this bill.

S. 3292

This bill provides for the establishment of a Department of Housing and Metropolitan Affairs headed by a secretary who would be a member of the President's Cabinet. All functions of the Housing and Home Finance Agency would be transferred to the new department.

Transforming the Housing and Home Finance Agency into a department with Cabinet status presupposes that Government's role in the field of housing is a permanent and expanding one. It is still the hope of the National Association of Real Estate Boards that Government's role will be a lessening one. At least our association has not conceded that this lessening role is beyond attainment. On the contrary, we note encouraging signs. Three of the major Government housing agencies are today fulfilling their statutory obligations without any cost to the taxpayers. These are the Federal Home Loan Bank System, the Federal Housing Administration, and the Federal National Mortgage Association. These agencies represent more than 70 percent of the housing mortgage transactions entered into during the past year. The other agencies administer welfare-type programs. There is serious question as to the advisability of merging the businesslike and welfare-type functions of the six agencies into an integrated Department of Housing.

Some proponents of the bill argue that housing does not have adequate "voice" on the Cabinet level—that a Secretary of Housing would be in a better position to resist acceptance of decisions which some

contend are against the interests of housing. This argument concedes that there are people in high places who are against "housing"—an argument that cannot survive even slight examination.

Our association opposes the enactment of this measure.

This concludes our testimony, Mr. Chairman. Thank you very much for the opportunity.

Senator SPARKMAN. Thank you very much, Mr. Scott. It is a very clear statement.

You refer to interest rates. Of course, you realize that this committee has no jurisdiction over VA guarantee interest rates.

Mr. SCOTT. No. I understand that.

Senator SPARKMAN. And that interest rates on direct loans to veterans, which program we do have jurisdiction over, is tied to that program. And keep in mind, of course, that the FHA does have a flexible interest rate within a 6-percent ceiling, which has never been reached.

Mr. SCOTT. That is correct.

Senator SPARKMAN. Senator Clark?

Senator CLARK. I would just like to make a couple of brief observations, because I do not think we are going to convince this witness of his association by colloquy.

I would like very politely to register emphatic dissent with his entire comment with respect to S. 1324. This program, cosponsored by Senator Javits and myself, is based on successful experience with a similar bill in New York. I think every objective study has shown that private enterprise is not adequately serving families of middle income. I think our friend's statistics are quite irrelevant and immaterial to the issue before us. I do not believe that adequate housing is continually being made available as more and more families upgrade their housing standards. In fact, our present rate of housing starts is shockingly inadequate, and one of the most important lacks is in the middle income field. I think investigation has clearly shown the shocking gap which my friend derides.

I regret his opposition to the bill for a Department of Metropolitan and Urban Affairs. Nobody has ever suggested that it should be a Department of Housing.

I reiterate again my view, which I hope will be considered in the friendly spirit in which it is intended, that ever since I have first been in the housing field, which now goes back some 15 years, the National Association of Real Estate Boards has consistently opposed practically every desirable reform in this field, and is presently in my judgment still living in the days of William McKinley.

Mr. SCOTT. Senator Clark, we would like to disagree that these are desirable reforms.

Senator CLARK. I would not expect you to agree.

Senator BUSH. Mr. Chairman, I am a little reluctant to make my comments after those of my good friend from Pennsylvania. I was about to congratulate the witness for his presentation, most all of which I subscribe to very heartily.

I had not had a chance to examine some of these bills, but I am very glad to see your organization taking the position that it does take. I am particularly pleased that you pointed out again the effect of the interest rate ceiling on long-term Treasury bonds in the mort-

gage money market. As my friends here know, I have been a very strong advocate of removal of that ceiling, and one of the chief reasons is because it does adversely—at times very much adversely—affect the homebuilding industry, which is the second largest industry in the United States. Practically all elements in connection with that industry have now called for the removal of this interest rate ceiling, and I am very glad that you have underlined it in your testimony. I think it is one of the most important issues that faces the Congress at the present time.

Mr. SCOTT. There is no question in our minds, Senator Bush, that this is the crux of our whole problem—that until this ceiling is lifted we will have constant and recurring crises in the mortgage market.

Senator CLARK. Could I make the comment that I think it is fairly clear the ceiling will not be lifted.

Senator SPARKMAN. Thank you very much, Mr. Scott and Mr. Williamson. We cannot lift the ceiling here anyhow.

The next witness is Dr. Karl S. Klicka, executive director, Hospital Planning Council for Metropolitan Chicago. Doctor, will you come around with your associates and identify them for the record.

STATEMENT OF DR. KARL S. KLICKA, AMERICAN HOSPITAL ASSOCIATION; ACCOMPANIED BY JOHN T. KELLY, LEGISLATIVE ATTORNEY

Dr. KLICKA. Mr. Chairman, I am Dr. Karl S. Klicka, executive director, Hospital Planning Council for Metropolitan Chicago, and also a member of the committee on hospital planning of the American Hospital Association. Accompanying me is Mr. John T. Kelly, legislative attorney for the association.

At the outset of my statement, I wish to express appreciation for this opportunity to appear before the subcommittee in support of S. 3458, and to briefly describe the American Hospital Association.

This association is a voluntary, nonprofit membership organization with about 7,000 members, including the great majority of all types of hospitals. Among these are over 90 percent of the Nation's general hospital beds. Last year the Nation's hospitals admitted more than 22 million patients. Our primary interest, and the reason for the organization of this association, is to promote the public welfare through the development of better hospital care for all the people.

Last year Congress enacted legislation having to do with urban renewal areas involving colleges or universities. This legislation added a new section 112 to the Housing Act of 1949.

The purpose of my appearance before this subcommittee on behalf of the American Hospital Association is to urge that section 112 be extended to include public and nonprofit hospitals. It is with deep appreciation that this Association notes that S. 3458, introduced by Senator Clark of Pennsylvania, truly recognizes the expansion and developmental land needs of our urban hospitals and provides for such amendment of section 112. Therefore, we urgently request favorable consideration and passage of this bill at this session.

As we understand it, present section 112 operates in the following manner: Federal assistance to an urban renewal project is authorized without regard to the predominantly residential requirement where a

college or university is located in or near such a project and the local governing body decides that the project will assist such institutions and further that the project will promote the public welfare and the proper development of the community. In addition, expenditures made by such educational institutions in purchasing and clearing property within, adjacent to, or in the immediate vicinity of the project can be counted as local grant-in-aid. Credit is also permitted for expenditures made by such institutions not more than 5 years prior to the loan and grant contract.

The effect of this new law, as we see it, is to enable colleges and universities in urban areas to purchase and assemble land under the following advantageous conditions:

1. Since expenditures made by colleges and universities in acquiring land and buildings are credited to the local government share of the cost of an urban renewal project, the local community and the educational institutions are encouraged to have an awareness of each other's problems on the most practical level. From this increased awareness a better understanding of the expansion and developmental needs of the educational institutions must naturally result.

2. There will be an increased willingness on the part of the local governing body to exercise its power of eminent domain where it can be demonstrated that land should be made available to educational institutions to promote the public welfare and proper development of the community.

3. The time needed to assemble land for expansion and developmental purposes is reduced.

4. Speculation in land prices is prevented.

The American Hospital Association has given careful consideration to the presentation made by the educational institution's in last year's housing hearings before this subcommittee. We concur wholeheartedly in the views expressed by these institutions as to the reasons why they needed more land. We find ourselves in substantially the same position, and respectfully submit that the cause for the inclusion of public and nonprofit hospitals in section 112 is equally pressing.

Many of our urban hospitals are located in the very heart of our old cities. Indeed, many of them are venerable teaching and research institutions, with the establishment of the oldest, the Philadelphia Hospital, being 1732. They best serve the people and their communities when they are readily accessible to patients and their families, to physicians, to hospital personnel, and to various agencies of local government.

Unlike many other types of institutions and organizations, the answer to their space requirements is not found in flight to the suburbs. Except in the unusual cases they will remain where they are in heavily concentrated population centers. And, unfortunately, today many of our urban hospitals are locked in tightly in the areas in which they are located. In city after city, essentially the same situation holds—there is insufficient available land for necessary expansion and developmental purposes.

I wish now to review for this subcommittee some of the more important reasons why many of our urban hospitals need more land.

Senator CLARK. Could I interrupt you for a minute, Dr. Klicka, to ask you whether it would be possible for you to furnish this commit-

tee with at least a partial list of the major urban hospitals which, as you describe it, are locked in tightly in areas in which they are located. I know a few. You of course know many more. I think it would be very helpful to the committee if you could let us have such a list. Do you think you could get it up?

Dr. KLICKA. We will certainly try to do that, Senator Clark.

(The list referred to follows:)

AMERICAN HOSPITAL ASSOCIATION,
Washington, D.C., May 26, 1960.

HON. JOHN SPARKMAN,
Chairman, Senate Subcommittee on Housing, Senate Banking and Currency
Committee, Senate Office Building, Washington, D.C.

DEAR SENATOR SPARKMAN: On May 16, Dr. Karl S. Klicka, executive director, Hospital Planning Council for Metropolitan Chicago, presented the statement of the American Hospital Association, to your subcommittee in support of S. 3458.

In the course of Dr. Klicka's presentation, Senator Clark asked if this subcommittee could be furnished with at least a partial list of the major urban hospitals which are locked in tightly in the areas in which they are located.

Time has not permitted us to compile a comprehensive list of nonprofit and public hospitals meeting this condition. But in the attached list we do feel we have a good representative portrayal of this matter. We developed this list by contracting a number of metropolitan hospital councils asking them to provide this information to us.

Sincerely yours,

JOHN T. KELLY,
Legislative Attorney.

CLEVELAND, OHIO

Huron Road Hospital, Belmore and Terrace Roads, Cleveland, Ohio.
University Hospitals, 2065 Adelbert Road, Cleveland, Ohio.
Doctors Hospital, 12345 Cedar Road, Cleveland Heights, Ohio.
St. Alexis Hospital, 5163 Broadway Avenue, Cleveland, Ohio.
Forest City Hospital, 711 Parkwood Drive, Cleveland, Ohio.
St. Vincent Charity Hospital, Central and East 22d Street, Cleveland, Ohio.
Lutheran Hospital, 2609 Franklin Boulevard, Cleveland, Ohio.
Evangelical Deaconess Hospital, 4229 Pearl Road, Cleveland, Ohio.
St. John's Hospital, 7911 Detroit Avenue, Cleveland, Ohio.
Lakewood Hospital, 14519 Detroit Avenue, Lakewood, Ohio.
Polyclinic Hospital, 6606 Carnegie Avenue, Cleveland, Ohio.
Woman's Hospital, 1940 East 101st Street, Cleveland, Ohio.
Mount Sinai Hospital, 1800 East 105th Street, Cleveland, Ohio.

BUFFALO, N.Y.

Children's Hospital, 219 Bryant Street, Buffalo, N.Y.
Buffalo General Hospital, 100 High Street, Buffalo, N.Y.
Buffalo Columbus Hospital, 300 Niagara Street, Buffalo, N.Y.
Lafayette General Hospital, 113 Lafayette Avenue, Buffalo, N.Y.
Millard Fillmore Hospital, 3 Gates Circle, Buffalo, N.Y.
Deaconess Hospital, 563 Riley Street, Buffalo, N.Y.
Mount St. Mary's Hospital, Niagara Falls, N.Y.

GREATER NEW YORK AREAS

Beekman-Downtown Hospital	Misericordia Hospital
Beth Abraham Home	Montefiore Hospital
Bronx Hospital	New York Hospital
Flushing Hospital	New York Polyclinic Hospital
Hospital for Joint Diseases	Presbyterian Hospital
Hospital for Special Surgery	Roosevelt Hospital
Jewish Hospital of Brooklyn	St. Barnabas Hospital
Lenox Hill Hospital	St. Clare's Hospital
Lutheran Medical Center	University Hospital
Memorial Center	

WASHINGTON, D.C.

Suburban Hospital, Bethesda, Md.
 Casualty Hospital, Massachusetts Avenue NE., Washington, D.C.
 Children's Hospital, 13th and W Streets NW., Washington, D.C.

SCRANTON, PA.

Mercy Hospital, 746 Jefferson Avenue, Scranton, Pa.
 Hahnemann Hospital, 316 Colfax Avenue, Scranton, Pa.

PHILADELPHIA, PA.

St. Luke's and Children's Medical Center, Girard Avenue and 16th Street, Philadelphia, Pa.
 Presbyterian Hospital, 51 North 39th Street, Philadelphia, Pa.
 Pennsylvania Hospital, Eighth and Spruce Streets, Philadelphia, Pa.
 Jefferson Hospital, 11th and Walnut Streets, Philadelphia, Pa.
 Temple University Hospital, Broad and Ontario Streets, Philadelphia, Pa.
 Children's Hospital, 1740 Bainbridge Street, Philadelphia, Pa.
 St. Christopher's Hospital for Children, 2600 North Lawrence Street, Philadelphia, Pa.
 Graduate Hospital, 1818 Lombard Street, Philadelphia, Pa.

LOS ANGELES, CALIF.

Alhambra Community Hospital, 206 South Garfield Avenue, Alhambra, Calif.
 California Hospital, 1414 South Hope Street, Los Angeles, Calif.
 Cedars of Lebanon Hospital, 4833 Fountain Avenue, Los Angeles, Calif.
 Children's Hospital, 4614 Sunset Boulevard, Los Angeles, Calif.
 French Hospital, 531 West College Street, Los Angeles, Calif.
 Hollywood Presbyterian Hospital, 1322 North Vermont Avenue, Los Angeles, Calif.
 Los Angeles Eye and Ear Hospital, 500 South Lucas Avenue, Los Angeles, Calif.
 Torrance Memorial Hospital, 1425 Engracia Avenue, Torrance, Calif.

BOSTON, MASS.

Beth Israel Hospital, 330 Brookline Avenue, Boston, Mass.
 Massachusetts Eye and Ear Infirmary, 243 Charles Street, Boston, Mass.
 Massachusetts General Hospital, Fruit Street, Boston, Mass.
 Massachusetts Memorial Hospital, 750 Harrison Avenue, Boston, Mass.
 Peter Bent Brigham Hospital, 721 Huntington Avenue, Boston, Mass.

BIRMINGHAM, ALA.

Carraway Methodist Hospital, 2506 16th Avenue, North, Birmingham, Ala.
 Birmingham Baptist Hospital, 708 Tuscaloosa Avenue, Birmingham, Ala.
 Highland Avenue Baptist Hospital, 2236 Highland Avenue, Birmingham, Ala.

ST. LOUIS, MO.

Alexian Brothers Hospital, 3933 South Broadway, St. Louis, Mo.
 Barnes Hospital, 600 South Kingshighway, St. Louis, Mo.
 Firmin Desloge Hospital, 1325 South Grand Avenue, St. Louis, Mo.
 Jewish Hospital of St. Louis, 216 South Kingshighway, St. Louis, Mo.
 Lutheran Hospital, 2639 Miami Street, St. Louis, Mo.
 St. Anthony's Hospital, 5320 Chippewa, St. Louis, Mo.
 Deaconess Hospital, 6150 Oakland Avenue, St. Louis, Mo.
 De Paul Hospital, 2415 North Kingshighway, St. Louis, Mo.
 St. Louis Children's Hospital, 500 South Kingshighway, St. Louis, Mo.
 St. Luke's Hospital, 5535 Delmar Boulevard, St. Louis, Mo.
 St. Mary's Hospital, 1536 Papin, St. Louis, Mo.

ST. PAUL, MINN.

Abbott Hospital, 110 East 18th Street, Minneapolis, Minn.
 Elizabeth Kenny Institute, 1800 Chicago Avenue, Minneapolis, Minn.
 Lutheran Deaconess Hospital, 2315 14th Avenue South, Minneapolis, Minn.
 Minneapolis General Hospital, 619 South Fifth Street, Minneapolis, Minn.
 Mount Sinai Hospital, 737 East 22d Street, Minneapolis, Minn.
 Northwestern Hospital, 810 East 27th Street, Minneapolis, Minn.
 St. Mary's Hospital, 2414 South Seventh Street, Minneapolis, Minn.
 The Swedish Hospital, 914 South Eighth Street, Minneapolis, Minn.
 University of Minnesota Hospital, 412 Southeast Union, Minneapolis, Minn.
 Bethesda Hospital, 559 Capitol Boulevard, St. Paul, Minn.
 Charles T. Miller Hospital, 125 College Avenue West, St. Paul, Minn.
 Children's Hospital, 311 Pleasant Avenue, St. Paul, Minn.
 Northern Pacific Hospital, 1515 Charles Avenue, St. Paul, Minn.
 Riverview Memorial Hospital, 225 Prescott, St. Paul, Minn.
 St. Luke's Hospital, 287 Smith Avenue, St. Paul, Minn.

CINCINNATI, OHIO

The Christ Hospital	The Children's Hospital
Convalescent Hospital for Children	Cincinnati General Hospital
Bethesda Hospital	The Jewish Hospital of Cincinnati
Deaconess Hospital	Catherine Booth Hospital
Good Samaritan Hospital	Roolman Receiving Hospital
Christian R. Holmes Hospital	Sheltering Oaks Hospital

COLUMBUS, OHIO

Riverside Methodist Hospital.
 Children's Hospital, 17th Street, Livingston Park, Columbus, Ohio.
 Mercy Hospital, 1430 South High Street, Columbus, Ohio.
 Doctors Hospital.
 Mount Carmel Hospital, 793 West State Street, Columbus, Ohio.
 St. Anthony Hospital, 1450 Hawthorne Avenue, Columbus, Ohio.

KANSAS CITY AREA

Trinity Lutheran Hospital, 31st and Wyandotte Streets, Kansas City, Mo.
 St. Mary's Hospital, 101 Memorial Drive, Kansas City, Mo.
 St. Luke's Hospital, 4400 J C Nichols Parkway, Kansas City, Mo.

KANSAS CITY, KANS.

University of Kansas Medical Center, 39th and Rainbow Boulevard, Kansas City, Kans.

Dr. KLICKA. The Nation today still suffers from a lack of sufficient hospital facilities and perhaps even more important it suffers from a deterioration of existing facilities in urban areas. The need for modernization of our urban hospitals has been well documented. In large part, this need arises because of necessary expansion in function and services to be offered to the community and results in demands for additional land in which to house these services and facilities.

It is inevitable that the major impact of continued developments and advancements in medical science and practice must fall most heavily upon our existing urban hospitals. Indeed, it is to these facilities and their dedicated staffs that we look for the necessary research which brings about these developments and advancements, and it is upon these traditions of public service that the needed increase in capacity and in the types of facilities and services must be built.

Senator CLARK. Let me interrupt there to ask you what I know some people who are not sold on this bill will ask. Why cannot the hospitals buy that land which they need on the open market without the assistance of the urban renewal procedure?

Dr. KLICKA. I will have to call on my personal experience. As I visit many hospitals in the Chicago metropolitan area, where it is my responsibility to work with the planning of these hospitals, I am daily impressed by the fact that our hospitals are faced with "holdup" prices by people who know that the hospitals need this land and make it practically impossible for them to obtain this land.

Senator CLARK. So actually it is the lack of the power of eminent domain, plus the fact that slum property is very valuable to some landlords?

Dr. KLICKA. You could not put it better, Senator.

Senator CLARK. Doctor, could you give us any sort of general statement of the extent to which, in your own lifetime, the development of the art and science of medicine has called for an expansion in facilities, which in turn calls for more cubic footage in hospitals and therefore for more land? Since you first came into the practice of medicine, have there not been great developments in the art of medicine which in turn result in the need for physical expansion?

Dr. KLICKA. A few years ago, when I was the director of Presbyterian St. Luke's Hospital in Chicago, a position which I held until 10 months ago, when I got into this work, I conducted a survey of a number of hospitals throughout the country, trying to find on a square-foot basis, if you will, an answer to the type of question you have raised. I made this interesting discovery: Whereas, as recently as 15 years ago our major hospitals were being constructed and planned with somewhere between 5 to 10 square of feet of laboratory space per bed, this figure has now gone to closer to 50 to 60 square feet per bed for the ordinary community hospital. But for the hospital that engages in teaching and research the figure is approaching 200 square feet per bed.

Senator CLARK. That is fantastic.

Dr. KLICKA. Just fantastic.

Senator CLARK. This has resulted, has it not, in many hospitals which could raise the money building new plants in the suburbs, where they can get the necessary amount of land. We have some splendid hospitals as a result of that. You are probably familiar with the Lankenau Hospital in my own community. This does tend to remove a hospital from the area of greatest need. I know the old Lankenau Hospital in the Girard Avenue section was once able to do a lot more for the poor people in that area than it can do now.

Dr. KLICKA. That is right, and this is a tendency which we hope to stop. We would like to encourage the hospitals that are doing the kind of job that our communities need to stay where they are, and they need help.

Senator CLARK. You think if you could get, in effect, the power of eminent domain through the urban renewal process that the hospitals which belong to your association would be able to adequately finance their expansion needs and stay where they are?

Dr. KLICKA. I am sure it would be of material assistance, Senator Clark.

Senator SPARKMAN. It seems to me that the record ought to be clear that section 112 did not give colleges the right of eminent domain, nor would the proposed amendment give hospitals the right of eminent domain. It would give urban renewal programs the right

to extend their power of eminent domain in a way that would be beneficial to hospitals. I certainly would not want to propose giving the right of eminent domain to hospitals.

Senator CLARK. I entirely agree with the Senator from Alabama, but the net effect is the same if the local community is persuaded to accept the urban renewal program.

Senator SPARKMAN. But the right of eminent domain remains in the Government. I think it is something we must guard carefully.

Dr. KLICKA. We must go forward in these endeavors if we are to continue to make the best possible health care available to the American public. We are making progress, but more is needed and some feel it should be made more rapidly than at present. Increasingly, hospitals are playing a larger role in medical research activities and increasingly greater recognition is being given to this role. That hospitals are able to make outstanding contributions in this field is fully attested to by their inclusion in the research facilities program which Congress enacted several years ago.

In its research role, with the help of the research facilities program, hospitals have been developing their facilities and staffs. Predominantly it is the urban hospitals which are engaging in this activity. But frequently their ability and desire to expand their research activities may be forestalled because they are unable to acquire necessary additional land for their research buildings.

In medical and health education, hospitals have an important and expanding function. Their needs for added land for their facilities are substantially the same as other educational institutions—for classrooms, for laboratories, and the like.

Senator CLARK. As a matter of fact, it is true, is it not, that many of these urban hospitals have affiliated medical schools and are actually engaged in a great many educational activities?

Dr. KLICKA. A great many. And the amount of money hospitals spend for this is little known but is a most significant fact.

I remember when I was at Presbyterian, here we were a hospital completely independent but affiliated with the University of Illinois. One figure that stands out in my mind is the fact that my intern-resident program where we employed some 180 interns and residents cost the hospital half a million dollars a year. The school of nursing cost somewhere in the neighborhood of \$350,000 a year over and above the income that came to the hospital from the students. Just two examples.

Senator CLARK. So I throw out the question, which I do not want answered, what is the use of providing adequate housing for nurses if there is no hospital in which to train them?

Dr. KLICKA. May I go on?

Our existing urban hospitals are faced not only with a rising utilization rate by the present population but also with a rapidly increasing population. Both are contributing to the need for more beds. Generally urban hospitals seek to meet the need in their area by building additional beds. Usually this may mean adding a wing to one of their buildings and the ability to do so depends on the availability of land. Hence, it is clear that frequently the availability of needed hospital services and beds may depend upon the ability of a hospital to acquire land.

Many of our urban hospitals find themselves in environments of slum and blight. These conditions have a very serious effect on the ability of hospitals to recruit staff and to maintain them. This is not simply a problem of developing or accommodating to an adequate commuting pattern, as hospital personnel must be available around the clock. The care of the sick is a full-time program and it is never confined to the hours during which the average employee works. It is, therefore, important that hospital employees be able to reach the hospital at all hours of the day and night. Unfortunately, slum areas have a way of driving good, needed employees away from hospitals located in such areas.

For hospitals, the traffic congestion in our larger cities has created a serious problem. Unfortunately this condition seems to be getting worse, not better. Consider the many daily emergencies faced by our urban hospitals where physicians, hospital staff and patients, in the interest of saving lives, must rush or be rushed to the hospital only to find virtually impossible parking conditions. As a consequence, hospitals have a great need for more land for parking areas.

In recent years, hospitals have been more and more concerned about providing housing for student nurses, medical interns, and residents. They urged Congress to amend the college housing program to make them equally eligible with other educational institutions for construction loans to build housing for such persons. In the few years since Congress acted to give hospitals this eligibility, important contributions have been made in meeting the housing needs of such students.

Their housing requirements differ. While student nurses may use dormitory-type facilities, interns and residents generally need more spacious housing, and particularly the latter. A very high percentage of both interns and residents are married, with the residents being married for a longer period of time and having larger families. Consequently, the housing needs of both call for apartments rather than dormitory facilities. And apartments mean more land.

May I stop for just a moment and make one comment here.

This is a rapid change; it is a sociological change I presume, but it is fantastic.

I can remember when I went to Presbyterian in 1953, I saw a building that had been recently constructed, one of the first of its time, an apartment building for house staff and graduate nursing. It had 80 apartments in it and 10 were felt sufficient to meet the needs at that time of the married house officers.

In just a matter of 6 years, we found that half of those apartments, 40, had to be given over to married house officers and we had a long waiting list. And now it is even worse, 2 years later.

One of the first things I had to do when I went to the hospital was to build a playground beside this apartment, because these people have not one but two and three children. This is something that you do not stop by legislation.

Senator CLARK. You think the younger doctors are more prolific than you and I were?

Dr. KLICKA. They have great vigor, I will say that.

As we have carefully studied this program, we have learned that one of the greater disadvantages that hospitals have had to overcome in providing for such housing has been their inability to purchase and assemble adequate land at a price within their financial reach.

Often times when the needs for additional land becomes known, land speculation frequently drives the prices to unreasonable heights.

In a rapidly growing development, hospitals are playing a larger role in providing long-term care facilities. More and more hospitals are beginning to operate such facilities in special wings or areas of the hospital, or in nearby facilities. But the hardships of acquiring land has proven to be impossible to overcome in many instances. As the problems of meeting the health care needs of aged persons cry more loudly for solutions, the important contribution which may be made in these areas through the construction of more facilities for the long-term care becomes evident to all students interested in this problem.

Senator CLARK. I am glad you emphasized that, because it seems clear to me that within the foreseeable future, possibly this year but certainly next year, we are going to get into a pretty extensive program of health care for the aged population. And this is going to increase the hospital population substantially.

Dr. KLICKA. We do not have any place to put them now.

Senator CLARK. We ought to try to get a little bit ahead of the program, although it probably will overwhelm us as it usually does in America. We have some people who do not believe in planning in this country; we are always running behind trying to catch up.

Dr. KLICKA. That is right. This is one of the things an organization like ours tries to do.

Senator CLARK. We just had some very vital and important testimony on how foolish it is to ever plan for anything.

Dr. KLICKA. It will be of interest to this subcommittee to know that the American Hospital Association recently conducted a nationwide survey to learn the important activities attached to the hospitals, the special advantages to them in urban-renewal areas as provided in S. 3458. The replies indicated an almost universal approval of this amendment. Indeed, many indicated a present need for this legislation and many others indicated that the future growth of their cities made such an amendment imperative within the foreseeable future.

In conclusion, therefore, may I respectfully urge enactment of S. 3458 to enable hospitals to find the space they need in which to grow. It will enable hospitals to plan now along with local planning bodies for the future expansions in the communities in which they are located.

Thank you very much.

Senator SPARKMAN. Thank you, Dr. Klicka. Yours was a very fine, clear, and forceful statement.

Senator CLARK. May I make one brief comment?

Senator SPARKMAN. Yes, sir.

Senator CLARK. I certainly concur in what Senator Sparkman said, but as a practical matter what you are doing here, and you are doing it the way you should, is representing a vested interest. If we are going to get this bill through, we have to establish some real popular support for it.

I would urge you to contact the mayors and their various associations, the conference of mayors, and everybody else, the other people in the general housing field, and get them to come in here and tell us that they think this expansion of the present program is wise and

sound, because it will help them build better cities. Get the planners on your side, get all the public planning people, and builders. I am not sure you and I between us have enough muscle to put the bill through.

Dr. KLICKA. Thank you very much.

Senator SPARKMAN. Thank you very much.

We have a group of five, representing different hospitals, that I understand will come up together, Mr. William W. Wolbach, Mr. Sidney R. Rabb, Dr. Jack R. Ewalt, Mr. Henry C. Meadow, and Mr. Edward S. Gruson.

Will you gentlemen come up.

I understand you have no prepared statement, but you are here representing the same thinking that Dr. Klicka has advanced. Is that correct?

STATEMENT OF WILLIAM W. WOLBACH, PRESIDENT, BOARD OF TRUSTEES, CHILDREN'S HOSPITAL; SIDNEY R. RABB, TRUSTEE, MASSACHUSETTS GENERAL HOSPITAL, AND BETH ISRAEL HOSPITAL; DR. JACK R. EWALT, ADMINISTRATOR, MASSACHUSETTS MENTAL HEALTH CENTER; HENRY C. MEADOW, ASSOCIATE DEAN, HARVARD MEDICAL SCHOOL; AND EDWARD S. GRUSON, EXECUTIVE SECRETARY, AREA PLANNING COMMITTEE, BOSTON, MASS.

Mr. RABB. Substantially so.

Senator CLARK. They are all from Boston, too.

Senator SPARKMAN. Yes, they are all from Boston, representing different hospitals.

The reporter has the list there and can identify them from that.

You do endorse what Dr. Klicka has said, all of you?

Mr. RABB. Certainly do.

Dr. EWALT. Yes, sir.

Senator SPARKMAN. You feel there is a great need for this kind of extension of the urban-renewal authority?

Dr. EWALT. Yes.

Senator SPARKMAN. Senator Clark, suppose you ask the questions. It is your bill.

Senator CLARK. I wonder if one of you gentlemen acting as spokesman for the others—because we are all short of time—would give us about a 5-minute summary of the situation in Boston which impelled you to come down here and speak in support of this bill.

Mr. RABB. My name is Sidney R. Rabb and I am a trustee of the Massachusetts General Hospital and Beth Israel Hospital.

Since I think Senator Sparkman and you have given the preface, there is no need for me to repeat the need for this particular bill.

However, in our particular area, as you know, we have probably the largest teaching institute in the country.

Senator CLARK. Philadelphia is a pretty good second.

Mr. RABB. I thought you would recognize the two areas.

But we in Boston, with a \$103 tax rate and the city not in a particularly good financial position, are finding that these conditions are increasingly crowding us out. We have very specific examples along the questions you ask.

Senator CLARK. You are referring to the real estate tax?

Mr. RABB. Yes, the real estate tax.

Senator CLARK. Which I believe is the highest of any large city in America.

Mr. RABB. Correct. And I believe we are also the second largest city in America with tax-free property; we have the second largest amount of tax-free property. And so we have a community who feel that even though they would like to do things for us, they are unable to help us.

In all hospital expansion, teaching expansion, and research expansion, whenever we take lands, it is taking tax dollars away from the community, so that we have—

Senator CLARK. Of course you could take lands only by purchase, is that correct?

Mr. RABB. Yes; and unfortunately in the purchase, I cannot answer you specifically on that, in the Massachusetts General Hospital we are rounding out the 150th year and have facilities we need for research and teaching and care of the patient. And with a \$20-million program coming and trying to get additional land, we get less than one-fifth of the block and the rest of the block goes so high in price it is humanly impossible for us, which raises the cost going up into the air. So we are actually in the position now where we cannot make the kind of expansion one needs unless we are able to get additional space at a price that we can actually operate under.

That is a specific example. We also have the same situation in the Beth Israel Hospital where we are trying to increase the facilities in the entire complex there. The five of us are in the identical position not only for areas for our specific hospital and teaching and research work, but also for taking care of the students, interns. And another thing which is becoming very important in hospital work and that is having adequate parking for both the patients and the employees, personnel, to come to.

Senator CLARK. Each one of you five gentlemen represents a separate hospital?

Mr. RABB. Yes.

Senator CLARK. Would each of your hospitals utilize this section of the act if it were amended to bring you within its coverage?

Mr. RABB. Yes.

Mr. WOLBACH. Yes.

Senator CLARK. Are there any other hospitals in your area which you know about which you think would also be interested?

Mr. RABB. I am quite sure.

Mr. WOLBACH. All would I would think.

Senator CLARK. Could you give us a rough idea—I know it has to be a rough idea—of how many hospitals in the Greater Boston metropolitan area you think would be interested in taking advantage of this provision if it became law?

Mr. GRUSON. At least 20, sir.

Senator CLARK. At least 20?

Mr. GRUSON. At least.

Senator CLARK. Would you have a very rough estimate of the amount of acreage you think you would want to acquire as part of your urban renewal plan in the Greater Metropolitan Boston area?

Mr. GRUSON. Not for all 20 hospitals, sir.

Senator CLARK. How much land would you five gentlemen want to acquire? Would you add it up for me?

How much do you need?

Mr. GRUSON. For the group of hospitals about the Harvard Medical School, we would need on the order of 35 acres.

Senator CLARK. Thirty-five acres?

Mr. GRUSON. Yes.

Senator CLARK. How about you?

Dr. EWALT. I am part of that complex, sir.

Mr. WOLBACH. So am I.

Mr. RABB. Beth Israel is part of this complex, but the Massachusetts General would certainly need somewhere between 5 and 10 acres.

Mr. MEADOWS. I am at the medical school and have been—

Senator CLARK. So actually you gentlemen are either in the Harvard Medical School complex or at Massachusetts General?

Mr. MEADOWS. That is correct.

Senator CLARK. You do represent five separate hospitals, do you not?

Dr. EWALT. Yes.

Senator CLARK. Actually you have a total need of around 45 acres, is that right?

Mr. RABB. Yes, I think there would be more than 45 acres.

Mr. WOLBACH. I am trustee of one other hospital. I cannot put it down to acres, but they need every bit of space they can get. They are quietly trying to get it.

Senator CLARK. You think there would be additional substantial demands from other hospitals in the Boston area?

Mr. WOLBACH. Unquestionably.

Could I ask you really to raise one question, you made a very good point in the previous presentation that you needed more muscle in this.

I think that the city of Boston is perhaps a little bit—well, the existing legislation has to do with urban renewal and I think a very good case can be made in the city of Boston because so much property is tax exempt and is owned by hospitals. To be exact, 37 percent of all the assessed value of the property in Boston.

Boston, bear in mind, is hemmed in by surrounding communities, so that geographically it cannot expand; 37 percent of that is held by tax-exempt hands, and of that one-quarter is held by the hospitals.

This is one of the causes of our extremely high tax rate. And because of that extremely high tax rate, it is a great problem to attract urban renewal money to our area. Therefore, if the hospitals were able to participate with either the medical schools, with which all of us here are intimately integrated, for urban renewal funds, this would contribute to the ability of the entire city of Boston to acquire urban renewal funds. And of equal importance, it would help the powers that be in Boston to realize we are interested in taking a part in planning for the development of the city as a whole.

Senator CLARK. Actually the result of this would be probably to still further increase tax-exempt property, would it not?

Mr. WOLBACH. Yes.

Senator CLARK. In your view, is it unlikely that the mayor and city fathers of Boston will support this bill for that reason?

Mr. WOLBACH. Mr. Meadow, you know better than I.

Mr. MEADOW. If I may comment on that, Senator Clark, I think Boston's problem is twofold. There is such a large proportion of taxpaying acreage that is blighted that the tax return is very small. If urban renewal can be encouraged, as I believe it will even further if hospitals are included under section 112, I believe that Boston can look forward to increasing its total tax valuation even though it may take some of the acreage out of taxation.

Senator CLARK. You see, it is true the ordinary urban renewal project does increase the assessed value of the land very extensively. But that is because we have stuck pretty closely to the requirement the majority of the area should be residential in character; not necessarily in each case. But here we have a situation where ostensibly the utilization of the urban renewal power is going to result in taking land out and away from taxation.

Mr. WOLBACH. The amount of land that the hospitals—I quoted you a figure of assessed valuation. The acreage figure that hospitals have is relatively insignificant. Adding 10 percent—

Senator CLARK. Yes; I think that is true.

Mr. WOLBACH. Adding 10 or 15 percent onto that, which is the maximum I can put together from what I have heard, still will not make it substantial.

It is the benefit, as Mr. Meadow has said, of the additional funds there provided raising the overall area adjacent to the hospital.

Senator CLARK. Of course you have a desperate situation in Boston if you cannot get those rich suburbs in with you. I do not know of an area of greater need.

Mr. RABB. Particularly in this area of the Massachusetts General Hospital. This is an area where there is an urban development going on and it is partly a blight area, so that some of this expansion will be in this area that is very low cost and low tax yielding.

Senator CLARK. Thank you very much.

Will you give your name to the stenographer as you speak?

Mr. MEADOW. My name is Henry Meadow, associate dean of the Harvard Medical School.

Senator Clark, there is one point which I think perhaps could be made as reinforcement again toward your proposed change.

The focus in section 112 as it now is written is education. All of the arguments which apply to education and which influence the Congress to insert this section in the bill apply equally if not even more so to teaching hospitals, which are an essential tool of medical education.

Senator CLARK. I agree with that. On the other hand, I do not think we should confine it to teaching hospitals; do you?

Mr. MEADOW. I do not believe so either, sir.

Senator CLARK. We had a hard time getting this by the President last year. We will have an equally hard time with this one, too. I hope we can make it.

Dr. EWALT. Senator, I would like permission to submit some material for the record, which has some of the factual data you were asking Mr. Klicka in it, showing the increased load on hospitals, growth of population, and so on.

Senator CLARK. We would be happy to have it. It will be entered in the record at this point.
(The document referred to follows.)

STATEMENT OF DR. JACK R. EWALT, ADMINISTRATOR, MASSACHUSETTS MENTAL HEALTH CENTER

I am professor of psychiatry at Harvard University and superintendent of the Massachusetts Mental Health Center, a State-owned teaching and research institution with patient care supported by the State, and teaching and research by Harvard University.

My purpose in coming here is to support the amendment to section 112 of the Housing Act of 1949 offered in S. 3458, and in addition to support the more technical amendments to section 112 offered by the American Council on Education and by the American Municipal Association.

My contribution to the hearing will be based on experience as a physician offering service to the public in an urban teaching hospital.

I. SOME HOSPITAL PROBLEMS RELEVANT TO THIS HEARING

A. Health centers

The growth of knowledge of the sources of health and illness brings changes to hospital use. The hospital is now a health center serving the public in such varied functions as public health education, polio inoculations, information on diet, research, family care services, rehabilitation services, outpatient clinic treatment, offices for staff physicians, and many other important elements of our improved health programs in addition to the traditional, and still important, functions of bedside care for those sicker persons who need full time hospitalization during some portion of their treatment and rehabilitation.

You gentlemen of the Congress can take pride in the improved health of our citizens because much of our knowledge making these advances possible was developed under federally supported research and educational programs. These new programs resulting from this research require different structures which must be added to our traditional hospitals.

B. Increase in hospital and health center care

1. Our population grows at 2,800,000 per year. We average two acute illnesses per year per person, and 4.8 physician visits per year per person. With no change in use patterns, increased health facilities will be needed for our new citizens. With the ever declining infant death rate, most of these persons will reach child-bearing age, increase our population, and become elder citizens. If the population is to be productive, health care facilities must be provided for this larger number of citizens.

2. Proud we may be of our record in health promotion and disease treatment, but the unhappy fact remains that some segments of our population are badly treated. The mentally ill, the retarded, many older people, many of the lower salaried working group, and the younger, permanently disabled persons are some of the larger groups that receive inadequate care. The failure to use health facilities for financial reasons is directly related to income level.

Further expansion of the health insurance programs has increased the number of persons using our treatment facilities. One may predict further growth of these programs under private and government auspices, or both, with further increase in hospital and health center use. Hospital admissions have increased from 17 million plus in 1947 to 23 million plus in 1959, and private health insurance benefits paid have almost doubled in 7 years. The expenditure for health care of the average family has increased 42 percent in the past 5 years in spite of the fact that many persons do not receive adequate care. One may safely predict a further increase in use of health facilities as insurance and subsidy programs improve to give coverage to all groups of citizens.

Thus expansion of our hospital facilities are required to care for our growing population and to care for the now untreated persons that improved coverage by insurance programs will bring into the treatment picture.

C. Location of expanded facilities

The patterns of expansion of health facilities will be of two general types. Small health centers and small hospitals for average cases will serve the population in the suburban and rural areas. The large centers we discuss here will

become still larger, offering a wide variety of highly specialized services for the more complicated and the less common disorders of men. In the past 18 years the number of registered hospitals has increased from 6,152 to 6,818, a gain of 666, but the number of beds has increased by more than 700,000, from 817,000 to 1,559,000 in the same period. The large health center hospitals house the educational and research facilities and staff so necessary for our survival, and these functions will also expand. If the beginning trend to move back into the cities grows, the urban hospitals will need to offer increased amounts of basic care to patients coming directly, as well as special care for those persons referred from smaller health centers that are not equipped or staffed to handle the more complicated cases.

Most of our large teaching and research hospitals are in the deteriorating parts of the cities. These hospitals are usually near public transportation and many patients use the subway facilities. However, increasing numbers come to the hospital or clinic by auto and we have the added problem of demand for parking space for patients, visitors, and staff. In most cities the only space for new treatment facilities and for parking is the land occupied by structures unfit for human habitation or by business structures no longer efficient to use.

Use of public funds raised by solicitation or taxation to purchase the land occupied by old buildings adjacent to hospitals will provide space for the hospitals' growth, but this does not solve the problem of loss of tax revenue to the city, nor the more important problem of relocating the people occupying these structures.

To solve these larger problems, persons responsible to the public for the hospitals must be a part of the urban planning group, and must be required to participate in the responsibilities of membership in the group working on the problems of our cities.

Further details of the statistics quoted may be found in the sources used:

1. "Statistical Abstract of the United States, 1959," U.S. Department of Commerce, Bureau of the Census.
2. Health statistics from the U.S. health survey series B-1, 7, 10, 11. Department of Health, Education, and Welfare.
3. Health Information Foundation (420 Lexington Avenue, New York, N.Y.) Bulletin: Volume 8, No. 10, December 1959; volume 9, No. 1, January 1960; No. 2, February 1960; and No. 3, March 1960.
4. Hospitals: Guide issue, August 1, 1959, American Hospital Association, Chicago.

Tax-exempt property in the city of Boston—1959

	Area in acres	Total valuation (land and buildings)
Total tax-exempt property.....	11, 100	\$838, 978, 600
Public, total.....	8, 600	609, 681, 800
Federal.....	750	118, 279, 400
State.....	4, 100	181, 928, 100
Local.....	3, 850	309, 474, 300
Private, total.....	2, 500	229, 296, 800
Education (all levels).....	700	83, 093, 400
Hospital, etc.....	400	90, 424, 000
Religious.....	350	44, 149, 600
Cemeteries.....	850	4, 958, 200
Other.....	200	6, 671, 600
Total tax-exempt area (36 percent).....	acres.....	11, 100
Total land area in the city of Boston.....	do.....	31, 000
Total assessed valuation—city of Boston.....		\$2, 274, 000, 000
Total valuation tax-exempt property (37 percent).....		\$838, 978, 600

Total taxable valuations of real estate in Boston

1925.....	\$1, 686, 000, 000
1947.....	1, 410, 000, 000
1959.....	1, 335, 000, 000

Senator SPARKMAN. Before you gentlemen leave, I just wanted to be sure that you fully understand—I think you do—that section 112 is geared to section 110, which defines the purpose of urban renewal legislation.

Of course what section 112 really does is to remove the requirement of being predominantly residential either for before renewal or for redevelopment after renewal is completed. But it does not remove the requirement that the area must contain slum and blighted areas.

I think it would be well to let the record emphasize this requirement lest some hospital, located in an area where those conditions do not prevail, might think that this proposed amendment simply applied to all of them. It does not; it still has to be within an area that lends itself to an urban renewal plan. You all understand that to be true?

Dr. EWALT. Certainly.

Senator CLARK. That is no crack at Boston when you say that does not apply.

Senator SPARKMAN. Thank you very much, gentlemen.

Mr. RABB. Thank you.

Senator CLARK. I have a number of letters from constituents regarding my bill, S. 3458. I should like to have them in the record.

Senator SPARKMAN. They will be inserted.

(The letters referred to follow:)

THE HAHNEMANN MEDICAL COLLEGE AND HOSPITAL OF PHILADELPHIA,
Philadelphia, Pa., May 9, 1960.

HON. JOSEPH S. CLARK, JR.,
U.S. Senate, Washington, D.C.

DEAR MR. SENATOR: Please be assured of our full support of your bill S. 3458. We congratulate you on your farsightedness in the housing problems that are of major concern to all hospitals.

Should this legislation become law, modern and up-to-date hospital facilities will become a reality rather than a dream.

Very truly yours,

WATSON MALONE III, *President.*

MERCY-DOUGLASS HOSPITAL,
Philadelphia, Pa., May 9, 1960.

HON. JOSEPH S. CLARK, JR.,
U.S. Senate, Washington, D.C.

DEAR MR. SENATOR: May we take this occasion to express appreciation for your interest in hospitals to the extent that you proposed Senate bill No. S. 3458, in which you suggest that the hospitals be given the same consideration as the colleges under the Housing Act of 1959. This is going to be a very helpful thing for hospitals and we, who labor with the hospitals want you to know of our intense appreciation.

Very sincerely yours,

JOHN L. PROCOPE, *Executive Director.*

THE BRYN MAWR HOSPITAL,
Bryn Mawr, Pa., May 6, 1960.

HON. JOSEPH S. CLARK, JR.,
U.S. Senate, Washington, D.C.

DEAR MR. SENATOR: May I say how pleased we were to learn that on May 3 you had proposed that hospitals be granted the same privileges as colleges in respect to loans for student facilities granted under the terms of the Housing

Act of 1959. It is a great comfort to have this assurance that you have in mind a problem which is of tremendous importance to a great many hospitals.

Sincerely yours,

J. RANDOLPH BURKE,
Managing Director.

THE PRESBYTERIAN HOSPITAL IN PHILADELPHIA,
Philadelphia, Pa., May 6, 1960.

HON. JOSEPH S. CLARK, JR.,
U.S. Senate
Washington, D.C.

DEAR MR. SENATOR: On behalf of this hospital I express to you our thanks for your advocating that hospitals be included in Senate bill S. 3458 for the same benefits as colleges under the Federal Housing Act of 1959.

Hospitals are the only institutions which can provide specialized training, at the college level, of people whose services are a vital public necessity—doctors and nurses—if they are to be trained in the numbers that our population requires. Standards set for these training programs by State regulatory bodies and the related professions assure that such training is of a quality that earns for the hospitals their recognition as educational institutions in the best sense of the term.

In the case of doctors of medicine, although they have already received their academic degrees in medical schools, they cannot be licensed to practice and thus become available for protecting and restoring the health of our citizens until they have completed their internships in approved hospitals. Therefore, hospitals approved for intern training are just as much an agency for the education of doctors as are the medical schools. In the very nature of their internships, they must be in residence at or near such hospitals so provision for their living quarters, which would be accomplished by the measure advocated by you, is essential in the public's interest.

Likewise, the public needs the services of trained, certified specialists. Such training can only be obtained by a sufficient number of doctors of medicine in hospitals offering approved residency programs. Again, the nature of this training requires these residents to live at or near the hospitals so the provision of quarters for them is a public necessity.

Third, if the medical schools are going to turn out the number of doctors needed for our population, they must have clinical teaching capacity for their undergraduates which can only be provided by hospitals affiliated with them for such purposes. It certainly is true that hospitals having formal agreements with medical schools for this clinical teaching of their undergraduates under the schools' complete and direct supervision, qualify as educational institutions for the purpose in question. In hospitals having such formal agreements with medical schools for the teaching of the latter's students, it is believed you will find that the latter's direct supervision extends beyond the teaching of the medical students to embrace that of the interns and residents.

The writer takes this opportunity to express to you this hospital's appreciation of the concern you have evidenced in every way and at all times in your work in public office for our welfare in the interest of the people. We earnestly hope that you will continue your best efforts to see that those hospitals meeting the requirements set forth herein shall be included as educational institutions in Senate bill S. 3458.

Very truly yours,

JOHN C. ATWOOD, JR.,
Executive Vice President.

LIBERTY REAL ESTATE BANK AND TRUST CO.,
Philadelphia, Pa., May 9, 1960.

HON. JOSEPH S. CLARK, JR.,
U.S. Senate
Washington, D.C.

DEAR JOE: I was very pleased to read in the newspaper of your proposal in Senate bill S. 3458 that hospitals be given the same consideration as colleges under the Housing Act of 1959.

You know the present plight of Philadelphia hospitals and any help such as this will be greatly appreciated by the Presbyterian Hospital and all other hospitals.

You may not have heard that the Presbyterian Hospital has recently affiliated our medical staff with the Schools of Medicine at the University of Pennsylvania. We feel that in order to attract top medical men we must have medical school affiliation and more teaching in our hospital.

With best wishes to you, I am,

Sincerely,

FRANK C. ROBERTS, Jr.

President, Board of Trustees, the Presbyterian Hospital in Philadelphia.

ST. LUKE'S AND CHILDREN'S MEDICAL CENTER,
Philadelphia, Pa., May 6, 1960.

HON. JOSEPH S. CLARK, Jr.,
*U.S. Senate,
Washington, D.C.*

DEAR MR. SENATOR: It is a pleasure to have this opportunity to commend you in your proposal through Senate bill S. 3458 that hospitals should be given the same consideration as colleges under the Housing Act of 1959.

We are particularly interested since we are presently negotiating with the Philadelphia Redevelopment Authority for acquisition of surrounding property under the Temple project. Through the years we have striven to provide for the medical needs of the people in this midtown area, and we are deeply grateful for your interest and support in the Senate.

Sincerely yours,

GEORGE F. CONWAY, *Administrator.*

UNIVERSITY OF PENNSYLVANIA,
Philadelphia, May 11, 1960.

HON. JOSEPH S. CLARK,
*U.S. Senate,
Washington, D.C.*

DEAR SENATOR CLARK: The University of Pennsylvania, on behalf of its two large hospitals, strongly supports your proposal, in Senate bill S. 3458, that hospitals be given the same consideration as colleges under the Housing Act of 1959.

The hospital of the University of Pennsylvania and the graduate hospital of the University of Pennsylvania are used extensively for graduate medical education, internship training, and nursing education.

The provision of adequate housing facilities for students in these categories is one of our most urgent problems. Practical assistance in this matter, as made available under the housing act would enable us to establish the financing of such facilities on a basis which would not severely handicap the development of other vital hospital areas.

We sincerely appreciate your efforts in seeking to obtain help for hospitals so that they can contribute even more effectively to educational programs which are so essential in the national interest.

Sincerely yours,

I. S. RAVDIN, M.D.

Senator SPARKMAN. We have a letter from Congressman STUBBLEFIELD which will go in the record.

(The letter referred to follows:)

HOUSE OF REPRESENTATIVES,
Washington, D.C., April 22, 1960.

Senator JOHN SPARKMAN,
*Chairman, Subcommittee on Housing,
Senate Banking and Currency Committee.*

DEAR SENATOR SPARKMAN: I would like to respectfully request that the general housing bill which is to be presented to the Congress this session extend the hospital construction authorization contained in Public Law 86-372, approved September 23, 1959.

Section 804(b) authorized \$7,500,000 for this purpose for "each of the fiscal years ending June 30, 1960, and June 30, 1961." However, section 804(a) terminates this authority as of June 30, 1960. The practical result of this expiration date has been to make it most difficult to obtain consideration of this item in the current HEW appropriations bill. Extending this authorization will make it possible to obtain consideration of the need for funds for hospital facilities in areas where national defense activities have generated the need.

A recent survey by the Public Health Service disclosed 15 such areas.

Sincerely yours,

FRANK A. STUBBLEFIELD,
Member of Congress.

Senator SPARKMAN. Now Mr. John H. Haas, executive secretary, Metropolitan Association of General Improvement Contractors. We are very glad to have you with us. Will you proceed in your own way.

STATEMENT OF JOHN H. HAAS, EXECUTIVE SECRETARY, METROPOLITAN ASSOCIATION OF GENERAL IMPROVEMENT CONTRACTORS

Mr. HAAS. Mr. Chairman, Senator Clark, my name is John H. Haas. I am a rehabilitation contractor by trade and I am also executive secretary of the Metropolitan Association of General Improvement Contractors in Washington, D.C., which serves as a nationwide information center in matters concerning housing rehabilitation.

I might best justify my being here by quoting from a telegram we received at our recent anniversary party from Mr. Norman Mason. He said:

* * * The job of keeping American cities from going downhill is a tremendous one in which your industry can do so much. More than ever, the part you have to play is of increasing importance in making better housing for all Americans a reality.

With the slow but steady progress in urban renewal operations, the part we have to play is becoming increasingly difficult for, instead of grants, loans, advances, contributions, technical assistance, and regulatory powers, we were given just one solitary potential aid: a well-meant but maladministered mortgage facility under section 221 of the Housing Act of 1959.

Progress in urban renewal means primarily two things: more redevelopment and more displacement. Of course, it is also understood to mean more—much more—rehabilitation, but the facts and statistics point out sadly and clearly that, in spite of all promises and pronouncements, we are getting less rehabilitation done now than ever before. That is computed in relation to the increase in workable programs.

Yet, as renewal grows, so grows the number of homes and families affected by it. We are not displacing well-to-do, securely positioned people—we reach down progressively into the lower and lowest income brackets of our citizenry, into more slums, more blighted homes, more decaying neighborhoods; and we find that, more often than not, we are unable to deal with these situations due to lack of stability, income, or will to upgrade living standards. Future displacement estimates are truly frightening because of their numbers and the type

of victims, the majority of them beyond the reach of conventional financing or existing title I improvement loans.

To this must be added another factor: Every phase of urban renewal—redevelopment, public housing, demonstration projects, conservation programs—except housing rehabilitation, comprises some form of active Government participation. Housing rehabilitation is left almost entirely to the initiative and resources of free enterprise which, with very few though notable exceptions, has failed miserably in this assignment. Since renewal is indispensable and rehabilitation of the existing housing inventory its biggest objective, we must either provide new and better incentives to private enterprise or establish Government machinery to reach the goal by regimentation—which is the least desirable solution.

Some of the legislation before us, and, even more so, some legislation not yet in existence, should be scrutinized in the light of these conclusions.

One welcome feature of S. 1342 is the recognition that special assistance should not be restricted to victims of Government action but also to victims of circumstances beyond their control above the disaster-relief level. Highly disputable are, however, two of the three examples cited in section 1(b) as “means to assist private enterprise at little or no direct cost to Government.” Exemptions from taxation on the increased value of real property would deprive municipalities of the greatest incentive to use their rights of condemnation or eminent domain against substandard land or improvements which form the existing tax base; such exemptions would constitute a direct and substantial loss to local governments. As to using cleared project land for such housing, it has been proven that site acquisition for redevelopment must aim at a much higher rate of yield than such construction could provide.

If this bill should become law, section 10(a) should not restrict such project housing to new construction but include rehabilitated dwellings as well.

Senator CLARK. Let me interrupt you.

Mr. HAAS. Certainly.

Senator CLARK. Mr. Haas, let me ask you if you would point to that provision in S. 1342 which you seem to think creates an exemption from taxation on the increased value of the real estate.

Mr. HAAS. It quotes that as one of the means to carry out the provisions of the bill without direct cost to Government, as I recall it.

Senator CLARK. This is section 1(b) on page 21. Is that correct?

All that does is to recognize the fact that State and local governments can grant tax exemptions if they want to, but this is not a Federal law which does it.

As I recall it—Mr. Cash can check me if I am wrong—there is nothing in the bill which would exempt any real estate from any State or local taxation.

Mr. CASH. That is right.

Senator CLARK. So actually I do not think that that particular criticism of the bill is valid, because it does not meet the fact.

Mr. HAAS. I stand corrected.

Reduction of FHA premiums, S. 3042. We consider this proposal to be of the utmost importance and its passage extremely justified provided that its benefits were extended to cover mortgages under section

221(d)(2)—that is, one to four units—as well as subsection (d)(3)—which is multiples over 10—as now quoted. In this connection, and in view of some of the testimony received by this committee in this matter, some comments will be necessary.

The stand taken by the Commissioner of FHA on this topic does not in some respects throw enough light on this problem. It is obvious that his agency is not going to recommend reduction or abolition of a surcharge that has made it the most profitable operation in the Federal Government. As to the programs under section 220 and 221, the Commissioner mentions “greater risk characteristics” involved in them. He mentions further that there is “no requirement under sections 220 and 221 that the property be economically sound or even an acceptable risk.”

Congress meant it to be that way by calling it a supplementary insurance program for assistance to families, and so forth. FHA has chosen to completely reverse this intent of Congress in a very thorough and elaborate manner. Through its administrative prerogative, it has instituted a complex system of checks and balances, prerequisites, conditions and underwriting principles which resulted in a portfolio of mortgage insurance as gilt edged, economically sound, and riskless as gold bullion stored away at Fort Knox.

FHA, in its administrative processes, turned its assistance function—which has become a “dirty word” in its terminology, if you pardon the expression—into a selected risk program in which the selective procedure has, for all practical purposes, eliminated the risk element to the detriment of those properties and mortgagors for whom the program was initiated in the first place. Obviously the blame for this situation must be placed squarely and solely on the policymaking level of its administration.

There have been two prime reasons why rehabilitation under sections 220 and 221 has been a near flop so far.

Senator CLARK. Let me interrupt you there, Mr. Haas.

Mr. HAAS. Yes, sir.

Senator CLARK. Because there are two schools of thought as to whether sections 220 and 221 have been a “near flop.”

I am one who thinks they have. I agree with you. But I think it is true, is it not, Senator Sparkman, there have been some parts in the country where sections 220 and 221 have worked?

Senator SPARKMAN. Section 221 has been quite effective in some places. In my own State, for instance, we have done very well with section 221. I am not sure as to section 220.

Senator CLARK. I think it is pretty clear that sections 220 and 221 have not been really effective east of the Mississippi and north of the Ohio.

Do you have any information, Mr. Haas? Yours is a national association, and you have members in other parts of the country. Are you able to tell us whether sections 220 or 221 have been a success anywhere except in Alabama?

Mr. HAAS. I think I can.

May I do that a little bit later?

Senator CLARK. Yes.

Mr. HAAS. I have some of the answers later.

Senator CLARK. Yes.

Senator SPARKMAN. I believe you will find section 221 has been successful in spots, but that section 220 really has not gotten off the ground yet.

Mr. HAAS. Very correct. Very correct, sir.

Of course I have mentioned before that there are a few notable exceptions, and again here I say it is a "near flop," which might indicate to you that the opinion expressed by you, Senator Clark, was motivated justly.

The two reasons for the "near flop" are FHA and FNMA. I shall comment on the second one later.

Under section 220, less than 70 rehabilitation loans have been insured by FHA as of this date. And, incidentally, these 70 cases are restricted to about four communities, two of which are in Ohio.

Senator CLARK. Do you happen to know where the other two are?

Mr. HAAS. I do not know offhand.

Under section 221, less than 3,000 homes, or less than 3 percent of the authorized quota throughout the United States, have been insured for existing units to be rehabilitated.

And I might amplify that. The bulk of these insured cases comes from about seven cities which are distributed roughly throughout the Midwest and the eastern part of the United States.

Senator SPARKMAN. There you are referring, however, to rehabilitation houses—rather than new houses?

Mr. HAAS. Exclusively. I am not talking about new houses.

Senator SPARKMAN. Yes, I think we have to keep that distinct.

Mr. HAAS. Oh, yes.

Housing rehabilitation and relocation housing in urban renewal are almost entirely the product of our private enterprise, but the production itself is predicated upon the mortgage facilities of these two sections, 220 and 221. It will stand or fall with the spirit and the tactics which govern the administration of these facilities. Permit me to give you just one telling illustration.

In conventional mortgage procedure, the lenders receive an application, order a credit report and, after inspection, approve or reject the loan. This is brief, to the point, and takes a maximum of 5 working days. And I would say it certainly is not the procedure which would endanger the security of the land.

To obtain a section 221 commitment from FHA, not less than 19 signed documents have to be produced, most of them in duplicate or triplicate, before FHA will render a decision. This does not include, in approved cases, inspection reports and additional verifications and affidavits, title insurance company papers, and the like. Of course, these 19-plus documents serve primarily one purpose, to assure the agency that the loan applied for is "economically sound" and presents an "acceptable risk," qualities which, the Commissioner asserts, the law does not require. What this procedure does require, however, is 45 to 60 days of processing time and an enormous waste of taxpayers' money, not to speak of the hardships and misery caused by unjustified but properly motivated rejections.

In the light of such facts, the mere term "insurance premium" is a revolting misnomer. The only justification for a loan insurance program in urban renewal is the recognition that most potential mortgagors and properties are not in a preferred risk category and,

therefore, need special assistance. The solution seems obvious: either reduce, or even abolish, the unnecessary penalty—which, incidentally, brings total FHA charges up above the current conventional average of 6 percent—or revise the basic policies governing the administration of this program and bring it back in line with the original and good intentions of Congress.

Removal of title I limitations, S. 3500: Our industry and the administration have consistently recommended that time limit and dollar ceilings be removed from the property improvement program of FHA. A program as soundly and carefully engineered as this does not deserve the harassments of annual recertification, especially since it serves, more than any other program, rehabilitation needs of the very same lower middle income brackets which other bills consider worthy of supplementary assistance.

Additional facilities for renewal housing, S. 3509: Extending the use of section 220 mortgages into code enforcement areas would be a valuable addition to the tools which will help communities in carrying out their responsibility for adequate protection of their housing inventory against the ravages of time, abuse, and ignorance. It will be of special advantage in older neighborhoods with larger homes which cannot now be rehabilitated within the dollar limits of section 221. I should point out, however, that the purpose of this provision can already be accomplished under existing legislation; namely, by declaring such an area a “nonassisted project,” which is automatically eligible for a section 220 mortgage.

We greatly approve of the contents of section 4(d) in this bill which would grant local public agencies authority to acquire units for pilot rehabilitation, except that such authorization should also apply within the code enforcement areas cited in section 2(b)(2) of this same bill.

And this brings me to the point where I should like to submit some suggestions for legislative needs not now contained in pending bills.

Let me start with the property improvement program of FHA. Many financing problems in rehabilitation, now insoluble, could be straightened out by an extension of the amortization period from 5 to 10 years, applicable to loans above, let us say, \$1,500, and with the proviso that discount interest charges should be limited to a maximum of 5 years with current interest charges, without discount, for the remainder of the pay period, so as not to increase the discount burden to the borrower beyond the present limit. This should not present an injustice to the lender for, usually within 5 years, homeowners accumulate enough equity to absorb improvement loan balances by refinancing on a long-term basis. Such an extension would enable lower income families to utilize this loan program for rehabilitation purposes due to its considerably lower monthly payment scale on a 10-year basis.

Another topic in need of legislative attention is the problem of closing and loan charges in connection with section 221 mortgages. This section now provides that “initial service charges * * *” be included in the commitment amount. Quite unfortunately, this is not of much help for charges of many kinds and varying amounts—such as liens, adjustments, arrears in taxes and interest, trustees’ fees, and even ancient loan balances—will only become apparent at the final settlement; they cannot be anticipated, estimated, and approved at

the time of commitment. In my own activities as a section 221 operator, I have seen these final charges run as high as \$1,500 on a \$10,000 mortgage. This is just one extreme case. And quite often they will amount to many hundreds of dollars. To allow builders, contractors, investors, and property owners to recover such unexpected items from loan proceeds would necessitate statutory allowance for such costs and adjustments as long as they are part of and verified by regular settlement procedure, and provided also that such added amounts be not considered as a part of the appraised value of a property which is the basis for loan commitment.

Although this item may raise some objections, everyday practice in this field has shown that operators can go—and have gone—broke by unexpected, yet justified, title company statements which had to be satisfied to complete the transaction. We must all recognize that the type of properties and families involved in displacement or code compliance cases are not always the kind that can keep its records and obligations up to date. Surprises at settlements, therefore, have forced many an operator in the past to abandon section 221 jobs altogether because there not only should be but there is an easier way to make a living.

At this point, I have to submit a more radical but not less desirable proposal for added legislation. As almost everybody knows by now, blight prevention through code enforcement is an approved and established technique. Of course, blight and decay are not confined to cities with workable programs—they follow the path of least resistance and this path very often leads to small towns or outlying areas which may have never heard of an LPA, URA, or the like. If we want to do a thorough and conscientious job of preserving our existing housing inventory wherever it is needed, we should not confine section 221 assistance to the few hundred cities with workable programs, but extend it to each and every community which has and enforces a modern code system and requests an authorization for deficiency rehabilitation under section 221.

As a final item, we wish to call this committee's attention to some aspects of FNMA's operations, especially its unwarranted and arbitrary exercise of "choice" in its special assistance functions with respect to section 221 mortgages.

You may already know that FNMA has established its own set of rules and conditions under which it will accept or reject section 221 mortgages that were already approved by lenders and insured by FHA which, as I said before, does not judge them lightly. In actual operations, this means that probably 95 percent of all section 221 cases offered to FNMA for purchase—and contingent on such purchase—are not really assured cases at all until FNMA has accepted the purchase.

It has happened in too many instances that an operator or owner waited 2 months for an FHA commitment, spent 3 months and considerable money in rehabilitating a property, obtained all final inspections and approvals from lender, FHA, and city departments—only to see settlement and disbursement of funds go up in smoke because FNMA found the mortgage "not in accordance with requirements." If and when reasons for rejection are given, they resemble the flimsiest of pretenses, particularly in view of all the affirmative actions taken prior to their decision.

FNMA's way of explanation is simple: It puts the blame on Congress which has authorized the agency, in section 301(b), to purchase "selected types of home mortgages," and then added, unfortunately, "pending the establishment of their marketability."

Obviously if the marketability of such mortgages were established, FNMA could liquidate its special assistance functions tomorrow. Properly insured section 221 mortgages are taken to FNMA because their marketability is not, or not yet, established. Lack of marketability is not caused by the presence of any greater risk due to FHA insurance, but by the reluctance of FHA approved lenders to invest in a type of mortgage FHA has never supported, promoted, and let alone encouraged.

If condemned houses and displaced families would have to wait until their mortgages become marketable, we may just as well forget about urban renewal. If special assistance is not to remain an empty phrase, Congress must, at the earliest opportunity, take the necessary steps to put it to work—even at the risk of spoiling the spotlessly promising financial statements of some of our Government agencies which are supposed to operate for and not against the people displaced by a threat or action of that very same Government.

In closing, may I say that I am not complaining. As an individual, I have managed to reverse many FHA rejections into commitments and I have placed every mortgage rejected by FNMA with other lenders which did not care to sell them. But this is an exception and not the rule. There are many hundreds of operators and thousands of homeowners who have not been so lucky and have suffered great hardship in the end, and it is for them that I ask for your consideration of these matters.

And I thank you for your patience and the opportunity to present these facts.

Senator SPARKMAN. Thank you very much, Mr. Haas. It is a very fine statement. We are delighted to have it.

Senator Clark?

Senator CLARK. Thank you, Mr. Haas. I think you mentioned very helpful suggestions here which I certainly as one individual of the subcommittee will want to explore further. I think your criticism of the administration is largely justified, too. I think we are going to have to have a change of heart down there to get some of this.

Senator SPARKMAN. Thank you very much.

That concludes the hearings this morning. The committee will stand in recess until 10 o'clock tomorrow morning.

(Whereupon, at 12:04 p.m., the hearing recessed until 10 a.m., Tuesday, May 17, 1960.)

HOUSING LEGISLATION OF 1960

TUESDAY, MAY 17, 1960

U.S. SENATE,
COMMITTEE ON BANKING AND CURRENCY,
SUBCOMMITTEE ON HOUSING,
Washington, D.C.

The subcommittee met, pursuant to recess, in room 5302, New Senate Office Building, at 10:14 a.m., Senator John Sparkman (chairman of the subcommittee) presiding.

Present: Senators Sparkman, Clark, and Bush.

Also present: Senators Robertson and Javits.

Senator SPARKMAN. Let the subcommittee come to order, please.

Our first witness this morning is to be Senator Javits. We expect two other members of the subcommittee to be present, who will be late, but I think we had better get started.

We are very glad to have you appear before us, and we shall be pleased to have you proceed in your own way.

STATEMENT OF JACOB K. JAVITS, A U.S. SENATOR FROM THE STATE OF NEW YORK

Senator JAVITS. Mr. Chairman, I am grateful to the committee. I am a member of the full committee, but not of the Housing Subcommittee.

I have introduced five bills, and that is my only reason for taking the subcommittee's time to testify.

The primary bill which I have offered is S. 1342, introduced in association with Senator Clark, of Pennsylvania. He and I have been partners trying to introduce in the national establishment the limited-profit corporation idea, which we have been carrying on in New York in an effort to fill this tremendous open gap of middle-income housing.

Two other bills which I have introduced, which are somewhat more specialized in nature, relate to an increase in college-housing loan authorization. Senators Clark and Sparkman, too, have been leaders in that particular effort as well as in the effort to get money for college classrooms, et cetera.

Senator CLARK. Senator, could you give us the numbers of the bills?

Senator JAVITS. Yes. The middle-income housing bill is S. 1342. The bill, to increase the college-housing loan authorization, is S. 2911.

Senator SPARKMAN. They are given in the heading of your statement.

Senator JAVITS. I might say that, with respect to increasing the college-housing loan authorization, there is also a bill of the chairman of the subcommittee and Senator Fulbright.

The bill to increase the State limit on college housing from 10 to 12½ percent is S. 2912, which I introduced with Senator Keating, of New York, as it affects New York very markedly.

The fourth bill is S. 1680, civil-defense shelters in urban-renewal projects, and the fifth bill is S. 3042, to make a number of changes in the housing laws to deal with FHA premiums, relocation payments, and the urban-renewal extender fund.

Mr. Chairman, I have no pretense, of course, about the fact that these represent any original or new ideas of mine. I come from the most populous State in the Union and one which has probably utilized Federal housing programs more than any other, and hence have a burning interest in what goes on. Also I think I have a reputation in the Senate for seeking cooperation with my colleagues, especially in matters where bipartisanship has always been the rule as it has in housing. So I shall detain the subcommittee but a very few minutes to testify in support of these bills which I have named.

Mr. Chairman, there is no material indication of our civilization more vital than housing. The space, comfort, and beauty of our housing distinguishes our social order from the Communist family, living in a room and community kitchen, even today more sharply and graphically than any other single factor between the two civilizations.

Federal expenditure and other assistance for housing is not inflationary. It stimulates private investment and adds tangibly to our national resources. Hence, housing legislation is one of the most vital and constructive Federal programs. Mr. Chairman, it will be remembered that I think I showed that belief in my votes when we had our problems last year with housing bills, which were vetoed.

My own State, Mr. Chairman, is tremendously concerned with this problem. I do not think there is any other State in the Union more heavily committed to so many Federal housing programs, nor do I think there is any other State where so much is done by the State and localities as New York. Our State has been a pioneer of public housing—middle-income housing and every kind of housing aid.

I believe that our main problem, Mr. Chairman, is the middle-income housing gap. In New York City right now there is talk about middle-income housing in terms of rental housing which rents for \$50 a room. This is just simply impossible. A normal four-room apartment at \$200 a month—\$2,400 a year—for a family whose income is somewhat below or slightly above the \$5,000 mark is just simply impossible, considering other living costs. It takes its toll, Mr. Chairman, not in the fact that people do not pay these rents. They do and they must. But it takes its toll in food and medicine and recreation and education. It just means that everything else is shortchanged.

We have a tremendous problem in our State, with 650,000 housing units which are substandard, occupied by low- and middle-income families—an estimated 280,000 in New York City alone. The number of our pending public housing applications, legitimate public housing applications, shows this because they exceed all of the State, city, and Federal low-rent housing in existence. In addition, Mr. Chairman, the pressure is building up tremendously, not only in my State

but in the United States as well, with elderly persons, unmarried persons, establishing 400,000 new households annually. I estimate that 20 percent of the middle third of the U.S. population in terms of income is living in circumstances which demand urgent betterment.

The other bills in which we have a burning interest in New York are to have a new authorization for the college and intern and nurse housing programs, together with a State maximum of 12½ percent as compared to the present 10 percent.

In that respect, Mr. Chairman, I would just like to note that the administration is recommending a new program to deal with this particular housing problem. But I believe—and I believe many join me in this—that this new program is just not going to get anywhere in a Congress which has about 6 weeks to go. Therefore, the logical thing to do is not to stymie the whole effort, which is far more important than the details of the particular program, but to again provide the same thing we provided last year, about \$250 million, to enable the program to go on. Then if as a result of a national mandate in this election we have, as we will, a new administration and Congress, we can consider a new program.

So I hope very much that the committee will decide not to concern itself at this session with the new program proposed by the administration but will concentrate upon making available what needs to be made available for the existing program. And I believe, Mr. Chairman, that certainly the college people from my State who will be testifying here tomorrow will give very strong evidence as to why this must be done.

As to allowability to each State out of the fund, I would like to point out, Mr. Chairman, that we have about 12½ percent of all the college students of the country in the State of New York. We have an unique problem, and it is necessary, therefore, to revise the 10-percent figure in order to meet a problem which is particularly applicable to an extremely populous State, which has an inordinately large and unusually large college population. I am glad to say that the administration does agree with this particular provision. They may not agree with a great deal of what I advocate, but they do agree with this, and I hope very much that that may be done.

Senator SPARKMAN. Senator Javits, before you get too far away from the subject of college housing, you mentioned a new program being proposed. Are you on the committee that has the new program before it? Are you on the Labor and Public Welfare Committee?

Senator JAVITS. That is correct.

Senator SPARKMAN. Let me ask you if there are not two parts to that bill. One part would constitute grants, limited to private institutions, and the other would underwrite bond issues, and that would be applicable to all institutions. I am not quite clear whether that applies to colleges or not. Does it?

Senator JAVITS. I believe that program is considered to be a substitute.

Senator SPARKMAN. I know it is often spoken of as a substitute, but I have in mind that you mentioned that it would not be passed at this session of Congress. I think there are some real differences also as to the program. I wonder if college housing needs as provided for

now in the law would be adequately met with under the provisions of that bill. What we have now is a loan program, a repayable loan made to all colleges meeting the minimum standards, whether they are private or tax supported. I believe if you will check that bill you will find a real difference in that regard. So you might consider that. I do not ask you to elaborate on it now but just point that out to you. I think it is a real difference.

Senator JAVITS. Of course, the fundamental purpose of S. 1017, which is the bill to which the chairman refers, is to guarantee long-term bond issues to the extent of 25 percent of the principal.

Senator SPARKMAN. That is correct. Twenty-five percent of the principal, but it does carry with it \$125 million in grants for private schools, not tax supported.

Senator JAVITS. That is right. And, incidentally, that bill has not even had a hearing.

Senator SPARKMAN. As I stated on our opening day when the administration witnesses were here, everyone seemed to have a feeling that there was no chance of the bill becoming law in its present form or at this session of Congress. I have repeatedly said this, and I wonder if the Senator would agree with me. I have no particular desire to perpetuate this college-housing loan program if an administration bill comes up that will adequately meet the needs of this program. I am perfectly willing to see this program phased out. I have said that on the floor of the Senate repeatedly.

Senator CLARK. As the Senator knows, I am also on the Labor and Public Welfare Committee, although not on the Education Subcommittee. I think from talking with my colleagues on that committee it is very clear indeed that the administration bill will not come out of committee at this session. There will be hearings on higher education requirements in the Labor and Public Welfare Committee in the reasonably near future. A definite date has not been fixed. I have over there my own bill for loans for academic facilities, which was presented as part of the housing bill last year but will come up separately this year. I have some hope that this bill will come out of the committee. I do not think it is very likely the administration bill will.

Senator SPARKMAN. And of course, as the Senator has pointed out, we are about 6 weeks away from adjournment.

Senator CLARK. That is right.

Senator JAVITS. Mr. Chairman, I would like to save my testimony on the middle-income housing bill until the last, and I shall not be long in any case.

Senator SPARKMAN. By the way, I notice you are more or less summarizing, but your statement will be printed in its entirety.

Senator JAVITS. Thank you.

Mr. Chairman, the omnibus bill to which I referred, S. 1342, contains as its most important provision a reduction of the minimum FHA premium from one-half of 1 percent to one-fourth of 1 percent on multiple and cooperative units. Now, there are very strong arguments why this should be done. I might tell the chairman that we had enormous reaction to it publicly in my own office. We had almost 2,000 messages of support for this particular measure.

There are two reasons why it commends itself. First, of course, it is an authorization, not a compulsory thing, so that there can be no argument against it that actuarial soundness may dictate some higher figure.

Second, and very importantly, this type of mortgage does not benefit from the same thing which the small home mortgage benefits from—a reserve fund out of which, when you have paid up your mortgage, you may and often do get a rebate on the one-half of 1 percent. You do not in the programs to which my bill applies unless some provision is made for it in the original premium amount.

That perhaps is the most compelling argument for taking the shackles off the FHA premium on these particular kinds of mortgages. I commend that very strongly because, being very realistic and clear eyed about this thing, we find it very hard to reduce costs in the various types of housing. Cooperative housing is something which we all consider very attractive. It is a way in which the middle-income family can get some break. We know we are not going to get the unions to reduce their wages tomorrow afternoon—and Senator Clark and I may not get our middle-income housing bill passed tomorrow afternoon either—but here is one thing on which you can get a material savings in financing costs that is logical and likely. It seems to me that we should not fail, if we can humanly do it—and I believe we properly can—to take advantage of this way of bringing down costs in those particular operations.

Senator SPARKMAN. The Senator saw the subcommittee report on mortgage credit, I presume?

Senator JAVITS. Yes.

Senator SPARKMAN. You will recall that we dealt with that problem in there. While we do not regard it as being something that stands by itself, it is interlaced with some other provisions, and you will recall that we asked the agency to study them and to give us a report on it by January 1.

Senator JAVITS. I am very pleased, and I am certainly very hopeful, Mr. Chairman, that this is an area in which we can really help.

Senator SPARKMAN. I may say that I have considerable sympathy for the Senator's viewpoint.

Senator JAVITS. Now, the other part of this little omnibus bill is to raise the urban renewal extender fund from \$100 million to \$200 million. There we have a very real problem, because New York will have dipped into the extender fund for \$62 million by June of this year, and it raises concern with us as to when the Agency may say, "Look, we can't go any further unless the extender fund is increased." They themselves do not seem to be too much opposed to some increase smaller than \$100 million, as I suggest, and of course that will help very considerably.

So I again lay that problem before the subcommittee as being something in which rather direct and immediate help is possible.

The third point which we have is again this vexing and difficult question of maximum relocation payments, to increase those for individuals from \$200 to \$500 and for businesses from \$3,000 to \$5,000.

Senator CLARK. Mr. Chairman, could I interrupt for a minute? I do not think it is too clear on the record exactly what the urban renewal extender fund is. This is a phrase I am not familiar with.

Senator JAVITS. It is kind of a pool, a pooled fund, from which you can draw if you are exceeding your normal allowance and if you have a legitimate and priority project.

Senator SPARKMAN. It is a cushion.

Senator JAVITS. Yes, it is a cushion.

Senator SPARKMAN. A little excess fund we have set up to take care of hardships.

Senator JAVITS. For a State like New York, which is doing an enormous job in urban renewal, which has probably the biggest blight problem in the country and is constantly straining at the ceiling, this is an extremely important matter. Certainly I think that my colleagues from other large States will be sympathetic to this kind of constructive activity.

The relocation business, Mr. Chairman, involves enormous hardship. We have over 60,000 individual units in New York likely to be displaced by current projects alone. We are told by the Agency that very few of these cases deserve the present maximum. Well, that seems to us all the more reason for allowing a higher maximum, in order to look at the real hardship cases, rather than to discriminate against them.

In addition, the definition of the Agency is somewhat artificial, because small businesses suffer very materially due to the fact that because of the limitation in the ceiling they cannot get more than reimbursement for their fixtures, and they get nothing out of condemnation because they have no vested interest. They have only a lease, and this is working a grave hardship upon the druggist, the grocer, the butcher, and the man who has to relocate somewhere else. Some of us were very interested in getting them the opportunity to relocate on the site, but we found that this twisted many of the projects right out of shape. Rental conditions, et cetera, became very different when the urban renewal project came into existence. And yet we do have an interest in retaining the value in the business community of this small businessman. Therefore, I think the very argument the Agency uses against an increase, that it will be rarely employed, is the argument which to me is the most persuasive for it, because when you need it, you ought to have it. If it is not going to be overly employed so much the better, for it is not going to be abused.

I strongly urge that the subcommittee have the staff look into that question with rather considerable attention, because I think that this is an area which directly affects a lot of so-called little people and can be tremendously helpful and beneficial to them. I know the committee has been sympathetic on this matter before, and I do feel that it deserves our attention again.

Now, Mr. Chairman, before proceeding to the discussion of the middle-income housing bill, these are a few additional facts which I would like to give you on the college housing loan authorization.

There is an enormous backlog, as we know, of applications pending, and from my State alone there is a backlog of \$19.5 million from our colleges and \$652,000 for nurse-intern housing. The chairman will find when our witnesses from New York colleges testify here that we have a very acute and galloping problem—I think that is probably the best word to use—and that we urgently need help in that regard. And the same is true in raising from 10 to 12½ percent the

total loan funds which can be allocated to any one State. It is a fact that we have a problem of higher costs, but even more importantly we are the one State that has 12½ percent, almost the exact equivalent figure, of the college population of the Nation.

Mr. Chairman, in the remaining time—and I hope Senator Clark will join in this, because it concerns him deeply as it concerns me—I would like to say a word about our proposal for a middle-income program.

The administration has made many criticisms of our program. I think that they all must be tested in the light of actual experience, for we are actually running this kind of a program in New York. And, notwithstanding all of the criticisms of the administration, we do have builders or cooperators who are undertaking this—trade unions, corporate entities, and other agencies who are doing it. Our voters have affirmed this proposition on two occasions in a statewide referendum by materially increasing the amounts of money which are available under it. Now, I will not trouble the committee with the details. The committee is well acquainted, I am sure, with the details of our proposal, but I would like to affirm to the committee that we are actually going to have witnesses to testify to it and to the fact that the fears which are expressed are illusory, whereas reality is the experience. In New York we have actually run this—and not only run it but we have run it satisfactorily and the voters on two occasions—in an enormous State like ours when you say “voters” it means millions of people, and when I was elected Senator there were 6½ million votes cast—have twice approved this way of trying to help with the middle-income housing problem.

Senator CLARK. Can you give us some idea of the extent of the program in New York, Senator?

Senator JAVITS. Yes. I think we now have \$200 million devoted to the program in direct loans, resulting from two votes, one when I was attorney general, when the voters allowed \$50 million, and the other subsequently when the voters allowed \$150 million.

Senator SPARKMAN. Each one was a State referendum?

Senator JAVITS. Statewide, because that has been done by the legislature passing it and then the voters approving the question on the ballot—proposition, as we call it. It is in effect a statewide referendum.

Senator CLARK. Do you have any idea of the number of units which have been built under the program?

Senator JAVITS. We will have witnesses here, Senator Clark, the State housing commissioner and others, who will give us all the details. (See p. 635.) But the Mitchell-Lama loan program, as it is called in New York, has been an extraordinary success, and I say that because that is the best answer to all of the fears. We could argue about all of the details of the fears of the agency as they express them to the committee, but they come up against the hard rock of experience with the very same program in a great State like New York over a continuous period of time, twice approved by the voters.

Senator CLARK. One of the adverse criticisms of the HHFA people was that that was an administrative monstrosity. That while it might work out in one State we could never make it apply nationwide because the problem of allocation among the different States and the

determination of need was administratively so vast that the mind of man could not cope with it. Do you have any comment on that?

Senator JAVITS. Yes. I have two comments on that, Senator Clark. One is that in the public housing program we are applying very much the same criteria, and we have applied them in the Federal establishment first in the 1930's and then again in the Housing Act of 1949 and since that time.

Senator CLARK. Pretty much first-come, first-served, is it not?

Senator JAVITS. That is right. We have argued these very questions, and we have changed the rules on occasion. We do not seem to have run afoul of any impossible administrative problems.

Secondly, New York is more than just a State. New York is a Nation in microcosm; 17 million people is no State in the sense in which it is used in this argument, with the same problems of allocation to localities and the same problem of surveys and findings most successfully met. So for both those reasons, our experience in public housing, with many of the same criteria and many of the same problems and decisions to be made, and the experience New York—call it a superstate, if you will, in terms of its size and the number of people involved and the number of localities involved—both I think refute the argument of the agency that this is some administratively chaotic enterprise.

Senator CLARK. I think people sometimes tend to forget that New York has a pretty large rural population, including many rural counties. As you say, it does represent a microcosm of the Nation. There are very few conditions elsewhere in the country which you cannot find somewhere in New York State. Is that not true?

Senator JAVITS. Exactly right.

Mr. Chairman, the illusion is that New York City dominates our State. That is not true. New York City today is just about a little less than half the State in terms of population. We are the third largest State in dairying in the United States. We lead in a number of other crops. We have 62 counties—57 outside New York City—an enormous rural population, with hundreds of thousands of people engaged directly in farming. We have run up against the problem of smalltown blight and smalltown middle-income housing problems and smalltown housing shortages, and we have dealt with them under this and other programs in the State. I could not be more in agreement with Senator Clark that if you look in New York you will find every conceivable kind of problem, merely because of the size of its population and the size and geographical distribution of the State. We have an enormous port. We have lake ports. We have the manufacturing cities. We have the commercial cities, the financial centers, the rural areas, a tremendous college population and college towns. You could not think of anything we do not have.

Senator CLARK. A lot of small family farms, too.

Senator JAVITS. A tremendous number of those, because there is a lot of vegetable growing around the big cities. Dairying is essentially a small family enterprise, and that is the main farming enterprise in rural New York.

Senator SPARKMAN. How long has this program been going on?

Senator JAVITS. It has been going on since 1955, 5 years.

Senator SPARKMAN. Did you say how many units have been built?

Senator JAVITS. It is \$200 million. We are going to have not only our commissioner of housing before you but also Senator Mitchell, the author of the program.

Senator SPARKMAN. Has the program been fairly well distributed over the State as a whole?

Senator JAVITS. Yes, it has been generally distributed throughout the State. It has been taken advantage of in many area of the State and is highly valued.

Senator SPARKMAN. I look forward to the testimony from your housing commissioner, because I think this will be most helpful to us.

Senator JAVITS. We could give you all sorts of administrative gimmicks and reasons and theories, but it seems to me the acid test is that the voters have gone to the polls not just the first time—when perhaps people like myself could sell them on the idea—but a second time and gave the program a material increase the second time out. It certainly seems to me that is a confirmation of the fact that it is universally applied and universally valued.

Senator CLARK. Senator, does that complete your comment on this bill?

Senator JAVITS. Yes.

Senator CLARK. I want to ask you a couple of questions, if you do not mind and if it is all right with the chairman.

Mr. Mason was up here the other day, and I called his attention to his strong objections to this bill of yours and mine which were registered in a letter he wrote last September, with which I guess you are familiar. He said in response to my inquiry that he had not changed his opinion. He was still opposed to the bill, and he felt that the present satisfactory system of FHA which has insured and guaranteed private loans adequately took care of the needs of middle-income families. You and I do not agree with that, do we?

Senator JAVITS. I should not have said I was through because I should have emphasized that point.

The basic impression of the agency is that there is really no middle-income housing shortage, or at least not one that could not be met by established media. The facts absolutely fly in the face of any assertion. The fact is that the most crying need in the largest city in the country, New York City, and in other cities in my own State, is this very program for this very purpose. Our State program is just strained to the limit and cannot meet the need. It has been availed of tremendously, to the full limit of its capacity. Any civic agency that makes a report, whether it is a housing council in New York City or whether it is any upstate agency in my State which is doing the civic duty of analyzing the housing needs, never fails to come up with this No. 1 recommendation that we must do something about middle-income housing. The people who fall in that gap are out.

Senator CLARK. Will Mr. Gaynor have some facts and figures to sustain your very strong assertion, which you probably agree of course is only an assertion?

Senator JAVITS. I agree it is, but it is based upon my knowledge gained from our own State agencies, and so I am confident that they will back it up.

Senator CLARK. And we will get some facts for the record from Mr. Gaynor?

Senator JAVITS. Exactly.

Senator CLARK. When Mr. Mason was here he also criticized the definition in our bill of the term "middle-income," and I wonder if you want to make a comment on that. I thought it was a pretty good definition.

Senator JAVITS. I think it is a good definition, and I think it uses the same principle that we have used in public housing. And again I point out that we cannot live in a vacuum in these things. We cannot live in a vacuum of assuming what worked in public housing is not going to work in the middle-income housing approach, nor can you live in the vacuum of asserting that what was successful in New York is not going to be successful in the United States.

Senator CLARK. Generally speaking, and not being precise, our definition of middle-income was individuals who had too much income to get into public housing and not enough income to acquire a safe, sanitary, decent dwelling in the private market.

Senator JAVITS. Especially on a multiple-unit basis. That is a very important point of distinction, because we are talking about the families who must have multiple-unit housing and we are only affecting multiple-unit housing. This is a very different thing from a family moving out in rural or semirural areas and acquiring a very modestly priced private house.

Senator CLARK. So actually what we are talking about is urban housing.

Senator JAVITS. Exactly right, and urban housing especially for the family that has to have multiple-unit housing.

Senator CLARK. Urban housing. What in the vernacular is known as apartments?

Senator JAVITS. Exactly right.

Senator CLARK. We had a witness up here yesterday, Mr. Robert E. Scott, representing the National Association of Real Estate Boards, who was pretty critical of this bill of yours and mine. I would like to present to you a couple of his arguments and ask you to comment on them.

He said that families of moderate income who would be the recipients of the benefits from this money raised unfair competition with home buyers. What do you think about the comment that this bill creates unfair competition with home buyers?

Senator JAVITS. I do not see that it does at all. I think home buyers would still be serviced by the same programs which they are being serviced by today, and you would have a section of the population which is not being served by the housing program not discriminated against.

As a practical matter, if all the people of the United States support these programs, as they do, with the FHA guarantees—which are guarantees of all the people—it seems highly unfair that one particular group of that total which needs housing more urgently than other groups should be disadvantaged by the denial of the opportunity which this would give them. I cannot see the argument.

Senator CLARK. Actually, the people whom our bill is intended to benefit cannot become home buyers because they do not have the resources to buy a home. Is that not right?

Senator JAVITS. Otherwise they would not qualify under our bill.

Senator CLARK. So it seems to me that argument defeats itself.

Senator JAVITS. They are just left out.

Senator CLARK. Mr. Scott also referred to our bill as an unwarranted and unnecessary intrusion by the Federal Government through the tax exemption device into an area which private enterprise is adequately serving. You laugh and I laugh, but he made that seriously, and therefore let us make a serious reply in the record.

Senator JAVITS. The serious reply, Senator Clark, is again that every indication which you see, every finding of every municipal group, always comes up with the fact that the big lack in all the housing programs is the failure to do anything for middle-income housing, people who must rent the apartments in multiple-unit dwellings. This is almost axiomatic. Every time you see a housing report from anywhere, by any civic group, this is the No. 1 point. Nothing is being done about it, and it seems to me that if in the face of all that you just categorically say, "Well, there is no need private enterprise is not filling," there is nothing one can do but smile. How can you argue with a man who insists on flying in the face of all the facts?

Senator CLARK. I suggested to Mr. Scott that he was living in a dream world, but he did not agree.

Senator JAVITS. I will say this, Senator Clark. I think you and I both feel the same way. I wish and pray they find a way to do it, whatever it might be, whether it is by prefab assembly or some other savings. I would be delighted. I think it would be just great. The fact is that years have now gone by and it has not been done, and it continues to be the crying, vacant point in all of these housing programs.

Senator CLARK. Mr. Scott also commented that the tax exemption device in our bill would divert \$2 billion, and he says, "ultimately more and more billions as the fascination of subsidy takes hold," from the funds available to the home buyer, who cannot compete with the tax exemption. What would be your comment on that?

Senator JAVITS. Of course, the answer to that is middle-income housing would get some of the benefits of tax abatement, but that the values which result from the fact that there is land improvement and family and living improvement have by experience far outweighed the tax abatement benefits which have resulted. They are not getting tax exemption on building a church or a school. You are building a home which will pay some taxes, both directly and indirectly, and will in the aggregate pay more in taxes by virtue of these improvements than they would have paid if the condition were allowed to remain where it is.

Senator CLARK. How about the argument that this bill will divert \$2 billion from funds available to home buyers, presumably richer people? Do you think that is a sound argument? He says if we put out this proposal there is not enough mortgage money to go around and we will just take \$2 billion out of the normal home buying market and give it to these people, whom he says do not need any help.

Senator JAVITS. I think in the first place the amount involved is very marginal, because we are talking about selling bonds here, and selling bonds to investors who I do not believe have that kind of a limitation upon their investment capability. Certainly when you talk about \$2 billion in terms of the aggregate amount of investors who

buy municipal and housing bonds through the year you are talking about a very marginal sum.

Senator CLARK. Even to the extent that it might take some slight amount of mortgage funds away, the social utility of the plan would justify it, would it not?

Senator JAVITS. Again we come back to the point that these people have been left out.

Senator CLARK. Mr. Scott also commented that our bill disregards the fact that existing homes represent great sources of housing for low-income families, and that a constant source of adequate housing is continually being made available as more and more families upgrade their housing standards. We referred to that as a trickle down theory, and he thinks that that is a little bit unfair. But the fact of the matter is that there is not anything like enough used housing coming on the market at prices these people can afford to pay to take care of their legitimate needs. Is that not right?

Senator JAVITS. Since the end of World War II, which was 1945, and it is now 1960, or for 15 years, this radical shortage has been going on. Let us just argue with him empirically. If he were right, we would have seen it by now, and we have not. The fact is that the demand now in this area and the insufficiency in this area is greater now than it ever was before. So he cannot be right. It just does not work that way.

Senator CLARK. Finally, he says one of the cosponsors of this bill in the Senate made a statement—I think he means you—upon introducing the measure and referred to the shocking gap represented by those whose incomes are too high for public housing and too low for FHA. “I respectfully suggest,” says Mr. Scott, “that investigation might find more than a little overlap instead of this shocking gap.” This is really the most shocking statement he made, and I wonder if you care to defend yourself.

Senator JAVITS. I do not think I need to defend myself. Again, in terms of the theories which are involved, the fact is that when you get rents as we have in New York in the area of \$40 to \$50 a room, those apartments stand idle—many do—while families living in abysmally bad housing have to continue to live in it because there is not enough money to go around and pay that kind of rent. Here he is dealing in an area that I know. I understand it. I am with it every day. So he may say there is no shocking gap. In the first place, there is on the facts and figures, and in the second place there is on experience.

Senator SPARKMAN. Thank you very much, Senator Javits. You have given us a very helpful presentation.

(Senator Javits' prepared statement follows:)

STATEMENT OF JACOB K. JAVITS, A U.S. SENATOR FROM THE STATE OF NEW YORK

There is no material indication of our civilization more vital than housing. The space, comfort, and beauty of our housing distinguishes our social order from the Communist family living in a room and community kitchen housing even today more sharply and graphically than any other single factor.

Federal expenditure and other assistance for housing is not inflationary. It stimulates private investment and adds tangibly to our national resources. Hence, housing legislation is one of the most vital and constructive Federal programs.

There is no State in the Nation whose citizens are more deeply concerned with what the Congress does this year in regard to housing than New York.

For, there is no State more heavily committed to so many Federal housing programs, and in addition, a major effort is being made upstate and downstate in New York to rehabilitate residential and industrial areas with the State and localities already strained financially under the program.

Of high priority importance in a major housing bill is provision for meeting the housing needs of some of our 15 million families in the middle-income bracket. To my mind, this is the most critical housing gap in our entire national housing picture and the Federal Government should delay no longer in recognizing its responsibility to act. Middle-income families are not eligible for low rent public housing even though they may have been dislocated from previous living quarters by a public housing project. Many of these families cannot afford the homes that private industry can provide; nor can they pay the higher rents in most urban renewal projects which in New York City are approaching \$50 a room in monthly rent.

Despite the new construction generated by national housing legislation, there are very few urban areas in the Nation satisfied with the rate of progress being made in renovating or replacing the millions of substandard units now occupied by low- and middle-income families. Of these, 650,000 are located in New York State. An estimated 280,000 households in New York City occupy substandard units and the number of legitimate applications for public housing on file right now in New York City is in excess of the total number of State, city, and Federal low-rent units in existence.

The pressure for decent housing in the low- and middle-income range is building up unavoidably. Each year, about half a million couples in their early twenties marry and establish homes; that figure is expected to double in the next generation. At the same time, unmarried or elderly persons are establishing new households at the rate of 400,000 annually. As more and more middle-income families come face to face with a "No Vacancy" sign, many will be forced to rent substandard housing. We believe that as high as 20 percent of the middle third of the U.S. population in terms of income do live in such circumstances. More leadership must be forthcoming from the Congress in my opinion if the kind of direct action demanded by the situation is to be launched. In the past, housing has been dealt with often on a piecemeal basis, but the time is at hand when if a year goes by without a major housing bill, emergency legislation has to be rushed through at the next session. This was certainly the case in 1959 after the 1958 housing bill got sidetracked. If major legislation in this field is not enacted in 1960, some important programs are going to be in near desperate straits by 1961.

If an omnibus housing measure should be reported out this session, it is imperative that it include new authorization for the college and nurse-intern housing program, along with the provision that a State can receive loans under it amounting to 12½ percent of the total loan fund, so important to States like New York and California. Maximum relocation payments to individuals and businesses under urban renewal should be raised, while the program's extender fund should be doubled to \$200 million, and the cost of multiple rental and cooperative housing units should be reduced by permitting a reduction in the present FHA mortgage insurance premium of one-half of 1 percent to one-fourth of 1 percent.

To spearhead a national drive to provide decent housing for the 3 million middle-income families presently living in substandard quarters, I have introduced along with Senator Joseph Clark of Pennsylvania, S. 1342, a bill to establish a limited profit corporation for middle income housing. The Federal Corporation set up under it would have the authority to issue U.S. Government guaranteed bonds up to \$500 million the first year and a maximum of \$1.5 billion thereafter. Its funds would be loaned to private builders and cooperators at the rate at which the Corporation borrowed the funds plus its own cost of operation in the form of 50-year mortgages for 90 percent of housing development costs. The remaining 10 percent would be supplied by the builders or cooperators, either as capital investment or downpayment.

It is estimated that 150,000 housing units would be built with average room rents between \$20 and \$25, a reasonable rate within the reach of the average middle-income family.

Builders applying for loan funds would have to meet the key requirement that their profits on the investment be limited to 6 percent and that the Corporation approve their rent or carrying charge for the dwelling unit. I believe this program would directly stimulate State and local government assistance in

the same area, and at little or no cost to them since it would give preference to housing which is granted some local tax aid, assistance in the assembling of land and the use of urban renewal sites.

The concept for such a Federal corporation was developed from the highly successful New York State Limited Profit Corporation, twice approved by voters in public referendums since it was set up in 1955. Later this week this subcommittee will hear testimony from those New Yorkers who wrote the law and those who now administer this middle-income housing program, and they can detail the operations of this approach in my State which is seeking to remedy its middle-income housing shortage.

Regarding the departmental comment on S. 1342 that a limited profit corporation would supplant existing FHA and VA private loan programs and use public funds for those who can get good housing anyway, I am in thorough disagreement with what must have been the basic premise for such a statement—that there is no middle-income housing shortage. The facts overwhelmingly support the position that there is an acute shortage. And, furthermore, I see no possibility for supplanting existing programs since the combination of profit limits, the requirement that there be a gap between what existing programs can fill and the multiple-unit character of this program rule out the possibility of such a conflict. Beyond that is the point that present programs do not meet the housing needs—it is our duty to find a program that will.

I can also see no validity in the argument that such a program would present severe administrative problems. There are no major administrative requirements in the bill which have not already been handled by New York State in its almost parallel program or, in most cases, by the Federal low-rent housing program. Estimates of need, market surveys, income analyses, etc., are constantly being made by the Public Housing Administration, and the same methods—often the same data—would be used for a Federal limited profit corporation for middle-income housing.

I should also like to call the subcommittee's attention to a three-part housing measure whose inclusion in major housing bill would have a marked impact on increasing the overall middle-income housing supply.

The first section of the bill would permit the lowering of mortgage insurance premium rates for FHA housing on multiple and cooperative units. Not only would it result in savings to co-op owners and mean lower rental costs of about \$30 annually, but reducing the mortgage insurance requirements from one-half of 1 percent to one-fourth of 1 percent, thus lowering construction costs, should lead to the building of additional middle-income multiple units.

The public interest in this provision is running high, as this subcommittee knows, for I have already turned over to its staff more than 1,850 messages of support originally sent to me. Much of the mail is from co-op owners who are well aware that under the major FHA program, which also has a one-half of 1 percent requirement, refunds following mortgage repayment are quite commonplace. There is no more risk in insuring multiple units and generally the administrative costs would be less. In its report, the agency indicates it would not object to having discretionary authority to reduce these premiums and that position coincides with the intent of my bill—the Administrator may reduce the premium rate to a minimum of one-half of 1 percent or it may be set at three-eighths of 1 percent or kept at one-half of 1 percent, if that seems advisable.

The second provision, to raise the urban renewal extender fund for all States from \$100 million to \$200 million, is particularly important to States like New York, Illinois, and Pennsylvania which have integrated urban renewal projects into massive rehabilitation programs aimed at cutting out urban blight. The agency reports that New York will have dipped into the extender fund for \$62 million by June of this year, and this fact raises much concern as to whether the agency will approve new applications from New York with over 60 percent of the extender fund already committed to projects there.

My bill calls for \$200 million on the theory that this amount would eliminate in the foreseeable future the possibility of an artificial lid being imposed on requests from the States participating most vigorously in the program, irrespective of their needs and comparative priorities elsewhere. It would permit consideration of applications from New York and other large States on their merits alone.

The final section of S. 3042 would increase maximum relocation payments to a \$500 maximum for individuals and families and \$5,000 for businesses under the urban-renewal program. The present equivalent payments of \$200 and \$3,000 respectively are unrealistic in many large cities in New York State where

removal and relocation costs have risen more than 40 percent in some areas in the last couple of years. In both cases, I propose the increase over the present amounts should be treated as are regular urban-renewal project costs with the Federal Government paying two-thirds and the locality one-third.

The contention that such an increase is unnecessary because the present limit is rarely reached is at least reassuring on one count—it indicates that if we do raise the relocation payment maximum, it will have an insignificant impact on overall program cost while at the same time it will help ease the most serious dislocation problems of these families who are arbitrarily injured by the urban-renewal program. The maximum payment to businesses is equally vulnerable to the charge of insufficiency. In some cases, the relocation costs many thousands of dollars, and it is impossible to adequately recompense many small businessmen for the loss of neighborhood goodwill built up for many years.

More equitable relocation payments should also cut the length of time required to move tenants from urban-renewal sites and thus pave the way for a speedup in slum clearance projects.

I consider it vitally important that the Congress act affirmatively at this session to increase the college housing loan authorization which also aids in the construction of nurse-intern housing. To date, there is an enormous backlog of \$228 million in applications pending, including more than \$19.5 million from New York colleges and \$652,000 for nurse-intern housing. College and university administrators must look ahead to 1970 when the number of students seeking accommodations on campuses will be more than double those living there now, approaching the 2-million mark. Many are already facing a campus housing emergency and the prompt infusion of \$250 million into the existing program, provided for in my bill, S. 2911, and S. 2950 introduced by Senators Fulbright and Sparkman (which would make another \$250 million available in fiscal 1962) seems minimal, if a campus housing crisis is to be prevented.

All of us are aware of the administration's alternative approach to transfer the program over to the Department of Health, Education, and Welfare, but its legislative proposal has not been advanced in the Labor and Public Welfare Committee. Considering the urgent college construction needs of today, I hope the administration will eventually support action by this committee recommending a transfusion of new funds this year.

I was very happy to note that there are favorable reports from both the HHFA and HEW on S. 2912, introduced by myself and Senator Keating, to raise from 10 percent to 12½ percent the total loan funds which can be allocated for college and nurse-intern construction in any one State. New York State educates one student out of every nine attending a U.S. institution of higher learning while it is eligible to receive only \$1 out of every \$10 under this program and construction costs run 20 percent higher in the East for the type of living, study, cafeteria, and student-union facilities involved.

Should the Congress approve \$250 million in new funds under the existing program, enough funds would become available to take care of the existing backlog of requests already pending from New York State institutions—more than \$20 million—so that such an authorization for 1 year only is admittedly a stopgap measure and the desirability of a permanent program in light of future needs is increasingly obvious.

Finally, I should like to refer briefly to S. 1680 as it points up the need for much closer coordination between the civil-defense requirements of urban populations and Federal housing programs concentrated in so many big cities. The bill I have introduced would encourage the construction of shelter facilities in urban-renewal projects by assigning their cost to the Federal Government, whereas such cost is now counted as part of the localities' one-third project cost. New York State, under Governor Rockefeller's vigorous leadership, has aroused national interest in the survival facilities which must exist in case of nuclear attack and Lt. Gen. C. R. Hubener, New York State director of civil defense, will testify fully on this situation.

It would be shortsighted if the Federal, State, and local governments together strive to reduce the Nation's serious housing shortage for low- and middle-income groups and engage in extensive urban rehabilitation without making proper provision for the construction of shelters, which might have to become temporary homes for millions of families should apartment houses, homes, and all else be destroyed or gravely endangered.

Senator SPARKMAN. Is Mr. Fry here? Will you come around, sir? Mr. Fry, just have a seat.

STATEMENT OF LLOYD A. FRY, CHAIRMAN OF THE BOARD, LLOYD A. FRY ROOFING CO., SUMMIT, ILL.

Mr. FRY. Mr. Chairman and members of the Subcommittee on Housing, my name is Lloyd A. Fry. I am the founder, chairman of the board, and chief executive officer of the Lloyd A. Fry Roofing Co., with its general offices in Summit, Ill.

I appreciate very much your invitation to appear before you to testify on the subject of the Federal Housing Administration's "Minimum Property Standards," as they relate to roofs, particularly asphalt shingles.

I submit for your consideration my qualifications to testify and establish facts on the subject. Next July 1, I will have completed 46 years of continuous participation entirely in the asphalt roofing industry. The first 17 years I served other concerns, operating in practically all capacities, from sales representative to vice president, in charge of all operations.

As of July 1, 1931, I established my own asphalt roofing manufacturing business, with very limited capital, in a leased plant at Lockport, Ill. That business failed. I established the present business with borrowed capital as of July 1, 1933. Today we operate 19 asphalt roofing plants, supplemented by 12 felt mills, located in 21 cities throughout the United States.

We have purchased three new sites for construction of additional facilities, scheduled for construction in 1960, and to be in operation during the spring of 1961.

It is academic, of course, to reestablish the very simple fact that every building, including every element used in its construction, is entirely dependent upon and is only as good as its roof. Certainly, without a roof there would not be a building. The life of any building, therefore, is determined by its roof performance.

When specifications are established for construction of any building, the roof, being far the most important single element, should have preference and first consideration over all other elements utilized.

When specifications, or minimum property standards, were established by the Federal Housing Administration, they knowingly ignored the basic importance of the roof, specifically insofar as asphalt shingles are concerned, and, despite being fully informed of that fact, have failed and refused to consider any correction.

Senator CLARK. How long ago, Mr. Fry, was that determination made?

Mr. FRY. Seven years ago.

Senator CLARK. In 1953?

Mr. FRY. In 1953, yes, sir.

The Federal Housing Administration's established minimum property standards for asphalt shingles require only the cheapest, low quality asphalt shingle that is produced.

This FHA "Minimum Property Standard" shingle has a maximum life expectancy of 10 years, and the average life in the South and Southwest is only 7 to 8 years.

The FHA is fully informed of the fact that the maximum written guarantee given by any manufacturer on the FHA minimum property standard 210-pound asphalt strip shingle is for 10 years.

The FHA is likewise fully aware that their minimum property standards do not require any guarantee from any manufacturer for roof performance, although available.

Thus, we have the FHA, a Government agency, authorized to use Government credit to guarantee payment of mortgages on buildings for periods of 20 years and longer, permitting the use of 210-pound asphalt strip shingle roofs that carry a maximum guarantee of only 10 years.

Senator SPARKMAN. Mr. Fry, may I interrupt you there. What evidence do you have that the 210-pound FHA minimum property shingle will last only 10 years or less?

Mr. FRY. Senator, I brought with me conclusive evidence.

Senator SPARKMAN. What is that?

Mr. FRY. I would like to present that at the conclusion of my statement.

Senator SPARKMAN. I am going to have to leave, and I am afraid I will not be here when you finish. I wonder if you could give us that right now.

Mr. FRY. Yes, sir.

Senator SPARKMAN. Is that the 210-pound shingle that you have there?

Mr. FRY. Yes, 210-pound.

Senator SPARKMAN. What does that mean?

Mr. FRY. It weighs 210 pounds per 100 square feet of area. This is conclusive evidence directly under Government supervision, if you please. It is not an exception. There are thousands of houses that have roofs that look like this.

Senator SPARKMAN. Did that come off a house?

Mr. FRY. It came off a house that was roofed 6½ years ago in Jacksonville, N.C., under the Navy, and is the FHA minimum property standard shingle.

Senator SPARKMAN. What makes it pinch up like this?

Mr. FRY. The induction of moisture that is permitted at this area. Everybody recognizes these curling factors. The water will not penetrate this, but here is the difficulty.

Senator SPARKMAN. Is this covered up?

Mr. FRY. I will show you. The shingle goes over like this. The water drains down here, and here is the standard of the shingle that is acceptable under FHA. This one is the standard. It has been deteriorated and downgraded, and this is the life expectancy of the roof that is acceptable by the FHA. That meets every requirement of FHA.

Senator SPARKMAN. What is the thin one you show there?

Mr. FRY. That is the same.

Senator SPARKMAN. You show the new shingle.

Mr. FRY. I say that is the standard, the original standard.

Senator SPARKMAN. That is what I meant. I referred to the thin one. It is thinner?

Mr. FRY. It is much thinner.

Senator SPARKMAN. Is this comparable to that?

Mr. FRY. You mean this construction? This is only the felt section. As you can see, it is about half.

Senator SPARKMAN. That is not what I am saying. I am talking about the one you have taken off.

Mr. FRY. Pardon me, sir. This shingle—

Senator SPARKMAN. That is what I asked—if this shingle was comparable.

Do the FHA requirements or standards apply to VA housing?

Mr. FRY. They certainly do. VA housing follows under the specifications established by the Federal Housing Administration.

Senator CLARK. Before 1953 were the standards higher?

Mr. FRY. No, sir. Before 1953 a higher weight average, but this is the specification. Actually, it is the Federal specification adopted by the Federal Housing Administration.

Senator CLARK. I understood you to say a minute or so ago—perhaps I misunderstood you—that there had been a change in the standard in 1953.

Mr. FRY. No.

Senator CLARK. Which permitted inadequate roofing to be used.

Mr. FRY. No. In reading the statement I made the point that I called it to the attention of the Federal Housing Administration, and you asked how long since—

Senator CLARK. So the Federal Housing Administration in your opinion has never had adequate minimum standards of asphalt?

Mr. FRY. That is correct.

Senator SPARKMAN. Do you refer to this as a 10-year roof? Is that what it is supposed to be?

Mr. FRY. The maximum guarantee of this shingle is 10 years.

Senator SPARKMAN. But this one deteriorated this much in 6 years?

Mr. FRY. Senator, in 6½, and there are literally thousands of them all over this Nation. And if you will permit me to finish my statement—

Senator SPARKMAN. I am going to have to leave, so let me ask you one or two more questions. Do you recommend a 20-year minimum?

Mr. FRY. As I have testified before, I think it is ridiculous for the FHA to permit a roof that has a life expectancy maximum of 10 years and that has an average life of 7 or 8 to be put on a house that is mortgaged for 20 years and longer.

Senator SPARKMAN. What would be the additional cost of roofing for 20 years?

Mr. FRY. The addition cost is around \$4 a square. A little arithmetic will settle this quickly. A 12-square house would average on this shingle \$15 a square, or about \$180. If you had to buy two of them for the 20 years of the mortgage life, you would have \$360. If you bought the 20-year roof it would cost you \$228. So in actual effect this shingle costs more than the 20-year roof because the 20-year roof lasts longer.

Senator SPARKMAN. I apologize for leaving in the middle of your testimony but I have to go. I hope to be back.

Senator CLARK. Mr. Fry, will you go back and continue with your written testimony, please.

Mr. FRY. The Federal Housing Administration is well aware of the fact that 80 percent of all roofs are asphalt roofs, and predominantly asphalt strip shingle roofs.

The Federal Housing Administration is fully aware of the publicity reflecting their services, and that the public accepts, with confidence, the statement used by builders: "Meets FHA requirements" to mean that all construction elements are of proven quality performance, and will last for the life of the mortgage, and longer.

The Federal Housing Administration knows that most, if not all, of the houses sold are already completed, and that the buyer believes that "Meets FHA requirements" means the roof and all construction elements will last for the life of the mortgage, and longer, when he signs the papers.

After 10 years, or less, when the roof fails, and replacement of the roof and repairs to the interior are necessary, the buyer realizes that "Meets FHA requirements" actually means he has been sold a 10-year roof on a house that is mortgaged for 20 years, or longer, and that he is the victim of misplaced confidence in the Federal Housing Administration. The buyer, of course, has to pay, not only to reroof, but stand the expense of interior repairs.

Since most, if not all, financing through building and loan associations, savings banks, and similar institutions use the FHA minimum property standards as the basis for mortgages, the responsibility for the use of 10-year roofs on houses mortgaged for 20 years, or longer, rests entirely with the Federal Housing Administration, although not financially involved.

As of March 27, 1957, FHA circulated a copy of their "Minimum Property Standards" that clearly set forth their responsibility, as clearly defined in the National Housing Act.

The established purpose of the National Housing Act requires:

(a) The Act requires that "the project with respect to which the mortgage is executed shall be economically sound."

(b) To assist in carrying out the purpose and intent of the Act, the FHA shall establish minimum property standards.

(c) The minimum property standards are intended to secure those characteristics in property which assure present and continuing utility, durability and desirability throughout the life of the mortgage.

(d) To obtain the characteristics, which provide the assurance, the minimum property standards set forth the minimum qualities considered necessary in the planning, construction and development of a property, which is to serve as security for an insured mortgage.

Specifically referring to the sections quoted:

(a) Obviously, a house with a 10-year roof, mortgaged for 20 years, and longer, is not "economically sound";

(b) The "Minimum Property Standards," established by the FHA, do not carry out the purpose and intent of the act, when they permit 10-year roofs to be used on houses mortgaged for 20 years, or longer;

(c) Certainly, the FHA "Minimum Property Standards," that permit the use of a 10-year roof, do not "assure present and continuing utility, durability, and desirability throughout the life of the mortgage," when the mortgage period is for 20 years, or more; and

(d) Certainly, permitting the use of 10-year roofs on houses mortgaged for 20 years, or more, does not provide the required security for an insured mortgage.

Conclusively, the Federal Housing Administration, despite full knowledge of the facts as here stated, have knowingly failed to carry out their responsibility, and have arbitrarily refused to abide by the intent of Congress, to properly protect both the Government and the public's interests under the National Housing Act.

The Federal Housing Administration is fully informed of the fact that all manufacturers of asphalt roofs are fully equipped to immediately supply asphalt strip shingles of high quality construction, that are not only guaranteed, but bonded for a minimum of 20 years, and that last much longer.

I respectfully request this committee to take the proper and necessary steps to have the Federal Housing Administration—

(1) Correct the "Minimum Property Standards," to require that all roofs, regardless of composition, whether it be asphalt, tar, tin, iron, aluminum, copper, wood, or any other material, be bonded, or reliably guaranteed to last for a minimum of 20 years; and

(2) Comply, without reservation, with all the requirements of the National Housing Act.

I am prepared to answer any questions you may care to ask, and to substantiate the facts here stated.

Senator CLARK. Thank you very much, Mr. Fry, for a very interesting statement. I would like to ask you just a couple of questions.

Mr. FRY. Delighted, sir.

Senator CLARK. Your company is one of the largest manufacturers of asphalt shingles in the country, is it not?

Mr. FRY. That is true, sir.

Senator CLARK. You make these shingles which are guaranteed for only 10 years as well as those which are guaranteed—

Mr. FRY. Not any more. For the last 4 years, to meet the specifications of Government work, we did make the low quality standard shingle. As of February 1, we have discontinued making any of that type of material.

Senator CLARK. February 1 of this year?

Mr. FRY. Yes, sir.

Senator CLARK. Were your shingles used on a great many houses insured by FHA?

Mr. FRY. Yes, sir. I would say, "very largely." We are about one of the largest suppliers.

Senator CLARK. So that your testimony is really reasonably objective, is it not? You are not just trying to get your own shingle in.

Mr. FRY. By no means. I have been fighting this battle for more than 15 years, Senator.

Senator CLARK. What do the FHA people tell you when you raise this question with them? What excuse do they have for their conduct?

Mr. FRY. They have innumerable, and I have never been able to get a direct answer to the question: What justification do you have for permitting the use of a 10-year roof on a house that is mortgaged for 20 years?

I have here a file that is quite thick. If you want to have me read some excerpts, I would be glad to.

Senator CLARK. I would be glad to have your summary. You were saying they have not given you any satisfaction?

Mr. FRY. They cannot take minimum property standards. They want to stay with a minimum, but a minimum to what degree?

Senator CLARK. I imagine we will have them up here at some time to give testimony.

Mr. FRY. I sincerely hope you do.

Senator CLARK. I hope you will help us and tell us, to some extent, about what they will tell us.

Mr. FRY. They will tell you they want to maintain as low cost as possible to make as many houses available for people, and they feel that spending \$40 or \$50 more to get a roof that will last for the life of the mortgage might hinder the sale of the house.

Senator CLARK. Senator Sparkman asked you some questions about comparable cost, but at the risk of repeating, I wonder if you could take an average FHA house, let us say, one that sells for around \$13,000, to pick a figure out of the air. How much more expensive would the 20-year shingle make that house than the 10-year shingle?

Mr. FRY. If the house sold for \$13,000, using the FHA "Minimum Property Standard" shingle on the original house, and you wanted to put the other one on, it would be \$13,040.

Senator CLARK. Thank you very much.

Mr. FRY. In effect, it seems to me, Senator, that a fellow that can afford to invest \$13,000 in a house should certainly be able to pay \$228 for the roof to protect the \$13,000 investment.

Senator CLARK. I would think so. Thank you very much, Mr. Fry.

I would like to offer for the record a letter received by Senator Sparkman from Senator Philip A. Hart of Michigan, introducing Mgr. Wilbur Suedkamp, who will be our next witness.

(The letter referred to follows:)

U.S. SENATE,
COMMITTEE ON THE JUDICIARY,
May 16, 1960.

Senator JOHN SPARKMAN,
*Chairman, Subcommittee on Housing, Senate Banking and Currency Committee,
Senate Office Building, Washington, D.C.*

DEAR MR. CHAIRMAN: It had been my hope I would have the privilege of presenting to you and your committee a distinguished citizen of Michigan, Msgr. Wilbur Suedkamp. Unfortunately, I must attend a meeting of the Antitrust and Monopoly Subcommittee tomorrow morning.

Monsignor Suedkamp has given Michigan courageous and effective leadership in many areas of social concern and especially in the matter of its older citizens. It was my good fortune to sit with Msgr. Suedkamp on the board of a community house in Detroit which served effectively a depressed area, and which flourished principally because of his energies.

I know you will enjoy meeting and hearing him.

Sincerely,

PHILIP A. HART.

Senator CLARK. Monsignor Suedkamp, will you please come forward to testify? Senator Hart has some very nice things to say about you, which I have no doubt are true. He expressed his regret at not being able to be here personally to introduce you this morning. We have a copy of your formal statement here which will be printed in the record. Will you just proceed in your own way, please, sir.

STATEMENT OF VERY REV. MSGR. WILBUR SUEDKAMP, SECRETARY, CATHOLIC CHARITIES, ARCHDIOCESE OF DETROIT, REPRESENTING CATHOLIC CHARITIES OF MICHIGAN; ACCOMPANIED BY JAMES T. McCUIISH, EXECUTIVE DIRECTOR, DEPARTMENT FOR SERVICE FOR THE AGING, CATHOLIC CHARITIES, ARCHDIOCESE OF DETROIT

MONSIGNOR SUEDKAMP. I would like to introduce Mr. McCuish, who is with me, from Detroit. He is executive director of our department for service for the aging.

SENATOR CLARK. Happy to have you here, Mr. McCuish.

MONSIGNOR SUEDKAMP. He is the coordinator of 9 institutions for the aged and, on any 1 given night, has about 1,025 beds for the aged at his disposal.

Gentlemen, I am grateful for the opportunity to share with this subcommittee some of our concerns on housing for the low-income elderly people of this country.

It is important to state again and again the principle of subsidiarity. We believe that people in a democracy must first solve their own problems, and only when they are absolutely incapable of doing so should the Federal Government become involved in supplying social welfare. It is a benign and supportive role that the Government should play in bolstering the work of the nonprofit, voluntary, private agency. In my own archdiocese I am the director of an annual \$5 million social welfare program. We can see from our vantage point a role that the Federal Government can play at this time in the critical situation of housing our elderly low-income people. We believe money should be made available through direct loans at a low rate of interest as a minimum basis for expanding housing for the low-income elderly.

We are aware of the FHA program for housing elderly people under section 231 of the National Housing Act. We, in the Archdiocese of Detroit, purchased the former 750-room Detroit Hotel. This institution is now called Carmel Hall, and is under an FHA mortgage under section 207 of the National Housing Act. In fact, the Carmel Hall mortgage loan was approximately \$4 million. The present FHA program which insures a loan is not entirely satisfactory because of the high debt service charges on the loan. When we borrow money we must pay 5¼-percent interest and 1½ percent to amortize the mortgage, plus another one-half of 1 percent for the FHA insurance. This totals 7¼ percent which must be paid on borrowed money. How can we provide low-cost housing at these high charges on a loan?

SENATOR CLARK. The net result of your experience would be, would it not, that a large portion of the elderly families and individuals who require housing are priced out of the market under this FHA procedure and cannot really take advantage of Carmel Hall, which you are providing for them, because they just cannot afford it?

MONSIGNOR SUEDKAMP. That is right.

We do not feel that the private builder is meeting the problem of low-income aged people, nor, above that, can they supply the auxiliary services needed.

We do not feel that the public housing projects will meet the needs of all the people. Some old folks just do not want to go into public housing projects. They are excellent facilities for those old folks who can live completely independently—e.g., for those who can shop, cook, et cetera, for themselves.

Senator CLARK. Monsignor, do you have any view as to whether it would be desirable to give a priority to elderly families in public housing projects at least to the extent of some subsidy to the projects which would make it possible for the projects to admit more elderly families and still meet its debt charges and obligations? I ask that because I have a bill which would permit that to be done.

Monsignor SUEBKAMP. I believe so. That would help ease the situation.

What about the person who does not need to be in an institution and at the same time is not able to live independently and alone? This kind of person needs and wants to live in a semi-protected environment. These people under the present setup are going into nursing homes and are being supported through welfare programs. This, gentlemen, is costing lots of money.

Nursing home care, according to our welfare report, is \$5 to \$7 per day, depending on the care needed, or \$150 or \$210 per month per person. Those cases at \$5 per day are mostly ambulatory and could very well live in a semiprotected environment, as I am going to describe here.

Many of these folks are able to live out in the community, but it must be in a semiprotected environment. And, Senator Clark, in going through the John Kane Hospital, Dr. Kraft pointed out that one of his biggest difficulties is after they rehabilitate an older person who has had a stroke, he and this whole, I will call it, backlog of residents occupying bed space which they really do not need could be graduated back into the community if they had a place to absorb them.

Senator CLARK. Yes, I remember that. So the record will be clear, you have reference to the John Kane Allegheny County Hospital, which is specializing in geriatrics and doing a first-class job.

Monsignor SUEBKAMP. Right. He said that is their biggest difficulty right now. We explained the program that I have in mind, and he felt that we would be a good agency to work for, if we were near Pittsburgh, a place where he could graduate these people after they are rehabilitated back into the community. They do not belong in an institution any longer where the cost is high, nor are they able to live by themselves independently in the community. There has to be sort of a halfway house.

Senator CLARK. You may remember I conducted a hearing in Pittsburgh on behalf of Senator McNamara's committee on the aging and aged, and we went out to John Kane Hospital and went all through it. I can substantiate the veracity of everything you just said. I think Dr. Kraft is one of the really fine men in the country who is working very hard at this serious problem.

Monsignor SUEBKAMP. These people we are talking about now who really do not belong in the hospital, nor can they live independently, but could live in the community, could support themselves by their own pensions if there were low-cost housing available, which could

be produced through the low-interest rate mortgage money, with auxiliary social services.

In the Kundig program I am going to describe to you, we have about 80 residents. I would say out of those 80, having been through the John Kane Hospital, 40 should be in a nursing home or in a hospital. Yet, we have them outside.

At this time we would like to relate some facts on a pilot project in the Archdiocese of Detroit, and it is only a pilot project. We call it the Kundig campus residency program. We have distributed some literature on it. We utilize existing housing in the neighborhood and use existing parish facilities for a centralized living room and dining room. Other private, nonprofit, volunteer agencies, such as a Protestant congregation or a synagogue, et cetera, could do the same thing. Here about 80 people live comfortably and have their diet, social, and medical needs met through the administration of our private voluntary agency.

These old folks are still able to be in the stream of life. They live in the community, paying their own way at a low cost. Our maximum charge is \$75 a month for their room and board. This program exists in an old neighborhood in Detroit. Where old houses can no longer be rehabilitated through a neighborhood conservation program, they can be razed and moderate-cost new facilities could replace them on the same inner-city land, close to stores, shows, hospitals, and parks.

Such projects could very well be a part of any city urban renewal program. Incidentally, in Detroit we are facing a situation which we are sure exists in other cities, and that is that urban renewal programs are displacing many elderly people who do not care to go into public housing, and who cannot buy a home of their own.

Senator CLARK. I will go further than that and say: Who cannot get into public housing.

Monsignor SUEDKAMP. That is right. In fact, if our skid row area in Detroit goes ahead with the urban renewal program, I would venture to say that about 60 percent of those people who will be displaced are in the category of elderly people. They are not skid row alcoholics. They are just there because of their low incomes.

Our pilot project is a possible way to help a city with its relocation problem.

We are anxious to further our program immediately, but it is impossible because of the present high rate of interest on loans. In other words, if we get into another deal as we have with regard to Carmel Hall, we will be taking care of the upper-bracket people rather than the low-income group.

Senator CLARK. I am glad you mentioned that, Monsignor, because this is one of the real social results of our high interest policy, is it not?

Monsignor SUEDKAMP. We want to work toward good housing for the low-income elderly, but at a cost which will allow us to continue to help these people live within their incomes, so they do not have to depend on charity, and at the same time amortize any debt we may incur.

As an example, for a unit costing \$8,000, if the interest rate and FHA insurance were $3\frac{3}{4}$ percent instead of $5\frac{3}{4}$ percent, this 2 percent differential in interest would mean \$160 less interest per year per unit, which would mean we could rent this unit for \$14 per month less.

This is the difference between not coming up with an answer to a very serious problem or providing some good low-income housing.

Senator CLARK. You mean that interest differential makes a rent difference of \$14 per unit per month? That is a shattering figure.

Monsignor SUEDKAMP. That is right.

We think that the Federal Government should make funds available to the nonprofit private voluntary agency at a low rate of interest in order that we may ease the housing crisis for the elderly by providing decent housing and the necessary auxiliary services. Of course, we are in the vantage point of being able to start tomorrow if this were made possible; and this throughout the country. Because of the critical situation in our particular area, we feel that it is very timely that we have been invited in to talk on this.

As a somewhat parallel situation, presently the Community Facilities Administration makes direct loans to institutions of higher learning for building student and faculty housing and related facilities and services.

I am going to read directly from a pamphlet entitled "Programs of the Community Facilities Administration." It is published by the Housing and Home Finance Agency, Community Facilities Administration, here in Washington. It was published in May 1956 and it is from page 11 that I am going to quote. I have some of these extra pamphlets available because the possible solution I am presenting as a parallel was stated here on page 11.

Senator CLARK. You are also utilizing CFA.

Monsignor SUEDKAMP (reading):

Under the college housing program, the Community Facilities Administration makes loans to educational institutions of higher learning and nonprofit corporations established by them for the construction of student and faculty housing and related facilities and services. Such loans are made where private financing is not available at equally favorable terms.

I skip a paragraph and go on quoting:

With present costs of construction, it has been extremely difficult to provide student housing without charging rentals and fees beyond the reach of the average college student.

An exact parallel with the aged.

In addition, lack of adequate housing makes recruitment of teaching staff a serious problem.

I continue quoting:

To assist those institutions which have difficulty in borrowing private construction funds at low rates, Congress, in the Housing Act of 1950, as amended, has authorized a program whereby such colleges and universities might obtain loans from the Federal Government at an interest rate not higher than 2.75 percent per year, or the interest rate paid by the HHFA Administrator on funds obtained from the Treasury plus one-fourth of 1 percent. It also established a maximum amortization period of 50 years.

Congress has authorized \$500 million in loans for the college housing program.

Senator CLARK. You think, Monsignor, Congress ought to be as generous with the elderly people as it is with the young; is that your point?

Monsignor SUEDKAMP. That is my conclusion.

This is my Patrick Henry statement:

Gentlemen, Congress recognized the elderly's problem in the Housing Act of 1959 in which the Congress authorized \$50 million. However, this money has

not been appropriated as yet. Recognizing the extreme need for housing of the low-income elderly, we recommend that this authorization be raised to \$100 million and measures taken to see that the \$100 million is actually appropriated.

Senator CLARK. I do not know whether you appreciate, Monsignor, that the House Appropriations Committee only recommended \$5 million of the \$50 million. So, apparently, the elderly are getting 1 percent of what the college students are getting.

Could you give us any idea about how much money in this direct housing for the elderly you could usefully use in the Detroit area?

Monsignor SUEBKAMP. I have not given enough study to your particular question, but, presently, in Detroit we have what we call a Metropolitan Detroit Building Fund as a counterpart to United Giving. Presently, we are developing a new Metropolitan Detroit Building Fund, and I guess they are up to \$100 million in requests at the city level alone. We personally have put in a bid for immediate help of \$250,000. That is 60 percent of the money which they will give us, if we can get the other 40 percent, which hopefully could come through this program. Then, we would have the problem licked.

Senator CLARK. I would like to reiterate, since our good friend, Senator Bush, has recently come in, your statement that the present FHA program for the elderly is inadequate. Would you just, in about two sentences, tell Senator Bush why?

Monsignor SUEBKAMP. I think, from our Carmel Hall experience, where we were the first in the country to take advantage of FHA's program, we have come a long way under FHA in covering such a program as ours. I can remember 7 years ago, and only 7 years ago, when I went in to Mr. Edwards—I think that was his name—at the time, in Detroit, he looked across the desk when I asked for FHA help and laughed. He said, "Father, we are not in the hotel business."

Since then, in a 7-year period, this has completely changed. They know that, in effect, they are asking us, really, to get into the housing picture as private, nonprofit, voluntary agencies to ease this critical situation.

Incidentally, we raised our own money. After we purchased the Detrouiter for about \$1½ million, then about 3 years ago, I guess it was, it went under the FHA program. But the rate of interest is so high that the Sisters in this case, the same ones that run Mary Manning Walsh in New York, have to clear roughly around \$23,000 after they pay the milkman, the breadman, and so forth, to just take care of the amortization of their debts per month.

So, you can see that when, in our program, an aged person comes to us who has no more than \$80 to \$100 a month to spend on his room and board, we cannot turn to the Sisters and say, "Take this resident," because the sisters have to fill that room with somebody from the silk-stocking group who can pay a higher rate so that the Sisters, in turn, can pay off their mortgage debt.

I think this type of housing is wonderful. I feel we have the best institution in the country. We have 525 residents there, but it is not meeting the need of the low-income person at all. We still have them with us in the community.

In conclusion, we appreciate that you have taken time to hold a hearing on housing for the elderly. Because of the acute need for low-cost housing for the old folks, we wish to thank you for giving us

an opportunity of presenting to this committee one plan which, if put into effect, will assist immediately in helping solve this critical problem.

We do not say it is the only plan, but one plan, if put into effect, that will assist immediately in helping solve a very, very critical national problem.

Senator CLARK. Thank you very much, Monsignor.

Senator Bush?

Senator BUSH. I have no questions.

Senator CLARK. Thank you very much. We appreciate your very useful and helpful testimony.

I would like to offer for the record at this point a letter dated May 4 from the Federal National Mortgage Association, directed to Senator Sparkman, and commenting on the authority of FNMA to purchase FHA insured loans secured by proprietary nursing homes.

(The letter referred to follows:)

FEDERAL NATIONAL MORTGAGE ASSOCIATION,

May 4, 1960.

HON. JOHN SPARKMAN,
*Chairman, Subcommittee on Housing, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.*

DEAR SENATOR SPARKMAN: I am replying to your letter of April 27 regarding the authority of the Federal National Mortgage Association to purchase FHA-insured loans secured by proprietary nursing homes (sec. 232 of the National Housing Act).

As indicated in my March 30 letter, it is not our view that there is any need to amend title III of the National Housing Act to permit the purchase of FHA section 232 mortgages; you are correct in assuming that our position in this respect is applicable alike to purchases made under the special assistance functions and the secondary market operations.

Under the special assistance functions of the FNMA Charter Act, the Association may provide special assistance (when and to the extent that the President of the United States has determined that it is in the public interest) for the financing of selected types of mortgages originated under special housing programs. The establishment of such a program has not thus far been approved by the President. Up to now, the Federal Housing Administration has had very limited experience in regard to section 232 housing and hence concrete evidence supporting the need for FNMA special assistance for this type of housing is lacking. In view of the favorable investment characteristics of these mortgages (loan value limitation of not more than 75 percent of the Commissioner's estimate of value and maximum 20-year term), we believe they will be attractive to private investors. As a matter of information, FHA Commissioner Zimmerman reports that the first nursing homes projects in respect to which application has been made for mortgage insurance will be privately financed upon issuance of FHA's certification and approval for insurance. It is felt that before any allocation of special assistance funds is made to FNMA to aid in financing nursing homes, sponsors should first make aggressive efforts to obtain permanent financing from private sources; pending the establishment of sufficient need for such assistance, it is our considered view that the expenditure of Government funds by FNMA for financing proprietary nursing homes under a special assistance program would not be warranted.

For the reasons stated in the preceding paragraph in respect to the special assistance functions, it is also our view that up to now sufficient need has not been established to warrant the furnishing of liquidity by FNMA under its secondary market operations. We are observing the progress of the program carefully and close liaison with FHA is being maintained to ascertain whether or when the need for FNMA assistance under either of the two functions will arise.

Sincerely yours,

J. S. BAUGHMAN, *President.*

Senator CLARK. I would also like to offer for the record at this time a statement by Mr. George McLain, president of the National League of Senior Citizens, and chairman of the California Institute of Social Welfare, directed to this subcommittee and these hearings.

(The material referred to follows:)

STATEMENT OF GEORGE McLAIN, PRESIDENT, NATIONAL LEAGUE OF SENIOR CITIZENS ;
CHAIRMAN, CALIFORNIA INSTITUTE OF SOCIAL WELFARE, LOS ANGELES, CALIF.

Mr. Chairman and members of the committee, my name is George McLain. I am president of the National League of Senior Citizens, which represents some 250,000 elderly men and women in 21 States. I am also chairman of the California Institute of Social Welfare. Both are nonprofit corporations dedicated to the welfare of the elderly. The National League operates on a nationwide scale, with broader interests and goals. The California Institute conducts a wide range of activities at the State level, constantly struggling for better conditions for our old people, as well as the blind and the otherwise handicapped. I appear before you today as the spokesman for the California Institute, to describe briefly our difficulties in attempting to provide low-rent housing for California's aged.

Of our 50,000 California members, most are elderly men and women, in circumstances similar to those of older folks all across the Nation. The majority are women. Almost all are very poor, engaged in a day-to-day struggle to maintain spiritual, moral, and physical standards of living, despite minimum financial resources. Their needs are many and great. I won't go into these in detail, because most of you gentlemen are familiar with the grim facts that have been exposed by recent investigations. Our old folks are, for the most part, among the neediest citizens of our rich country. They live in daily dread of serious illness, knowing that a breakdown in health means pauperism and a cot in the charity ward of a county hospital. It is our fervent hope that this Congress will take some action to offer the elderly some form of health protection.

Less dramatic, perhaps, but equally urgent, is their need for decent housing.

Since the end of World War II, this country has displayed unprecedented interest in providing homes for its citizens.

Returning GI's came home to a land that opened its purse wide to establish them in homes of their own. Thousands of neat subdivisions, populated by young, working families are an inspiring testimony to the timeliness of this program.

In our big cities, slums are being demolished to make way for vast redevelopment projects. The facelifting of our great metropolises, on a scale never before dreamed of, will unquestionably make America's cities the most modern, most fabulous in our age.

Finally, the murmur of unrest among the elderly came to Congress' attention. The old folks, too, wanted help from their Government to improve their living conditions. A revolution in living patterns had left them in a housing limbo, so to speak. The urbanization of America deprived them of the traditional rocking chair on the broad porch of the old homestead. And the demolition of the slums drove them from the beehive-hotels in which they had sought shelter in the cities. As new hotels, new apartment houses, and modern subdivisions displaced the older boarding houses, walkups and tenement buildings in cities and towns, old men and old women were scattered in waves of human bewilderment and confusion.

In 1956, Congress enacted the first "Housing for the elderly" section of the Federal Housing Act.

The leadership and the members of the California Institute of Social Welfare were jubilant. Long concerned about the lack of decent, low-rent housing for older men and women, the California Institute viewed the 1956 action as the first long step toward meeting an urgent need. Under the terms of section 207, nonprofit organizations could qualify for 90 percent financing for the development of low-rent housing for the elderly projects.

We lost no time in seeking to translate our hopes and plans into reality, under the provisions of section 207. Since 1957, we have been working toward the consummation of a housing for the elderly project in Fresno, Calif. This project—FHA No. 121-00055-A—has a replacement value of \$4,356,200. It would provide homes for 1,050 men and women of later years, in 556 living units on

a 42-acre tract. Facilities would include a completely equipped community center, with stores, shops, post office, medical offices, and a place of worship. Social and recreational facilities would also be provided. In short, this carefully planned community for the elderly would be a model village, self-supporting and self-contained.

We have been informed by the Federal Housing Administration that our proposal is unique in its field, in that it comprises the first large-scale housing for the elderly development, offering low-rent dwelling units. Other proposals submitted to the FHA have been much smaller in scope. Virtually all are planned for higher income oldsters. Some restrict occupancy by means of substantial admission fees, as high as \$7,000 to \$9,000. Our Senior Citizens Village, as we propose to call our development, entails no admission fees. Rentals would range from \$63.50 per month to \$72.50 per month, amounts easily within the reach of most California oldsters, even though their incomes consist only of World War I pension, social security, or the State old-age pension. This is the income group most desperately in need of help.

Unfortunately, we are still far short of our goal of providing decent homes for these oldsters, although it has been almost 4 years since the passage of the original "Housing for the Elderly" section of the Federal Housing Act. The major stumbling block impeding our progress may be expressed in two words: "economic soundness."

This phrase, as applied by the FHA, effectively nullifies the intent of Congress by its narrow emphasis on fiscal feasibility. It places nonprofit groups in the position of meeting financial requirements that would be difficult for profitmaking corporations to meet.

Only with respect to "subsidized" projects does the FHA set aside its "economic soundness" yardstick. But they refuse to accept our contention that our project is (a) fiscally sound in its conception and (b) subsidized. As a nonprofit corporation, we are exempt from payment of local property taxes. This amounts to (FHA estimate) \$90,000 per year. We anticipate no repayment or interest return on our substantial equity investment. This would represent an additional subsidy of some \$45,000 per year, making a total subsidy of \$135,000 annually. I believe that few organizations could offer more firm guarantees of continuing subsidization.

The FHA, in apparent defiance of the intent of the people, as expressed by Congress, has used the criterion of "economic soundness" repeatedly to frustrate and thwart our efforts.

In section 231, passed by Congress in 1959, Congress directs the FHA Commissioner to " * * * insure any mortgage * * * to provide housing for elderly persons * * * which shall * * * if executed by a private nonprofit corporation * * * effectuate the purpose of this section, involve a principal obligation not in excess of the amount which the Commissioner estimates will be the replacement cost of the property or project when the proposed improvements are completed."

Thus the 1956 section was broadened in 1959 to provide for 100-percent financing.

This obvious advantage has never been applied by the FHA to our proposal. In answer to an inquiry by Congressman B. F. Sisk of California, under date of March 22, 1960, FHA Commissioner Julian Zimmerman offers this hazy explanation:

" * * * For those projects dependent entirely upon the rental income to meet operating expenses, reserves, and debt service, and not subsidized, a ratio of debt service to net income criteria, or limitation, is imposed, and no change in * * * status is apparent."

As a result, we find ourselves in the difficult position of providing a total of \$771,255 in equity requirements, demanded by the FHA for our project. This means that our proposal will only receive mortgage insurance equal to 83 percent of its replacement cost, notwithstanding the provisions in section 231 for 100 percent financing.

With \$105,000 already spent in processing our application to this point, plus a \$200,000 investment in land, we cannot afford to abandon our plans.

We will proceed, despite the sacrifices we must make—sacrifices we did not even vaguely anticipate when we embarked so hopefully upon this effort 3 years ago.

But the eventual establishment of our Senior Citizens Village in Fresno will represent only minute progress toward meeting the housing needs of all our elderly people. Other projects, in other places, at other times, must be under-

taken. It is our fervent hope that they will be undertaken under more encouraging circumstances. Therefore, I recommend the following proposals for the consideration of this committee:

1. Appropriation of \$100 million or more, for direct, Federal loans for housing for the elderly developments.
 2. Allocation of these funds on a basis of State-by-State need and interest, instead of a share-and-share-alike policy.
 3. Elimination of the "economic soundness" criterion and substitution of the "acceptable risk" principle in housing for the elderly, such as is now applied to section 203(i) "under \$10,000" housing, and military housing.
 4. Mandatory legislation requiring FHA to grant 50-year loan payback periods, as specified by Congress in the Housing Act of 1959. (Present FHA policy is to restrict paybacks to 40 years, regardless of the 1959 provision.)
 5. Federal legislation to make funds available to nonprofit corporations at minimum interest and service charges, for the development of housing for the elderly projects. Ironic as it seems, this Government now extracts a profit in providing funds to nonprofit groups for this purpose, a practice that makes establishment of genuine low-rent housing for the elderly projects vastly more difficult.
- Adoption of these recommendations in the form of legislation would greatly stimulate the construction of housing facilities for America's older men and women.

It is to be hoped, too, that this committee will take note of the attitude of the Federal Housing Administration toward legislation enacted by the people of the United States, through their elected representatives. In its strange determination to administer as it sees fit, the FHA appears to have lost sight of a basic tenet of our form of government—the sovereignty of the people. This agency should be reminded that the people delegate powers, but only such powers as are distinctly specified. For the FHA to usurp powers not delegated to it, and interpret the laws passed by Congress to fit its own purposes, places the FHA in conflict with deeply rooted American principles.

Perhaps the answer lies in tedious spelling out of every detail in legislation which must be administered by this Federal agency, in order to prevent obstructing and obfuscating interpretations.

Whatever the possible solution, this problem deserves the most serious consideration of this committee. I am confident that, with full possession of the facts, this committee will arrive at a just and practical conclusion. Furthermore, I am certain that this committee will give due regard to the factual presentation of our frustrating efforts to provide low-rent housing of good standards for a large, neglected segment of our population, and will take such action as is necessary to expedite the development of future housing for the elderly projects. This is one of the greatest challenges facing our Nation today. It is the responsibility of this generation of Americans to meet it boldly and imaginatively.

Thank you for your attention.

Senator CLARK. Our next witness will be Mayor Dilworth of Philadelphia, the president of the U.S. Conference of Mayors.

Mayor Dilworth, will you come forward, please? We are very happy to have you with us again. Do you want to bring any of your associates with you?

STATEMENT OF RICHARDSON DILWORTH, MAYOR OF PHILADELPHIA, PA., PRESIDENT, U.S. CONFERENCE OF MAYORS

Mayor DILWORTH. Good morning, Senator Bush. How are you, sir?

Senator CLARK. Please proceed in your own way, Mayor Dilworth. We have your prepared statement here. It will be printed in the record. Proceed as you think best.

Mayor DILWORTH. Thank you, sir.

I would like, first, to offer for the record the resolution on urban redevelopment passed at the recent meeting of the annual conference of the U.S. Conference of Mayors. This was more than a perfunctory resolution. Actually, that morning there were about 400 mayors from all the cities on the floor from all the political parties, and it received very careful consideration.

Senator CLARK. The resolution will be admitted in the record at this point.

(The resolution referred to follows:)

RESOLUTION ADOPTED BY 1960 ANNUAL CONFERENCE, U.S. CONFERENCE OF MAYORS, CHICAGO, ILL., FRIDAY, MAY 13, 1960

URBAN REDEVELOPMENT

Whereas the redevelopment of the blighted and deteriorating sections of American cities is vital to the welfare and prosperity of the entire Nation;

Whereas two-thirds of the people of the Nation live in metropolitan areas;

Whereas more than 400 cities throughout the country have undertaken or are planning redevelopment programs to meet the challenging need for housing, community facilities, commerce, and industry;

Whereas the domestic expenditure of the Federal Government for assistance to and development of cities of our country has failed to recognize that ours is now an urban civilization;

Whereas surveys of the mayors of the United States conducted in 1959 and 1960 demonstrated that \$600 million in Federal grants annually over the next 10 years is urgently needed in urban renewal activities;

Whereas present laws provide but half the Federal funds needed in the fiscal years 1960 and 1961;

Whereas the uncertainties growing out of the inadequate level of funds and short term 1- or 2-year extensions of the Federal law disrupt orderly local planning and cause inconvenience and waste: Now, therefore, be it

Resolved by the U.S. Conference of Mayors, That the Congress of the United States and the President recognize the imperative need for urban renewal and housing legislation, and, further, that the Congress insist that any extension of guarantees to the private housing market also include provision for urban renewal and low-rent public housing to meet this imperative need.

Senator CLARK. I think I am correct, am I not, in saying you have recently been elected president of the United States Conference of Mayors?

Mayor DILWORTH. After a very sharp struggle.

Senator CLARK. I want to congratulate you.

Senator BUSH. Could I see a copy of the resolution, unless you are going to cover it?

Mayor DILWORTH. No, sir. There are, I think, the necessary number of copies there, Senator.

Senator BUSH. May I ask a question about this?

Senator CLARK. Yes, indeed, sir.

Senator BUSH. The mayors renewed their position as \$600 million annually as an appropriate amount. Is that right?

Mayor DILWORTH. That is right, Senator, for 10-year continuity.

Senator BUSH. For a period of 10 years, yes.

Mayor DILWORTH. Yes.

Senator BUSH. I have no objection; I just wanted to see what they recommended.

Senator CLARK. Go right ahead.

Mayor DILWORTH. Also, I would like to submit for the record, if I may, the summary of the results of the 1960 urban renewal survey conducted jointly by the American Municipal Association and the United States Conference of Mayors. That is the survey which showed the needs of the cities of the United States of over 35,000 population for urban renewal, and breaks it down by States, by areas, and the amount for each city.

Senator CLARK. I have an idea that that may already be in the record. But if it is not, it will appear, and be printed at this point.

(The survey referred to follows:)

SUMMARY OF RESULTS OF THE 1960 URBAN RENEWAL SURVEY CONDUCTED BY THE AMERICAN MUNICIPAL ASSOCIATION AND THE U.S. CONFERENCE OF MAYORS

SCOPE OF THE SURVEY

Questionnaires were sent to all cities with a population of 35,000 or more, plus all other local governments in the 50 States and the District of Columbia thought to be interested or considering the initiation of an urban renewal program.

Close to 1,200 local governments were requested to respond by completing and returning the questionnaire. Local officials assigned the task of handling the survey were instructed to make all estimates "in line with your community's fiscal and relocation capabilities."

RESPONSE

By May 1, 1960, 386 communities had responded. A tabulation of the number of questionnaires mailed and responses on a State basis is attached.

Of the 386, 258 answered in some detail. Of this group, 198 had one or more Federal project programs underway, representing slightly over half of the total of 390 localities (exclusive of Puerto Rico) estimated as having been active in the Federal program as of December 31, 1959.

Although the remaining 188 communities returned no useful information on the survey form, 125 of this group did indicate positive interest in the Federal program and an intent to further consider the feasibility of local renewal action.

Almost three-fourths of the Nation's cities with a population of 50,000 or more filed a completed questionnaire. Of the 60 cities in this population group which did not respond less than half were active in the program at the end of 1959.

SIGNIFICANCE OF SURVEY RESULTS

Thus while the survey totals probably include the estimated immediate needs of about three-fourths of the Nation's larger cities, they nevertheless are based on information furnished by less than half of the communities of the communities now actively engaged in renewal activity as provided for under the Housing Act of 1949.

The survey totals do not include any estimates of needs other than those furnished by the community. The totals do not include any projections from the "sample" responding.

Total estimates of needs, by State, for the periods covered are included in the attached tabulation.

SUMMARY OF SURVEY RESULTS

Forty-seven cities indicated that they had applications pending with URA for increases in existing capital grant reservations amounting to \$132 million.

Thirty-eight cities indicated that they had applications pending for new projects with URA which they estimated would require \$173 million in Federal grant funds.

Of the over 430 communities now participating in the program, 108 indicated that they intended to file applications during calendar 1960 covering projects which would require \$458 million in Federal capital grant funds.

In addition, 93 cities indicated that they would, some time in the near future, file applications for \$44.5 million in grant funds to carry out community renewal programs as authorized under the Housing Act of 1959.

Thus, for calendar 1960, local governments will request URA to act on applications for either increases in existing grant reservations for existing projects or for new projects involving in excess of \$763 million.

Of the over 430 local governments now active in the Federal program, responses from 131 indicated intent to file applications for new projects during calendar 1961 in the amount of \$424.2 million. Assuming one-half of these applications will be filed during the first 6 months of 1961, i.e., \$212.1 million, it is estimated the total Federal grant funds required between the 18 month period from January 1, 1960, to July 1, 1961, will exceed \$1,019 million, which amount includes the additional \$44.5 in grant funds it is expected will be requested from URA for the completion of community renewal plans during this period.

Against this total need of \$1,019 million there currently exists in unreserved funds from fiscal 1960 an estimated \$200 million, plus the \$300 million which will become available on July 1, 1960. The net deficit amounts to approximately \$517 million—this is the amount needed to accommodate only the communities which were able to file responses to our questionnaire. This amount does not provide for those communities which were unable to file need estimates nor does it provide for the needs of the new communities which will be initiating new programs during this period.

FUTURE NEEDS

Of the communities responding, 181 were able to provide estimates as to their anticipated grant needs for the 3-year period, 1962 through 1964. The total amounted to \$969.8 million, or an annual average need of \$323.3 million.

For the 5-year period, 1965 through 1969, 170 communities estimated their grant needs at \$1,765.9 million, or an estimated average annual grant need of, for these local governments alone, \$353.2 million.

Considering the relatively small number of communities able to make estimates as to future needs at this time and in anticipation of further increases in number of communities participating in the program, a \$600 million annual authorization of Federal grants seems fully justified.

National urban renewal survey—January 1960, estimated 10-year urban renewal program—Federal capital grant requirements

[In millions]

	1960	1961	1962-64	1965-69	10-year total
Alabama.....	\$2.0	\$7.0	\$16.2	\$19.0	\$44.2
Alaska.....			.1		.1
Arizona.....	2.5				2.5
Arkansas ¹					
California.....	44.3	20.7	66.2	96.1	227.3
Colorado.....	2.0	1.0	3.3	4.0	10.3
Connecticut.....	10.0	22.0	33.0	59.5	124.5
Delaware ¹					
District of Columbia.....	.8	10.0	25.0	50.0	85.8
Florida.....		3	14.5	4.0	18.8
Georgia.....	14.2	7.0	14.3	34.0	69.5
Hawaii.....	6.6		45.3	15.0	66.9
Illinois.....	2.0	22.0	60.0	91.0	175.0
Indiana.....		2.5	9.4	14.0	25.9
Iowa.....	4.8	4.0	6.0	8.0	22.8
Kansas.....	3.1	1.0	5.0	5.0	14.1
Kentucky.....	.2		2.0	2.0	4.2
Maine.....	2.5	1.0	1.0	3.0	7.5
Maryland ¹					
Massachusetts.....	54.3	24.4	48.0	49.0	175.7
Michigan.....	22.5	38.9	57.2	320.2	438.8
Minnesota.....	4.6	6.0	15.0	25.4	51.0
Missouri.....	5.1	13.3	20.2	45.0	83.6
Nebraska.....			1.0	2.0	3.0
Nevada.....	1.6		.5		2.1
New Jersey.....	15.5	7.0	26.0	36.0	84.5
New Mexico ¹					
New York.....	44.0	54.2	123.3	188.0	409.5
North Carolina.....	5.6	9.0	14.0	22.0	50.6
Ohio.....	67.4	36.0	82.0	178.5	363.9
Oklahoma.....		1.0	.9	2.0	3.9
Oregon.....		6.0	4.2	1.0	11.2
Pennsylvania.....	56.2	57.1	106.3	251.1	470.7
Rhode Island.....	13.1		12.0	20.5	45.6
South Carolina.....		1.0	2.0	5.0	8.0
Tennessee.....	10.0	21.0	32.0	29.2	92.2
Texas.....	16.0	13.5	15.3	24.0	68.8
Utah ¹					
Vermont ¹					
Virginia.....		.2	11.0	6.5	17.7
Washington.....	18.5	4.0	10.0	7.0	39.5
West Virginia.....	.7	1.2	.7	1.4	4.0
Wisconsin.....	3.0	8.0	17.0	30.0	58.0
Total.....	² 458.0	424.2	969.8	1,765.9	3,617.9

¹ No figures provided where only 1 community has responded and has requested its reply be kept confidential. Totals, however, include all data collected.

² Exclusive of applications pending for new projects or expansions of existing projects.

National urban renewal survey—January 1960

	Questionnaires		Cities over 50,000 not responding
	Sent	Returned	
Alabama.....	70	6	Montgomery. ¹
Alaska.....	4	1	
Arizona.....	4	2	
Arkansas.....	19	1	Fort Smith, North Little Rock.
California.....	99	68	Bakersfield, Compton, Fresno. ¹
Colorado.....	6	4	Pueblo. ¹
Connecticut.....	24	11	
Delaware.....	2	1	
District of Columbia.....	1	1	
Florida.....	44	12	
Georgia.....	101	14	Columbus. ¹
Hawaii.....	2	2	
Illinois.....	42	14	Aurora, Berwyn, Cicero, Joliet.
Indiana.....	7	9	Anderson, Evansville, ¹ Indianapolis, Terre Haute.
Iowa.....	10	6	Cedar Rapids, Davenport.
Kansas.....	5	4	
Kentucky.....	34	7	Covington.
Maine.....	11	5	
Maryland.....	7	2	
Massachusetts.....	35	20	Brockton, Fall River, ¹ Newton, Pittsfield, Somerville. ¹
Michigan.....	35	17	Bay City, Dearborn, Flint, Jackson, ¹ Lansing, Kalamazoo. ¹
Minnesota.....	10	4	St. Paul. ¹
Mississippi.....	43	2	
Missouri.....	19	10	St. Joseph.
Montana.....	3	1	
Nebraska.....	2	2	
Nevada.....	2	2	
New Hampshire.....	4	1	Manchester. ¹
New Jersey.....	49	15	Atlantic City, ¹ Bayonne, Jersey City, ¹ Trenton, ¹ Union City. ¹
New Mexico.....	2	1	
New York.....	42	21	Albany, ¹ Amherst, New Rochelle, ¹ Troy, Mount Vernon, Niagara Falls. ¹
North Carolina.....	18	9	
Ohio.....	29	21	Akron. ¹
Oregon.....	6	3	
Pennsylvania.....	57	19	Chester, ¹ Harrisburg, ¹ Johnstown, ¹ McKeesport. ¹
Rhode Island.....	7	4	Cranston.
South Carolina.....	9	3	Columbia, Greenville.
Tennessee.....	76	8	
Texas.....	113	24	Amarillo, Beaumont, Corpus Christi, ¹ Galveston, Laredo, Wichita Falls, Waco. ¹
Utah.....	2	1	
Vermont.....	1	1	
Virginia.....	15	7	Norfolk. ¹
Washington.....	32	8	
West Virginia.....	10	3	Wheeling. ¹
Wisconsin.....	15	9	Kenosha.
Total.....	1,141	386	

¹ Community with an active renewal program.

MAYOR DILWORTH. Thank you, sir.

Because I know you have a long day and session, I will summarize the fairly long prepared statement, if I may. The things that I think are vitally important to the cities of every size as regards urban renewal and, certainly, urban renewal is the greatest single program ever devised for cities, because I think the thing that cannot be stressed too often is that for every dollar of tax money, at least in our city and I think that has been the pretty general experience, it primes the pump for about \$10 of private investment, and it tremendously encourages the cities to get civic help, the business help of the whole community, to rally the whole community behind such a program. It puts the city government tremendously on its metal because other cities have been able to do it. Therefore, each city is trying to surpass the record of the other.

I think we have gotten up to where we believe that all our larger projects we get \$10 of private investments for every dollar of tax money. In our two largest projects now coming up, the one in the Independence Square area, where there will be close to \$100 million of private investments, and the Eastwick Street development where there will be in excess of \$200 million of private investment. We actually hope to go above the \$10 figure, and it means that your whole community gets rallied behind it, and it also leads to all kinds of collateral things that are not actually in the redevelopment area.

So I think there is no question about it. There has never been any program like it. It is just really, as we see it, an essential program. Never has a Federal tax dollar, we think, been spent better than on these programs.

Senator CLARK. Would you comment briefly on your thinking as to the ultimate tax effect of urban renewal, both on local taxes and Federal taxes? Is it not your view that in the long run and, in fact, in the reasonably short run, the investment of this Federal money in urban renewal projects generates sufficient additional Federal revenue to pay for its costs? So that while it is a grant in form, actually, the Federal Government gets its money back. If there is a long development period, by the increased value of local assessments, the municipality gets a substantial increment to its taxes.

Mayor DILWORTH. In making up our tax estimates in the city for the next 4 years, and by the end of the next 4 years, we will be nowhere near finished either of the two largest projects that we have. We are figuring a very substantial revenue increase based on these, and we have projected it to a second 4-year period where we figure the revenue will go up enormously. We have had this checked by our economy league, by our bureau of municipal research, and others. So we are counting on it, both this and our industry development program under which, for the first time in 30 years, we have been able to bring more industrial jobs into the city than we have lost.

These two together are going to give us the kind of tax base where we can be self-sustaining at a reasonable tax rate and where we will not, each 4 years, have to increase our taxes.

Senator CLARK. Would you comment just briefly on what you anticipate will be the economic results of the Eastwick project in terms of taxes?

For Senator Bush's benefit, that is an area of the city which has been not very heavily settled; pretty well run down.

At the moment, does it yield any substantial tax revenue? Then, would you develop very briefly what you have in mind there and what you hope will be the resulting tax increment in general terms?

Mayor DILWORTH. Of course, you originated this program. You have 2,500 acres in the southwest part of the city opposite our airport there that really has just laid fallow for years and years and years. There are about 20,000 people on it. Sixty percent of the homes were tax delinquent. It is actually below the water level of the two rivers. It has been a drain on the whole city.

Senator BUSH. Would you call it a slum area or not?

Mayor DILWORTH. It is not even that, sir, because it is not that thickly populated.

Senator CLARK. Largely vacant land with some slum dwellings on it, but quite a few decent houses, too.

Mayor DILWORTH. That is right. That will be about a 1,000-acre industry park, the part that joins the river. Another 1,000 acres, because about 300 will be roads, will be developed to be a city within a city of about 60,000 population of the same economic level and quality of homes that you would find in a Levittown area.

We expect to put in the industry area about 20,000 jobs and bring in light industries like your Western Telephone Co. and high wage rate industries. We have both the real estate tax and the wage tax so that it will bring in very substantial revenues to the city.

Senator BUSH. Does that come under the slum clearance and urban renewal legislation?

Senator CLARK. I think there has already been a pretty substantial grant for Eastwick, has there not?

Mayor DILWORTH. Yes, and the final grant would be \$34 million, but the actual private investment in there will run well in excess of \$200 million.

Senator CLARK. I have heard it said—I do not know whether or not it is true—this is the largest single urban redevelopment project in the United States.

Mayor DILWORTH. Yes, it is. The job is to get these programs organized and to get the community behind them. We have been able to do this, thanks to the tremendous cooperation from what is called the Old Philadelphia Development Corp., which is a nonprofit corporation formed by all the center city business interests, plus what we call the Greater Philadelphia movement, which is similar, for example, to what is somewhat better known as your Allegheny Conference out in Pittsburgh—

Senator CLARK. Quite like Senator Bush's New Haven group, too.

Mayor DILWORTH. Yes, very much like the New Haven group.

We have been able to work up a program for the center city that will involve, within the next 10 years, minimum expenditures of about half a billion dollars, because in a 20-square-block area, we have really all our principal office buildings, stores, shops, theaters, apartment houses, two of our largest universities, half a dozen of our largest hospitals. It is an amazingly concentrated area.

But, the two principal things they want are to have a reasonable assurance of continuity of this program and also a reasonable assurance that we are going to be able to solve our transportation problems. That is one reason we are pressing very hard to have the Congress include transportation in the urban renewal, first, because we feel, without the solution of transportation, a lot of your urban renewal money could actually go down the drain.

You take a store like our John Wanamaker, which is our finest store. They are prepared to spend about \$10 million to rehabilitate the building, but they want to be able to know whether they are going to get enough people to shop in there to make it worthwhile. Naturally, they are not going to do that without the transportation.

Senator BUSH. Where does the transportation problem fit into this?

Senator CLARK. Senator Williams has a mass transportation bill, which has been referred to this committee, on which we are going to have some testimony a little later. The point is that the center cities

are being strangled because of the traffic problem brought on by automobiles, inadequate highways, and the enormously high cost of highways. If we could get some of this commuting traffic back on mass transit and mass transportation, this would rehabilitate the center of the city.

I should not be testifying, you should, Mayor Dilworth.

Senator BUSH. You were just answering my question as to where it fits into this hearing.

Senator CLARK. It is S. 2378, which is in your folder.

Mayor DILWORTH. That will be next week, Senator. There is to be a hearing before this subcommittee.

Senator CLARK. Three days of testimony.

Mayor DILWORTH. Yes, next week.

The survey that was made jointly by the American Municipal Association and the U.S. Conference of Mayors, I think, makes it very clear, and I think it is a good survey, that the actual needs of the cities of over 35,000 will run well in excess of \$700 million for just straight urban renewal projects. So that I think, actually \$600 million a year for 10 years is a reasonably conservative figure.

Senator CLARK. Let us interrupt you to ask you to comment on the testimony of our mutual friend, Mr. David Walker, who appeared before the committee a few days ago and said, and I quote:

As you know, we are not proposing new urban renewal legislation at this time because we feel that the legislative framework in which we operate is basically sound and that this should be a time for concentrating on accomplishments.

Then, later, quoting again:

It appears even more certain now than it did in February that we will use all but a small part of the capital grant authority provided for urban renewal for fiscal 1960 and that the additional authority which becomes available on July 1, will be adequate for our needs in the coming fiscal year.

I threw at Mr. Walker the survey of the mayors, and he remained unconvinced. I wonder if you have any comments on Mr. Walker's views. I am sure you feel your survey is a sound one. Here, we have the administration saying they did not need another nickel and the mayors saying they need \$600 million a year for 10 years. Somebody must be wrong.

Mayor DILWORTH. I think he is bound by administration policy. He was out in Chicago, and we talked to him at some length out there.

Senator CLARK. You do not have any doubt the need exists and the applications will be forthcoming, do you?

Mayor DILWORTH. They have over \$700 million in applications now.

Senator BUSH. I would like to observe, in behalf of Mr. Walker, while he naturally would be bound by administration policy, generally speaking, and appropriately so, I believe, if he wants to serve in the administration, I have talked with him privately about this matter, and I am certain that it is his conviction that expenditures of the order of \$300 to \$350 million a year is an adequate amount.

I am not going to continue the argument here about which is the right amount. I only want to make clear that I am sure Mr. Walker sincerely believes that and that he is not taking that position purely on account of being an administration officer.

Senator CLARK. When he was here testifying, he agreed that after Mayor Dilworth and the other mayors presented their testimony and we had a chance to have it transcribed, he would come up, and we could analyze the two positions together and see just where the differences existed, which I think would be useful.

Senator BUSH. Fine.

Mayor DILWORTH. We also believe that the percentage of the Federal contribution should be increased. Our official position is that it should be 4 to 1 instead of 2 to 1. I personally think that 3 to 1 would be a very fair figure. I mean, that is purely my personal position on it.

Senator CLARK. You will remember that we tried that 2 or 3 years ago without much luck. I will agree with you.

I wonder if you could give us just a brief justification, that we can use in debate, as to why you think the Federal share should be increased.

Mayor DILWORTH. It boils down to this: I think everybody will agree that—I think it is true of every city in the United States—the cities are straining their resources to the utmost in their current budgets and their tax resources and their borrowing capacities, but to have to face the fact that the cities are essentially our melting pots, particularly the large northern cities. There, we have to take in, house, and provide for all the low-income groups, particularly the nonwhite groups.

The average income of the individual in our city has increased very little in the last 35 years due to that reason. Those with more means move out and move further and further out, whereas, the average income of those in our suburban counties is about $3\frac{1}{2}$ times what it was 35 years ago. Then, on top of all of that, of course, having to act as the melting pot for all of these very low-income groups, and we still get a fair amount of immigrants from abroad, we, of course, get very large quantities of people from the South and from Puerto Rico. It greatly adds to our welfare, health, relief, police costs, and when you consider our very meager tax resources because you know, we are simply the creature of the States—in Philadelphia, we have two broad base taxes only, a flat real-estate tax and a so-called wage tax.

We are not allowed to tax unearned income; we are not allowed to tax the income of business corporations. The result is we are extremely limited in our resources.

Senator BUSH. The wage tax is a local tax in Philadelphia?

Mayor DILWORTH. Yes, sir, it is.

Senator BUSH. What is the amount of that percentage?

Mayor DILWORTH. It is gradually rising. It is $1\frac{1}{2}$ percent now. Under the interpretation of our supreme court on income taxes, generally, you are not allowed any deductions or any exemptions. If you make \$1, you pay $1\frac{1}{2}$ percent. You cannot have any deductions for size of family or anything.

Senator CLARK. Nor can it be graduated.

Mayor DILWORTH. Nor can it be graduated, and we are convinced we are going to have to raise it again at the end of this year.

Senator CLARK. My recollection is at the moment you get almost more money from the wage tax than from the real estate tax. Am I right?

Mayor DILWORTH. It is almost even, but has risen gradually from 1 to 1½ percent.

Senator BUSH. Could I ask a question about that wage tax?

Senator CLARK. Yes, indeed.

Senator BUSH. Do you estimate that you are collecting 100 percent of what is due there, or what estimate do you have on that point? Is it deducted at the source?

Mayor DILWORTH. Yes, within the city it is. But, of course, we tax all our residents, wherever they make their money. Sometimes, that presents problems. A lot of our people, for instance, work over in RCA in Camden, and what we have to do is go over there. It is very sneaky, but we have to go over there and get all the license tag numbers and check them that way. And Campbell Soup Co. has many of our people.

As to those who come into the city and work from the outside, of course, the corporations they work for deduct that tax, but we have the very serious problem of Government employees. We have to raid the Navy Yard from time to time and haul them off to the pokey.

Senator BUSH. So you do have some collection problems there?

Mayor DILWORTH. We do. We maintain a very large staff that was something, again, inaugurated by Senator Clark. We have a really big collections staff.

Senator CLARK. It is quite a problem with the self-employed, too.

Mayor DILWORTH. Yes.

Senator BUSH. I would say almost insoluble.

Senator CLARK. Nevertheless, you got, I think, over \$50 million last year from that source, did you not?

Mayor DILWORTH. \$84 million.

Senator CLARK. \$84 million; I am glad of that.

Mayor DILWORTH. It has gone up every year. The collection improves every year. For instance, we have just been able to contract with the RCA in Camden. They are going to deduct for us.

Senator CLARK. Could you give the committee a general idea of the increase in the budget of the city of Philadelphia since the end of World War II?

Mayor DILWORTH. It has gone from about \$135 million to \$265 million in 15 years.

Senator CLARK. It has more than doubled. How many tax increases have you and I had to impose as a result of that increase?

Mayor DILWORTH. There was one in 1953, one in 1957, and there will unquestionably be one in 1961.

Senator CLARK. In the meanwhile, Federal taxes have been reduced, have they not, since 1954?

Mayor DILWORTH. I had not noticed it. Nobody spoke to me about it.

Senator CLARK. You would notice it if they had not been reduced. Out of the 1954 act, they knocked about \$7,154 million off in tax reduction.

Senator BUSH. "Reformed" is the word.

Mayor DILWORTH. We have just completed in Philadelphia a comprehensive plan which, again, was commenced by Senator Clark more than 5 years ago. We spent \$2 million on it. Our planning commission, all our civic agencies and outside consultants came in. I think

we are the first large city to complete an overall comprehensive plan that really makes sense.

Our chamber of commerce, for example, the Greater Philadelphia Movement, our local bank clearinghouse, all agree that this is something that is practical that we not only can do, but that we must do.

Senator CLARK. Actually, it is called for by the city charter, is it not, which we had in 1951?

Mayor DILWORTH. That is right, and it is terrific. We just unveiled it. But, at the present rate of what we can expect in Federal assistance, if it continues at the present rates, it will take us draining all our resources to the uttermost, and what we hope to get from the State, and you cannot hope to get much of any State, I do not think, because of the competition between the States. It would take us 40 years to complete that program, which is not good. We ought to be able to complete it, if it is going to be really effective, in about 20 years.

Senator CLARK. Let me ask you this further question. In your opinion, speaking, not only of Philadelphia, but generally, across the country, in view of your experience with the U.S. Conference of Mayors or the American Municipal Association, do you think we are making headway in decreasing blight, or are we about standing still, or still falling behind?

Mayor DILWORTH. We have come to this conclusion. Seriously, this takes a little time. I live right in the center of the city, as you know. Every once in a while, you get really depressed. But if you get in your automobile on a Sunday, and Sunday, heavens knows, is dead in Philadelphia, so you can motor anywhere, and you motor around the city. You are enormously encouraged at what you see happening.

I think the revival of the cities, the revival of the spirit of the people who live in the cities, is just extraordinary. At our recent Conference of Mayors, the mayors of all the cities were commenting on that very thing. For years, the cities were simply exploited. We had bad government, corrupt government, business took no interest in the city. They grew up like Topsy. But for the last 25 years, at least, everybody who lives in the cities has taken an enormous interest, including the business interests, the civic interest. It is perfectly astonishing to us, the amount of time, energy, and money that business gives and other civic groups will give toward improving the city.

So that, while, in theory, we are actually falling behind in blight and as far as actual slum dwellings, we are unquestionably not keeping even, the general tone of all the cities is increasing and improving the whole time.

For instance, we had an amazing thing happen recently. Groups of Negro citizens came in and claimed they are being pushed out of their neighborhoods by whites. What is actually happening in many areas where you had these fine old colonial houses, mostly small, people suddenly are regaining their idea of the charm of a city, the excitement and challenge of living in a city. Amazing quantities of people are moving back into the city, older people, and younger people stay who would ordinarily move out. The result is that in what we call the whole Comack Street area, we have actually pushed

Negro slums back about three blocks without a cent of city money going into it. It is perfectly astonishing what is happening in the cities.

But as far as your straight slum conditions go where you have to have public money, we are not making progress.

Senator CLARK. Thank you, sir.

Mayor DILWORTH. If I could come in briefly on rehabilitation, we did have high hopes for section 220 of the FHA mortgage insurance for rehabilitating existing areas. If I could cite one typical area to show you why we think that the regulations have been so rigid that they have made that virtually of no use. Two of our great universities, the University of Pennsylvania and Drexel University, our big engineering college, are practically adjoining one another, and they are doing a tremendous amount to improve their home campus areas. The city is helping them with its own moneys—it is not Federal money—and our condemnation powers, and they are doing a great deal for themselves. A great many of their particular young staff members want to live near there, and they mopped up for themselves, really, an area that had been a mixed area immediately north and between where these two universities are. At the moment, there are 350 homes in there where we are seeking section 220 assistance for them and have been for well over a year. We have only been able to get one loan so far. We think that the valuation they put on these homes is completely unrealistic.

We have actually been able to get three private loans from building and loan associations for them, and only one through the FHA. It has just been standing on dead center. We have been down here time and time again. We think their appraisals are unrealistic. We have had, really, high-class appraisers in the city make appraisals of what they think is the realistic value. But the FHA refuses to recognize, as we see it, what is going on there—the tremendous improvement in the campuses that these people coming into this area and improving these homes are going to greatly increase the value of those homes. All they are willing to look on it is simply a mixed area where they are not willing to take this kind of a chance. Whereas, as we see it, this is bound to be a very fine area due to the tremendous improvement around it. We have bumped into that consistently in section 220.

The Housing Act of 1959 has helped in many ways. For example, in advanced acquisition, that has been tremendously helpful. But we would like to see section 112 of the 1959 act strengthened. It provides, as you know, for credits for acquisitions of property by institutions of higher learning. We would like to see that extended, and there is a provision in one of the bills introduced—in fact, in all the bills introduced—in the House to extend that also to hospitals.

Senator CLARK. We had some good testimony on that yesterday from the American Hospital Association and also from a number of hospital administrators in Boston.

Mayor DILWORTH. Excuse me, sir.

Senator SPARKMAN. Go right ahead.

Mayor DILWORTH. That is particularly true in our own area. As you know, we have really fine hospitals in the city, but they are very old, and they are starting a rehabilitation program. We are putting a lot of money into that in providing land for them and in providing

them with certain financial help. They are going out into the business community and into the civic community to raise the balance of the money.

Senator CLARK. You are not afraid that extending this program to hospitals will take any significant property out from under the Real Estate Tax Act, are you?

Mayor DILWORTH. Oh, no. The improvement of those hospitals is really important. You take in the Episcopal Hospital where their ward—where they treated the Civil War wounded—is still in about the same condition it was in the Civil War, and they have this tremendous program for the renewal of this hospital. We have also been hampered in the fact that URA, by regulation, has not permitted conservation-type programs in neighborhoods with less than 20 percent buildings with structural or living deficiencies.

We find that with a little urban redevelopment help in areas of that kind that are just turning bad, we can get tremendous community response if we can get some urban redevelopment help in there. But what we believe is arbitrary regulation has made that extremely difficult. Therefore, in an area where, in theory, the structural or living deficiencies of the buildings do not amount to 20 percent, they just are going to deteriorate more and more rapidly until we get them to a point where it is going to be really expensive to do the job, as we see it.

Senator CLARK. Do I understand you think it would be a good thing to extend section 220 to make it available for rehabilitation?

Mayor DILWORTH. Yes, we do, and we also would—as I say, of course, this is strictly a matter of regulation, but these rigid regulations have hurt. Similarly, while most smaller business can move on its moving allowance of \$3,000, in any community, the human interest does play a tremendous part.

In our Independence Hall area at the present time, for instance, there is one printer who has been down there for 80 years. That is very heavy equipment. For him to move it would unquestionably cost him \$30,000 and would bankrupt him and put him out of business. Yet, he has got to move, and the \$3,000 allowance practically wrecks him. That created so much human interest, plus three or four other cases of that kind, and those cases get tremendous newspaper attention, which is only natural, and your whole program gets absolutely stalled.

We had a barbershop that had been down there for 75 years, grandfather to father to son. Their moving expenses are not so great, but they pointed out they built up a trade over 75 years. They have to move to a section where they do not have that trade. How are they going to exist? They do not have any resources for loans and that sort of thing.

So we think the moving allowance is unrealistic for business and particularly for small business. We would also like to see the provisions that are provided for in one of the House bills, 12152, which would provide for long-term loans to small business to prevent hardship, particularly where neighborhood business has to move and where it will have a hard time for 2 or 3 or 4 years in the new neighborhood building up customers and that kind of thing.

There is no doubt that at the present moment, while I think everybody particularly in the larger cities feels that urban redevelopment is the greatest thing that ever came along, there is the strong feeling that it is also a very ruthless sort of program. While the percentage may be very low of the people that get hurt, when they get hurt, they really get hurt, and you have to continually argue on the so-called balancing of the equities that only 1 person in 1,000 gets hurt. But when they get hurt, they really get badly hurt.

The result is, it is thought of as a really coldblooded, ruthless sort of program.

Senator CLARK. Senator Javits gave us some very useful testimony on that this morning. How high would you raise the relocation allowance?

Mayor DILWORTH. For small businesses, we do not think there would be any abuse if you did not have any specific ceiling.

Senator SPARKMAN. As a matter of fact, it might be better without a ceiling because someone, you remember, presented to us the view that where we set the ceiling, they expect and they feel they are not being treated right unless they get the maximum.

Mayor DILWORTH. That is right.

Senator SPARKMAN. Let me ask you, where that barber shop is going to move to.

Mayor DILWORTH. It had primarily an Italo-American clientele, and it is searching for another Italo-American area.

Senator SPARKMAN. That is one of the real problems for all businesses, small or large, and that is a problem whether they are tenants or landowners.

Mayor DILWORTH. That is right.

Senator SPARKMAN. It seems to me that tenants, small businessmen, or tenants regardless of size, are particularly hard hit, because there is no demand for the property beyond the leaseholder.

Senator BUSH. In the case of these two illustrations you mentioned, is the city contemplating taking any special action on behalf of the printer and of the barber shop?

Mayor DILWORTH. Yes, we have.

Senator BUSH. What did you do?

Mayor DILWORTH. We moved them. That is, we put up a good part of the money for the printer, enough so that he can survive. The barbershop, we are just letting it stay there until he can really get a location where he is sure he can go ahead. He may wind up by staying there entirely, although it is very bad planning.

Senator SPARKMAN. By the way, I am glad Senator Bush asked that question because I do think that a great deal can be done through local cooperation. For instance, letting the barbershop stay there, that undoubtedly will be worth a great deal to him because it gives him time to work out a solution, rather than just going ahead and insisting that everybody be out by a certain deadline. As well as the help to the printer, of course.

Mayor DILWORTH. The next point we would like to make, sir, is that individuals, we believe, are hampered because of lack of housing within their means.

That is those who are displaced. Section 221 has been little help because of the low valuations, particularly on used houses, and it would

be tremendously helpful, there, again, if there was a more realistic appraisal of the value of used houses. We believe a real possibility here is in this House bill 12152, which calls for mortgage loans to nonprofit groups for rental housing at 2 percent up to as much as 60 years in duration.

As to public housing, we honestly believe that there is an attempt to sort of create the feeling that public housing really is not needed and that the big cities really do not want it.

I have just come from the U.S. Conference of Mayors, and I do not think there is the slightest doubt that every city, certainly, of over 250,000 population, not only needs it, but very seriously wants it. But one of the reasons that in some cases a city has not been able to meet all its quotas—take this general conception the public has of public housing—is that you tear down slum and put back on there decent housing that will constitute up to 40, 45 percent of the people who have been displaced, but, in practice, it cannot work that way because of this provision that you have a \$17,000 per unit ceiling. That means that in any city of over 500,000 population and maybe in smaller cities, particularly wealthier smaller cities, you cannot clear slums and then for a \$17,000-a-unit price rebuild on the area that has been cleared because you take in our own city, the average price of land in some areas is in excess of \$300,000 an acre. So if you once put your money into buying that up, you have no money left with which to rebuild your public housing.

We need a great deal of public housing, not only for people who are displaced from slums torn down, but also people displaced by redevelopment, people displaced by the tremendous highway programs of today. They displace an enormous amount of people. We are displacing 4,000 families a year now. We already have 5,000 families on public-housing waiting lists. We have today about 65,000 to 70,000 people living in public housing, and we have about 5,000 families on the waiting lists who are bona fide. We displace about 4,000 families a year, pretty nearly half of whom cannot go anywhere unless they can get some kind of public housing.

That is pretty much true in pretty much those same ratios in every city. So we need it very badly.

Look at what this ceiling does to us. It means you have to go on vacant land. There is not much vacant land left in the average city of over 250,000. There is very little vacant land. So you have to get near a residential area, and you cannot blame the people in a residential area for bitterly resenting bringing a public housing near them because they feel that very seriously depreciates their own values. So the result is we are continually scrambling around, trying to get sites.

We believe that there should be no ceiling on the cost of the land. There should be a ceiling on all utilities and the cost of the construction. I think it is very fair that there should be a ceiling there. But we think it is primarily self-defeating to put a ceiling on the cost of the land because it defeats, in most instances, the purpose of public housing.

Senator CLARK. Do you happen to know whether that could be handled administratively or whether it needs legislation?

Mayor DILWORTH. I am ashamed to say, on that, I am not sure. I thought it was a legislative provision.

Senator CLARK. So, actually, what you are saying is that the reason why there are not more—

Mayor DILWORTH. It is a regulation; I beg your pardon.

Senator CLARK. So it could be changed by administration.

Mayor DILWORTH. It could be changed. (See p. 1040.)

Senator CLARK. Actually, what you are saying is the drying up of the flow of applications for badly needed public housing is largely due to this administrative regulation which puts a ceiling on the unit cost. Which is violated because of the high cost of the real estate. And there is not any vacant land to which you can turn as a practical matter as an alternative. Is that not about the size of it?

Mayor DILWORTH. Yes, sir; that is right.

Senator CLARK. May I ask another question, Mr. Chairman?

Senator SPARKMAN. Yes, sir; go ahead.

Senator CLARK. When Mr. Davern, the Acting Head of the Public Housing Authority was down here last week, he testified that there was no need for an additional authorization of public-housing units. He said, I am quoting:

The present authorization will meet the demand and the ability of the agency to fill it through the next fiscal year.

My bill, as you know, would free the formerly authorized, but unused, 100,000 units which were set up in the Taft-Ellender-Wagner Act, and make them available as they become needed. Do you think the mayors feel there is any present need for an additional authorization for public-housing units?

Mayor DILWORTH. I think the mayors unanimously feel and are very sincere in this that that original provision of the act of 1849—1949—it seems like 1849—for 810,000 units should be completed. There are a little better than 100,000 units to go without any yearly ceiling, and if the two regulations were changed, the \$17,000 ceiling and the new one which has been put in, which I can see no reason for except, really, to hamstring public housing, this new regulation that every project has to be approved by city council. There is not any doubt in my opinion, and I was asked this down in the House, if you had a referendum in the city as to whether you needed public housing or not, public housing would win and win pretty easily. We all feel that way, I think, but nobody wants it in his own district.

Even in a district, if you had a vote, you could probably win for a public-housing project, but the opposition to public housing is tremendously organized, tremendously articulate. They come into the city council, and what happens, and I do not blame the district councilman—I am sure I would do the same thing if I were the district councilman—he goes to the other councilmen and says, “You rescue me on this one, and I will rescue you on one that comes into your district.”

You get these kinds of pressures, and the result is it is awfully hard to get a city council to approve specific project sites. They will show plenty of courage in any reasonable way. In other words, if we plan our whole program ourselves and with the informal approval of city council, they will appropriate all the money that we need to put in the streets, the utilities, and everything else. But they do shrink back when they have to approve specific projects because you do have these

tremendously articulate, organized groups in every district, and they get an enormous amount of newspaper publicity because they do the kind of things in a council chamber that any newspaper is going to pick up.

The result is, it is almost like putting a bill in the Congress that if you really want to kill a housing bill, you put in an integration clause. If you really want to kill public housing in the cities, all you have got to do is say that every project has to be approved by city council.

Senator BUSH. What approach would you substitute for the city council?

Mayor DILWORTH. The present system, which is really the same thing. The city comes down with its whole plan now. It has to get the informal approval of council because, when the plan is approved, council then has to appropriate the moneys to implement it in this sense: They have to put in the utilities, widen streets, and do all these other things. So you really do get the approval of council.

Senator BUSH. And one-third of the money.

Mayor DILWORTH. Yes, sir.

Senator CLARK. But later, is that not it? The approval of the council under the old procedure, which worked pretty well, came later and not before you came down and were given your grant authorization.

Mayor DILWORTH. The screaming, under the old system, all came at the mayor.

Senator CLARK. So that, actually, you have the housing authority committed to go along, and you have your approval, and you have picked your site informally.

Mayor DILWORTH. That is right.

Senator CLARK. Having done those things, you can go back and sell it to the council. But if you have to sell it to council before you go to Washington, you are licked.

Mayor DILWORTH. That is right.

Senator CLARK. That is about it, is it not?

Mayor DILWORTH. That is right.

Senator CLARK. This is a fact of political life which I think any politician, which would include 100 Senators, would realize.

Mayor DILWORTH. On middle-income housing, and in our city, at any rate, we fix that between \$3,500 and \$6,500 a year. We support very strongly the \$4 million increase in the general insurance authorization for FHA and continuation of the property improvement loan program scheduled to expire on October 1 of this year. We believe it would be helpful to increase the maximum loan maturity from 30 to 35 years and to 40 years in hardship cases and that a reduction of FHA insurance premiums would also prove helpful.

In connection with the Federal National Mortgage Administration, we are behind the proposal to make par purchase a mandatory permanent feature of the special assistance program. In addition to all of these measures, it appears to us that the time has come to consider seriously legislation in which the direct-lending powers of Government are used to encourage construction of new homes for our lower middle-income groups. An important step in this direction, we believe, is the bill introduced by Senators Javits and Clark, Senate

bill 1342, which makes available such loan terms at reasonable interest rates.

Senator CLARK. Senator Javits was pretty clear this morning that there was a clearly established need for middle-income housing. We had some strong testimony earlier in the week from a gentleman representing the National Association of Real Estate Boards, saying there was not any such need at all. Can you testify from your own experience that there are a large group of individuals who cannot qualify for public housing and, yet, who cannot get safe and sanitary, decent, private housing at a cost which they can afford?

Mayor DILWORTH. I do not think there is any question about that. In our city, we actually have the backing of both the Greater Philadelphia Movement and the Old Philadelphia Development Corp. for this program. They feel it is important. They were originally opposed to it, but in the past year, they have swung around and are both backing it now.

Senator CLARK. Does your local real estate board fight it still?

Mayor DILWORTH. I will not say they are for it, but they have not been vocal against it. But I would certainly not say they are for it.

Then, housing for the elderly. The country, we believe, is awaiting very eagerly the trying out of section 231, designed to provide housing for the elderly. Although we recognize that none of the \$50 million authorization for direct loans has yet been appropriated, we still believe it should be \$150 million.

Senator CLARK. Would you not also want to go on record as urging this committee to use its good influences with the Appropriations Committees of both Houses to get an adequate appropriation for the present authorization? The House has only recommended \$5 million, you know.

Mayor DILWORTH. That is right, sir.

Senator CLARK. Would you have any idea how much of that kind of housing the mayors would think could be put to work reasonably soon?

Mayor DILWORTH. Not in dollar figures. In all our communities, we feel it is one of our more pressing needs. We know the mayors were all very unanimous on that. But we do not have any overall dollar figures.

We know in our own city we have been very much behind in this. We just are getting started on our first project that is an ILG project.

Senator CLARK. We had some very interesting testimony earlier this morning from a monsignor from Detroit, indicating that they are doing quite a job there. He felt that there was great need for appropriations. I assume you could use some of it in Philadelphia, could you not?

Mayor DILWORTH. There is tremendous need.

Senator SPARKMAN. With reference to that influence, do you not think it could be better placed with the administration to get them to give budget clearances? I wonder just how much good it will do to appropriate the money if they are not willing to use it.

Senator CLARK. I agree, but I have about given up hope on the administration.

Senator SPARKMAN. It strikes me the conference of mayors might have an influence that probably you would not have.

Do you have a question, Senator Bush?

Senator BUSH. I will wait until the mayor is through.

Mayor DILWORTH. The final thing is this Department of Urban Affairs. I read the other day the history of the creation of the Department of Agriculture. I was amazed at how that was brushed off in the early stages and nobody thought there was going to be such a thing. The arguments against it were very much the arguments that are used today against the Department of Urban Affairs.

Senator SPARKMAN. By the way, Mayor, let me say that when Mr. Mason testified before the administration, naturally, they were not in a position to endorse it, but, certainly, they were not unfriendly toward the idea. Although he did say that if it came, he thought it ought to come through a reorganization program rather than by a statute.

Mayor DILWORTH. Here you have this situation: Two-thirds of our people are living in 160-some urban areas where 75 percent of the income is produced and where, 20 years from now, I think everybody is agreed, that will rise to 80 percent of the people who will be producing 90 percent of the income. Yet, when you come down to Washington, you are utterly lost on the administrative side of the Government. You really have nobody you can go to with a specific problem who is really interested in it and nobody to speak on your behalf.

Take a thing like surplus food, which means so much to us. We go over to the Department of Agriculture, and I am not criticizing. I am sure I would do the same if I were there. They say to us, "Do not bother us; we are not a relief agency."

We explain that we cannot, in a city, use unshucked rice, if this is the right term, and your agency person does not know how to handle rice that is completely unshucked.

What is it they do? You do not refine rice, I know. But you can see I have lived all my life in a big city.

But the same thing with wheat. Do you know, Senator, seriously, if you were confronted with a bag of wheat and told that was what you were going to feed yourself on, what would you really do with it? That is the form we get it in. We asked them if we could not have it privately processed into a rough cereal, whereupon, one of the assistants produced a wooden bowl and showed us how you can make wheat in your own home into a rough cereal. You just cannot get city people to do that sort of thing.

We cannot get them to put sugar, for instance, in the size bags we can handle. Peanuts are not much use to your average very poor family. They see a whole bag full of peanuts, and they think of the circus. It is not too handy a thing to them. We asked them if they could not process through private companies these peanuts into peanut butter.

They invariably answer, and I do not blame them, that they are not a relief agency.

So where do we go to do something about surplus food? There is no place we can go.

Transportation, and we are going to bring this up next week as an integral part of urban renewal. We go to the Department of Commerce, and they say, "We are interested in national transportation

if you want us to deal through your State." The State is not going to do it. Air pollution—we have no place to go on that. We are told wherever we go to deal through the State and our State representatives. The same on ports. When we have to deal, as we continuously do, with the Department of Defense on ports, for example, we are pretty well told that we ought to deal through our State. Clean streams, the same sort of thing. Hospitals, school construction, everything that really affects us vitally, except housing. Wherever we go, we are told, in effect, that we have to deal through our States.

We have in this country now, six areas—New York, Philadelphia, Chicago, St. Louis, and there are two others—which make up one-sixth of the population of our Nation that completely cross State boundaries and where our problems are not particularly a State problem, in all events. The idea is certainly not a new one. Actually, Woodrow Wilson was going to propose such a thing because, as you know, when he was elected President, his whole field was national and domestic issues. He had never made any study of foreign issues, but World War I changed all that and, of course, all these things were sort of lost sight of.

The father of the present presidential assistant, Mr. Merriam, as early as 1934, very seriously suggested there should be such a department. In 1942, he actually drafted the legislation for it.

As they point out in this very good law journal article that shows the desirability of this, you have all these large urban areas that transcend all State lines, and they also point out that one of the essential things with these tremendous problems that our urban civilization is creating is that if you have the head of the department, you then have an individual consultive relationship to the President, to the administration as a whole, and to Congress, a relationship of such importance that the Secretary of the Department becomes the administration's natural consultant in regard to the problems of his area.

In other words, you have somebody to whom you can turn with all your tremendous problems, whereas, now, we mill around down here, and the result is, I think, we annoy Congressmen and the chairman of the Senate and House committees far more than we should because we have no place to which we can turn.

I would like to suggest, finally, it would take an enormous burden off the Congressmen and the Senators if such a Department were created.

Senator BUSH. It would take a strong man to assume the burden.

Senator SPARKMAN. Any further questions, Senator Bush?

Senator BUSH. No.

Senator SPARKMAN. Thank you very much, Mayor Dilworth.

Mayor DILWORTH. Thank you.

I was asked to say one more thing before I go. We have more than 40 letters, specific letters which the mayors have sent in in support of the position of the U.S. Conference of Mayors. When they are copied and brought over, may we have them included in the record?

Senator SPARKMAN. We will be very glad to. Without objection, they will be included in the record. (See p. 1007.)

Mayor DILWORTH. Thank you very much. Thank you, sir.

(The prepared statement of Mayor Dilworth follows:)

STATEMENT OF RICHARDSON DILWORTH, MAYOR OF PHILADELPHIA, ON BEHALF OF
THE U.S. CONFERENCE OF MAYORS

Mr. Chairman and members of the committee, I am Richardson Dilworth and I appear here today both as mayor of Philadelphia and on behalf of the U.S. Conference of Mayors. Speaking for the people of Philadelphia is an important responsibility. Since the majority of the American people live in cities, I feel this responsibility is increased immeasurably when I serve as spokesman for the U.S. Conference of Mayors, the members of which are the elected representatives of the people who live in America's urban areas.

It has been my privilege to speak to this committee on housing and urban renewal measures in the past. Through the years a body of housing legislation has been built up which was designed to meet most of our apparent urban problems. I realize that the members of this committee are in no small part responsible for promoting legislative programs which are intended to provide all of the American people with decent housing in good communities while furthering the national interest and economy. What accomplishments have been made, gentlemen, you should look to with pride. Nevertheless, some of our housing legislation has not solved or met the problems for which it was intended, and almost all of it covers too short a duration to guarantee continuity of endeavor. Today, I shall devote myself not so much to suggesting new techniques or new legislation, but instead shall dwell upon those inadequacies that we find in our current tools; and, where experience warrants, I shall make suggestions for strengthening and improving existing legislation.

After 10 years of working under the Housing Act of 1949, I believe we are in a position to evaluate its shortcomings. These do not seem to be shortcomings of intention but rather shortcomings of realization. Neither Philadelphia nor any of the cities represented by the U.S. Conference of Mayors feels that the current programs carried on at their present rate can guarantee that all of our people will live in decent housing or that our cities will become free from blight and slums. I do not advocate either study or investigation as an alternative to improving our current legislation now. Nevertheless, Congress should undertake an evaluation of the entire urban renewal program, in order to determine its effectiveness in achieving the stated goals of eliminating slums, blight, and substandard housing. With 10 years of experience the time is certainly ripe for a complete reexamination.

In this regard, we support bill S. 2802, introduced by Senator Sparkman, calling for a comprehensive study of the impact of condemnation upon property owners. Our eminent domain laws were written for another era and certainly require a complete going over. It is for this reason that the city of Philadelphia sponsored and was able to obtain from the Pennsylvania State Legislature a study of Commonwealth statutes.

Let me tell you what we have discovered in Philadelphia as we have reexamined our total program. Our city planning commission has just completed after several years of extensive work, a proposed comprehensive plan for the city of Philadelphia: a plan which would eventually see Philadelphia as a revitalized metropolis economically sound, and free of blight. The picture is a pleasant one but unless we can increase the resources available to urban renewal, it will take at least 40 years at our current rate of expenditure to eliminate blight and supply the community facilities indicated by this plan. Furthermore, the reaching of our goal in 40 years will only be possible if Federal appropriations continue at their current level. And once again, this 40-year prediction would have to be extended even further if one took into account those areas of the city which currently need no public programs, but through a period of time (as extensive as 40 years) can be expected to require partial or total renewal. Quite frankly, this means that we are doomed to a blighted city unless we can speed up our program. In Philadelphia, we willingly put every available cent of tax money that is not imperative for other purposes, into our urban renewal program. We have made a policy of using whatever Federal funds might be made available to us for urban renewal. We have also aggressively and successfully sought out and used private investment in our program. Although I have been stating the conditions that exist in Philadelphia, I know that they can be duplicated over and over again throughout the cities of our country. It therefore becomes a national problem and it should be a national responsibility to see that the size and scope of our urban renewal program is large

enough to eliminate blight from all of our cities, to make our cities attractive places in which to live, and to guarantee every American a decent home in a good neighborhood.

I am sure that this knowledgeable committee is as aware as I am of the general urban problems which confront us. Let me, therefore, speak specifically to those legislative areas where I believe your consideration and action can be of greatest benefit.

URBAN RENEWAL

The U.S. Conference of Mayors strongly supports the expansion and refinement of the title I urban renewal program. A survey conducted jointly by the U.S. Conference of Mayors and the American Municipal Association in January of this year indicated that local governments were prepared to make application for capital grants in excess of \$763 million for 1960, and are prepared to absorb over \$600 million annually for the next 10 years. At our current rate the elimination or rehabilitation of substandard housing under urban renewal has been so slow that there would be little hope of blight-free cities. To date an average of less than 10,000 units per year has been cleared. I would, therefore, like to recommend that a 10-year, \$600-million-a-year program of Federal grants and aids be authorized.

I would like to place heavy emphasis on the importance of a long-term program. Realistic planning of a continuing comprehensive program and budgeting of matching funds for that program cannot be done without long-term commitments. Once a total appropriation for a 10-year period has been made, there should be enough flexibility so that complete commitments can be made to projects without danger of annual cutoffs.

It should also be possible to undertake large projects by States, otherwise projects involving large total sums which by their nature should be carried out over a longtime period might be broken into less logical pieces (treating each piece as a separate project, in order to permit work on several projects to progress at the same time).

A few moments ago, I spoke of Philadelphia's comprehensive plan and the possibility of seeing its realization within 40 years. Although we shall do everything within our power to increase the local funds available to this program to accelerate that disheartening schedule, we believe that the Federal share of urban renewal should be increased. Only 10 percent of the present tax dollar assessed the residents of Philadelphia remains in the city. More than 75 percent of the tax dollar goes to the Federal Government. Consequently, it seems only logical that our city should look to the Federal Government to carry a heavier share of the cost of urban renewal. I would therefore like to urge that the Federal participation in urban renewal be increased from two-thirds to four-fifths.

Since the Housing Act of 1954, and in the city of Philadelphia even prior to that time, local urban renewal programs have emphasized conservation and blight prevention where neighborhoods could be saved. One of the tools upon which we have relied is section 220 FHA mortgage insurance for rehabilitating existing houses. The record 6 years later is a dismal one. Only a handful of houses have been rehabilitated under this program and most cities are discouraged by the results. In Philadelphia, despite the pledged cooperation of the city's leading civic organizations and all of its banks, both commercial and saving, we have been successful in obtaining only one such loan. Although the regional FHA office and FHA officials in Washington have attempted to work out this problem with us and are still trying, 3 years have gone by and property owners in the urban renewal in the urban renewal areas are discouraged because of the difficulties involved. Unless special attention is given to the rehabilitation problem, the intent of Congress to encourage the saving of buildings wherever possible will not be realized. An undoubtedly helpful step would be to have an assistant commissioner for urban renewal created within the Federal Housing Administration. Congress in its legislative findings should point out that 220 rehabilitation can be made to work if FHA gives it the special attention it needs and shares with its sister agency in the Federal Government, the Urban Renewal Administration, and with local communities, the belief that higher property values will be achieved through the overall urban renewal program. When these higher valuations are recognized, FHA can then provide loans at terms consistent with the needs of property owners in these older but still sound neighborhoods.

Although Congress went a long way in the Housing Act of 1959 in straightening out many of the problems and providing new features such as advance acquisition, which we are already finding helpful, other improvements in the urban renewal program would also be helpful. I would like to call your attention to strengthening section 112 of the 1959 Housing Act, which pertains to allowing credit for acquisition by higher educational institutions of property in and near urban renewal areas. We support Senator Clark's bill S. 3458, and the provision introduced by Congressman Rains in H.R. 12153, which extend this provision to hospitals.

Also we are seeking credit for such expenditures on behalf of colleges and universities, made by State agencies such as the General State Authority in Pennsylvania. Instead of direct legislative grants to the Commonwealth, schools of higher education in Pennsylvania use the General State Authority to purchase properties for their use. We urge that such expenditures be recognized as credits under section 112.

We in Philadelphia have also been handicapped in that the URA has not permitted conservation type programs in neighborhoods which have a minimum of blight, namely less than 20 percent of buildings with structural or living deficiencies. Here again legislative findings by you certainly could be helpful in eliminating this rigid approach which denies cities an opportunity to get rid of blight in its early stages. Such prevention is a money-saver in that it will permit restoring buildings in neighborhoods without the heavy expenses of clearance.

RELOCATION

Unless families can be adequately relocated from our urban renewal areas, the entire program will be slowed down. Our experience shows that relocation payments have considerably helped many families, and made the transition to new and better housing an easier one. For some of the smaller businesses, the current allocation of \$2,000 is adequate to cover the moving expenses. But we still find there are many cases for which the moving expenses of businesses are greater than the current allotment permits. I therefore recommend that there be no ceiling on moving expenses for businesses. Certainly a business is entitled to reimbursement up to its total cost of moving expenses.

This provision is included in a bill introduced by Congressman Rains (H.R. 12152). The bill also provides for special assistance to be given to displaced businesses so that they can relocate with a minimum of hardship. This includes special loans to small businessmen at 3 percent for periods up to 20 years, through the Small Business Administration, priorities for locating in commercial sectors of renewal areas, and full-time staff in local public agencies responsible for relocation of business concerns. These steps could go a long way in easing the burden.

In addition I would like to urge that Congress give consideration to reimbursing small businessmen, such as the neighborhood drugstore, for the loss of goodwill and customers. Although we in Philadelphia have not received much support for this position from other cities, we believe that there is a serious hardship that deserves relief when Government takes away from a neighborhood shopkeeper his investment in good will, established clientele, and reputation, and is unable to guarantee him successful relocation where competition is not already established.

For displaced families the key difficulty has been the lack of suitable housing at prices in line with the income of the household. Aside from low-rent public housing, which is in limited supply, there is not an adequate supply of decent shelters for lower income and middle income groups. In this regard section 221 of the Housing Act has been of only limited usefulness. The price of new houses in high cost areas like Philadelphia places such 221 new homes out of the reach of many of our displaced families. When the 221 program is applied to used houses, we run into the conservative FHA approach to valuations, which has greatly limited its usefulness. A real possibility in meeting this problem presents itself in H.R. 12152. This bill calls for mortgage loans to nonprofit groups for rental housing at terms of 2 percent and up to 60 years. Such mortgage terms can realistically bring housing costs down to the level of many displaced families now finding difficulty in relocating. It would be helpful if this provision could include existing as well as new construction, because in built up cities there is little remaining vacant land on which to build, and slum clearance projects frequently call for other than residential uses. I would hope that at least one-quarter of a billion dollars be placed in the revolving fund set up by this bill.

Although the problem of persons displaced by the Federal highway program may be more suitably dealt with in another legislative context, we must not lose sight of the fact that the highway and renewal programs must be coordinated. The displacement of persons from the highway program is so great that, if aids similar to those given for urban renewal are not provided, our overall housing problems will be greatly increased.

PUBLIC HOUSING

Public housing has a major and important function to serve today. The administration would contend that the current authorizations for units are not being used, indicating that cities do not desire public housing or that there is no need for public housing. When one examines the long list of people waiting for public housing, such as we have in Philadelphia, one must think of these lists not in terms of sheets of paper and cards, but instead in terms of families with 5, 6, or 10 children, who find that the only apartments available are one and two bedroom apartments which will not accept children; and in terms of the elderly who live on a small pension or social security and who find that even by budgeting themselves to two meals a day, they can't save enough extra money for adequate housing. Examination of our relocation load in Philadelphia shows that the majority of families from title I areas, from highway displacement, and from code inspection displacements (where units are found to be unfit for human habitation) are eligible for public housing, but the units aren't available. Unfortunately, the lack of units frequently slows down the relocation process and thus slows down the entire renewal effort. What has happened is that cities are faced with the tantalizing authorization for additional public housing, but are frustrated in their attempts to utilize this authorization due to the current regulations and rigidity of the program.

I am convinced that there is an urgent need and demand for more public housing. I therefore urge that the approximately 100,000 remaining units from the 810,000 initially specified in the Housing Act of 1949 should be restored and maintained to serve as an available resource to local communities. These units should remain permanently available until used up. Year by year authorizations cause delay, bring about unnecessary changes of procedure and make coordination with an overall urban renewal program almost impossible. We have found that there is necessity for leadtime to properly plan and process applications. Our experience shows that at least 6 months is needed from the time an application is made until an annual contributions contract is completed.

Although the public housing program has encouraged new projects, such as rehabilitating existing homes, as we are now doing in Philadelphia, far more has to be done to overcome the logjam. The most crucial change needed is to eliminate the arbitrary \$17,000 cost ceiling imposed by the Public Housing Administration. We recognize that there should be limits on construction costs of public housing, and there should be no frills or luxuries associated with the projects. We do object to an overall \$17,000 ceiling, because it includes land costs in addition to construction. It is extremely expensive to acquire properties in rundown areas, because in nearly every instance we will find commercial and industrial buildings alongside of the residential slums. The \$17,000 ceiling restricts and, in a city like Philadelphia, almost makes prohibitive public housing on slum lands. We cannot rely on urban renewal write-down because, first, the redevelopment program is limited, and second, all of the land has to provide for a balance of residential types. One of the most important things that Congress can do, therefore, is to call for the elimination of any ceiling on land costs.

To impart a greater flexibility to the use of the low-rent public housing program in meeting changing conditions, we urge that permissive authority be granted to local public agencies to sell or lease low-rent dwelling units to overcome public housing tennants where this is feasible. These sales may be to individuals or to cooperatives. Proceeds from such sales will be utilized to replace the units removed from low-rent use where the need continues to exist.

It is also recommended that local public agencies will permit overincome tenants to remain in occupancy where it determines that it is impossible for the family to rent or buy a decent private dwelling, provided an unsubsidized rent is paid.

MIDDLE INCOME HOUSING

Over the years Congress has adopted legislation aimed at expanding the new housing program for families in the middle-income range. None of this legislation, however, has gone far enough to meet adequately the shelter needs of those families in the lower middle income group, particularly households just beyond eligibility for public housing. On the one hand, therefore, we support provisions in a number of bills now pending before Congress designed to continue and strengthen existing programs, while on the other hand we urge that new approaches be taken in order to give all families an opportunity for decent shelter.

We support the \$4 million increase in the general insurance authorization for FHA and continuation of the property improvement loan program scheduled to expire on October 1 of this year. We believe it would be helpful to increase the maximum loan maturity from 30 to 35 years, and to 40 years in "hardship" cases. Reduction in FHA insurance premium should also prove helpful.

In connection with the Federal National Mortgage Association, we are behind the proposal to make par purchase a mandatory permanent feature of the special assistance program. We also endorse the providing of additional funds to FNMA for urban renewal housing and cooperative housing, as well as limits on FNMA fees and charges.

In addition to all of these worthwhile measures, it appears to me that the time has come for Congress to consider seriously legislation in which the direct lending powers of Government are used to encourage construction of new homes for our lower middle-income groups. An important step in this direction is the bill introduced by Senators Javits and Clark (S. 1342), which makes available such loan terms at reasonable interest rates. The increase in rates and the tightening of the money market have made many of the previous congressional programs ineffective in terms of helping our middle-income families. Other approaches along these lines deserve your sympathetic consideration.

HOUSING FOR THE ELDERLY

The country is eagerly awaiting the trying out of section 231, designed to provide housing for the elderly. Although we recognize that none of the \$50 million authorization for direct loans for this purpose has as yet been appropriated, it would still be helpful if the fund were increased to the \$150 million originally sought. It is also recommended that where loans are made to nonprofit organizations, they be 100-percent loans repayable in 60 years.

DEPARTMENT OF URBAN AFFAIRS

I particularly want to make a plea that our cities, our urban areas, and all the people who live in them, be properly represented in the administrative arm of our Government through the establishment of a Department of Housing and Metropolitan Affairs. We have previously testified to the need for balancing the authority of different agencies and of insuring the HHFA adequate and genuine authority to pull all the agencies together. I would like to take this opportunity to state that the creation of a new executive department could well be the solution to these many administrative problems. Certainly the importance of the field warrants Cabinet-level status. The establishment of a Cabinet post for urban affairs should prevent the complete and irresponsible disregard for urban and housing problems demonstrated by our present Chief Executive.

Again, Mr. Chairman, I wish to thank the members of this committee for giving me an opportunity to present Philadelphia's views as well as those of the U.S. Conference of Mayors on these vital issues. The American urban population is fortunate to have you gentlemen giving their problems such careful consideration.

Senator SPARKMAN. Our next speaker is the Honorable W. F. Duckworth, mayor of Norfolk, Va., member of the U.S. Conference of Mayors. To introduce Mayor Duckworth I am happy to recognize the distinguished chairman of our full committee, Senator Robertson.

Senator ROBERTSON. I appreciate your courtesy in permitting me to appear before you today. I have just left a meeting of the Subcommittee on Agriculture, of the Senate Appropriations Committee, which is marking up the appropriation bill for our farmers. I am sure all

members of this Housing Subcommittee realize the importance of doing something for our farmers.

Those of us who are working on appropriations for the farmers are not unmindful of the fact that there are some municipal problems which are perhaps not as serious as those of agriculture, but need our attention. Therefore, it gives me great pleasure to present to you an outstanding mayor, not only in the Old Dominion, but in the Nation.

Due to his leadership in urban renewal projects, his ancient and honorable city of Norfolk was, last year, given a gold medal, 1 of 11 cities in the United States, by the National Municipal League for outstanding progress in taking care of slum conditions. We regret that there is any place in Virginia that could be referred to as a "slum," but these are undesirable conditions.

Mayor Duckworth, for the past decade, has been head of this movement in Norfolk. He is outstanding, I say, not only in Virginia, but throughout the Nation and, was therefore, selected as spokesman for the U.S. Conference of Mayors, of which a very distinguished mayor from our sister Commonwealth of Pennsylvania is president.

It gives me great pleasure to present to you my friend and a friend of progress in all the cities of the United States, Mayor Fred Duckworth, of Norfolk, Va.

**STATEMENT OF W. F. DUCKWORTH, MAYOR, NORFOLK, VA.,
U.S. CONFERENCE OF MAYORS**

Mayor DUCKWORTH. Thank you very much, Senator, and Mr. Chairman.

My remarks are going to be along a little different line and are much briefer than my distinguished predecessor here from Philadelphia. Norfolk, Va., as you probably know, is a city of about 320,000 people and is an All America City of 1959, of which we are very proud, as Senator Robertson said. I think we can safely say that the reason it was selected as an All America City was due to the redevelopment that has taken place as a result of the redevelopment program, which includes both urban renewal, redevelopment, and slum clearance, and all of the other phases of the public housing system. We have a very fine commission down there that has been headed by Mr. Charles L. Kaufman since 1940, and we have a man by the name of Lawrence C. Cox, who was formerly with the Public Housing Authority up here, who has headed this program since we started. We have been very successful.

At the present time, we have spent more than \$100 million of Federal and local funds and mortgage notes on the redevelopment that has taken place. In addition to this, more than \$100 million has been spent by private builders in building low- and medium-price housing.

The point that I want to make is simply that we have been able, by taking out these slums, to put in housing that has taken care of the people and has taken care of our situation. We have received, in return, from that housing more money in lieu of taxes than we got as taxes. It has also relieved us of a considerable burden of police protection and fire protection in that area.

In addition to that, and it may interest you to know, in our first development of 127 acres, we put in one business street and moved a

lot of business out of the area onto this one particular business street. We received more taxes from the new business buildings and the expansions that took place on that one street than we did from the entire 127 acres. I make this point because I want you to know that what we are asking for is a good business proposition for the city. It is a good business proposition for the Federal Government, and it does not take your money and give you nothing in return for it. It is not a subsidized proposition, wholly, because you get your money back by increased taxes from these areas.

Senator SPARKMAN. That applies to the Federal Government, the city government and the State government. But, certainly, that is where real estate taxes go.

Mayor DUCKWORTH. We have no State participation of any kind. We keep the real estate taxes in the city in Virginia. We are an independent city, and we keep all of our real estate taxes.

Senator SPARKMAN. By the way, Mayor, I am glad you brought out that point. I remember seeing an article in one of the Washington papers several months ago now that referred to the one apartment building that has been completed in the Southwest development. You are familiar with the Southwest development here in Washington?

Mayor DUCKWORTH. Yes.

Senator SPARKMAN. I do not know how many blocks there are. There must be 50 or 70 blocks there. Soon after this one building was finished, an article appeared in the paper saying that the tax return on that one building would be six times the total tax received from the whole area prior to cleaning up.

Mayor DUCKWORTH. We do need, Senator, a continuing proposition, and I mean by that that when we get money in 1 year, we cannot plan it, we cannot properly spend it, we cannot do anything with it in that short period of time. We need a 5-year or 10-year program.

Senator SPARKMAN. I agree with you fully. You may remember last year my bill carried a 6-year program and was adopted by the Senate.

Mayor DUCKWORTH. That is what we need.

Senator SPARKMAN. In fact, I believe the first bill, S. 57 as it passed the Senate contained a provision for a 6-year program.

Mayor DUCKWORTH. Of course, 90 percent of our public housing has been for the Negro. Being a southerner and knowing what the conditions are in the South, you know what I mean in saying that our slum clearance and public housing has been 90 percent for the Negro and about 10 percent white.

The good people that go into public housing do not stay in public housing very long. A man will go up from the slums into a better neighborhood and to a better environment and to better housing. Finally, after staying in there a little while, he feels that there is some stigma attached to him for living in public housing, and he immediately gets out and tries to get a place of his own in another area or from other sources. That is the best thing, I think, about the whole proposition.

Senator SPARKMAN. Mr. Mayor, I agree with what you mean in your statement, but it seems to me that probably it may be a little too broad. There are some good people in there who simply are not financially able to get out.

Mayor DUCKWORTH. You are always going to have that, and I am perfectly willing to qualify my statement enough to agree with you 100 percent in that statement.

Senator SPARKMAN. In using "good people," I know you meant the ability to improve, a kind of graduation from the project.

Mayor DUCKWORTH. As I have already said, we have had no State help on this project at all. It has been entirely city and Federal.

At the present time, we are developing our downtown area of 127 acres. There will be no housing of any kind in this except some prior high rise apartment houses that will be built with private capital, and we will simply sell them the land. That is the biggest development that we have had, the most expensive development we have had; 7,500 parking spaces will be provided in this area for the downtown merchants on parking lots that will be metered parking lots and owned by the city.

Senator SPARKMAN. By the way, this is just a question out of curiosity that would apply to any State, not to yours particularly. I said here the other day that I felt the whole program, particularly of public housing, and I think it applies to urban renewal, too, had not been sufficiently sold to the people. They just accept a program and take it more or less mechanically and operate it without letting the people know these very essential facts that you are bringing out here this morning.

For instance, I wonder if you have ever shown the Congressman in your district and your Senators what you are accomplishing by means of these projects. I think that is one shortcoming on the part of so many of our areas.

Mayor DUCKWORTH. Yes, we have tried to do this and I think we have made some progress with our Senators.

Senator SPARKMAN. A couple of years ago, I said something to your junior Senator, the chairman of this committee, about some very fine urban renewal work being done in the State of Virginia. He asked me to get him a list of the number of projects. I think he was rather surprised to find that there were that many. I think, sometimes, we may all be surprised to know some of these things.

For instance, you often hear, and read in the newspapers, about southern Members of Congress voting against those programs. The idea is that it must be a very unpopular program down that way. Yet, the greatest number of public housing projects in any one State in the Union is in the State of Georgia. And the second greatest number is in the State of Alabama. In urban renewal, the largest number of individual projects at least among the States in the Southeast, is in the State of Georgia. This time, I believe, Tennessee comes second and Alabama a close third. The Southeast, as a whole, has no trouble with these programs. They are popular because the people see what they are able to do.

I probably ought to be addressing this to the executive director of your housing authority rather than to you, but I think it is well to let people see these things, and see what is happening.

Mayor DUCKWORTH. I think we can truthfully say to you that the people of our city are very familiar with it, and I can say that in the 10 years I have been mayor of the city of Norfolk, there has never been a dissenting vote in the council, and the council has to

approve every one of these measures and has to pass on them and pass on the money that is used for it and issue the bonds on it. There has never been a dissenting vote on it, and we have had a number of cases where people who were displaced raised a lot of Cain and took us to court. But we have been very successful in that case.

I think, now, the people are pretty well sold on it.

Senator SPARKMAN. That is another point so many people do not understand. You hear a great many people talk. You get the idea that the programs were simply imposed on the town, and areas, and people, by the Federal Government. They forget that you never would have one if your State legislature had not authorized it in the first place.

Mayor DUCKWORTH. That is right.

Senator SPARKMAN. Then, your city council had to set up a housing authority. The housing authority had to be satisfied. Again, the city council had the veto at any time.

Mayor DUCKWORTH. That is right, and we can say there is not a week that goes by at the present time, but what some official from a city in the South, with a population of 50,000, 75,000, or 100,000 people, does not come to the city of Norfolk. We take them out in a bus and show them everything we have done and buy their lunch and send them on their way because they can see when they come there and look it over what we are doing for the people. I think this is the greatest thing the Federal Government has ever done, and I am very much in hopes that it will be put on a continuing basis. We can tell exactly where we are going to.

I do think that we have done this also, we have a very strong minimum housing code that we have put in down there to keep these slums from coming back, and I think that this is very, very important in this program.

Senator SPARKMAN. I certainly agree with you.

Mayor DUCKWORTH. We do not want you to give us something. But if you could help us to make the credit available and make it available on the right basis, then, if the thing does not liquidate itself, I am enough of a businessman to know it ought to be kicked right out in the street. I think it ought to take care of itself.

I appreciate very much what has been done on this program and appreciate the opportunity of appearing before this committee very much.

Senator SPARKMAN. Thank you, Mr. Mayor. You have given us a very helpful statement, very fine information.

Mr. Martin Fine, vice chairman, Florida Governor's Advisory Committee on the Aged; vice chairman, city of Miami, Fla., housing authority.

Mr. Fine, we are glad to have you with us.

STATEMENT OF MARTIN FINE, VICE CHAIRMAN, FLORIDA GOVERNOR'S ADVISORY COMMITTEE ON THE AGED; VICE CHAIRMAN, CITY OF MIAMI, FLA., HOUSING AUTHORITY

Mr. FINE. Thank you, Senator.

Because of the late hour, I will make this presentation brief. I would like to thank you for extending the invitation to Douglas Gar-

dens, which is the Jewish home for the aged in Miami, and the city of Miami Housing Authority, which is the public housing agency in Miami, to appear here and tell you of their experiences in this field. I certainly recognize I am here as a representative of those agencies.

If I may, Senator, I would like to develop this brief presentation in two parts—firstly, that which deals with section 231 of the FHA Act, formerly section 207, in connection with nonprofit institutions, and particularly, in this instance, Douglas Gardens, and the second phase in connection with public housing for the elderly as authorized under the 1956 act.

Douglas Gardens was organized about 15 years ago and now has 103 residents. It was the first institution of its kind in the South to avail itself of the then prevailing section 207 of the Federal Housing Administration Act, having a mortgage of \$375,000 which, at that time, was borrowed at the rate of $4\frac{1}{2}$ percent. This particular property is valued in excess of \$1 million.

The most important single point, in our opinion, in connection with pending legislation in that field, is simply that a very definite distinction should be made between those purely charitable, religious, or eleemosynary institutions, for example, that Monsignor Suedkamp testified about before, such as the church and other nonprofit groups which have a certain place in this picture and institutions operated for profit. There should be special benefits for them—perhaps a complete waiver of interest or a very nominal rate of interest.

To evidence that, I have prepared chart 1 which shows a project of 5 years of payments under this mortgage for \$375,000 at $4\frac{1}{2}$ percent interest. It shows payment of a total of 130,000-some-odd dollars, \$80,000 of which is for interest, only \$38,000 of which is for principal, and some \$11,000 for mortgage insurance.

As we listened to these figures of $4\frac{1}{2}$ and $5\frac{1}{4}$ percent interest, et cetera, they just did not sound like a lot of money. But if we have to pay them month in and month out, as Monsignor pointed out, what it does, simply, is price the rentals out of the reach of many people who should be getting these benefits.

Frankly, in connection with purely religious or charitable institutions, it would appear to me that a complete waiver of interest would be the answer.

Senator SPARKMAN. Would you like to offer your chart for the record?

Mr. FINE. Yes, sir. I have a few more, and I would be pleased to offer them all for the record.

Senator SPARKMAN. Without objection, they will be received.

Mr. FINE. The second most important factor, in our opinion, in connection with institutions of this type, is the tremendous force and energy of the many thousands of people who are involved in this type of organization. For example, the Catholic Church, or, in this particular instance, the many forces connected with the Jewish home for the aged in Miami. We have a board composed of some 60 people, some of whom have dedicated almost full time to this effort and activity. We have one auxiliary that consists of some 2,500 women. These women have raised some \$400,000 in cash over a period of the last 12 years.

The point being, Senator, that with a small amount of governmental assistance, either by way of direct loans or insurance of mortgages, coupled with the voluntary organization with the initiative and the knowledge to meet these problems, there is a tremendous opportunity for Government and voluntary organizations, working together, to help meet this need.

That is not in any way to belittle the position that a nonprofit sponsor has under section 207 for, maybe, housing in the \$70 or \$80 market. But our primary concern, I believe, should be for those who, of necessity, cannot afford to spend \$70 or \$80 in connection with their housing needs.

Another thing in connection with organizations of this type is that many other ancillary facilities are made available to the residents of such institutions or homes. For example, there is generally a professional trained staff, rehabilitation facilities, medical facilities, nursing care, domiciliary dining facilities, anything that you could possibly think of that would help make life more meaningful and more wonderful for these people, together with seeing to it that their leisure time is well spent. They have a certain amount of creative feeling in connection with such projects.

Just as an analogy, the Hill-Burton Act, of course, has outright grants for homes. We think many of these institutions come close to being convalescent homes or hospitals. I do not think any of them want an outright grant. But I think all of them would be very kindly disposed toward accepting a loan from the Federal Government at a very low rate of interest or, perhaps, a complete waiver of interest. This would allow the tremendous numbers of people involved to do the job and help meet this particular problem.

By way of example, in connection with a typical nonprofit sponsor, the Miami Housing Authority had an idea that it might possibly act as a nonprofit sponsor under section 231. We commissioned an architect to prepare a set of drawings, estimating a projected cost of the project, a picture of which is here. It certainly is one of the most beautiful we have seen. We asked him not to make it too expensive so we could really do a job on it. We received a tremendous amount of cooperation from the local office of the Metropolitan Housing Administration. But, finally, when we finished all the details and the financial economic feasibility tests FHA reasonably and logically puts these projects to, we found that, notwithstanding there would be a complete tax exemption, it would take \$115.50 a month to maintain an apartment, the original cost of which was \$12,000 and would, likewise, take the sum of \$85.50 a month to maintain an apartment the original cost of which was \$9,000.

Accordingly, we felt, as the public housing agency, we had no business in that field, that there were many other units available in a community at \$60, \$70, or \$80 a month, and we abandoned that project.

I am sorry that Senator Clark is not here. He might be interested in this one question about how much money might be needed, or could be used, in certain communities on this direct lending program. There is a very wonderful group in Miami known as East Ridge, sponsored by the Lutheran Church. I would like to present for the record a brochure of this project which was designed by Mr.

Walter Vivrett, who is adviser to Mr. Mason in connection with housing for elderly. We have had their application now for some 12 or 13 months. We are pretty close to the commitment stage. This commitment will represent approximately \$3.5 million. We have two or three other groups who have applications for commitments of \$1 million or \$2 million.

This project at East Ridge encompasses every conceivable facility that can be made available to people in this stage of their life to make it more meaningful, to make them really feel as if they have a place to live and place to make friends, so to speak.

Senator SPARKMAN. Mr. Fine, it would be our purpose to print your charts in the record. The architect's drawing that you presented, most likely cannot be. Of course, this brochure probably should not be included, but we would be glad to have it as a part of the committee files.

Mr. FINE. I might point out, of course, that this particular project of East Ridge is, by no means, meant for people of modest income. There are founder's fees of several thousand dollars and a monthly rental of approximately \$150.

Specifically, Senator, the recommendations in connection with Federal housing relief are as follows:

1. To increase the appropriation from \$50 million to \$100 million and to actually appropriate that amount or a substantial part of that amount to carry out the purpose of that bill.

Second, to consider a waiver of interest for purely religious or charitable groups or, at least, an interest rate of $3\frac{1}{8}$ percent as contained in the 1956 act.

Very briefly, in connection with public housing, the City of Miami Housing Authority now has three projects underway designed exclusively for the elderly. Although you cannot print the picture, I thought you might like to see it and have a copy for the record.

Senator SPARKMAN. We will have it for the files.

Mr. FINE. We will break ground on the first one in some 60 days. It contains 64 units. It has a day center which can be used for the project and for the surrounding area. Any criticism that may be leveled from time to time in connection with public housing would, in my opinion, certainly not find a target in connection with public housing for the elderly. In my opinion, this comes very close to being the complete panacea to rendering a tremendous amount of assistance to these people whom we would consider indigent. By that, we mean where the income is derived from social security payments, State payments, or help from local charitable organizations, not exceeding \$1,000 per year.

In that connection, I have submitted through your staff copies of chart 2. I have taken the opportunity of making a chart of some 300 applications which we have on file for the first project we propose to build. Very briefly, it shows that the average income is some \$84 for a single person and \$137 for couples. We, of course, think that this is the income group that we have a responsibility of catering to and whose needs we are certainly obligated to meet.

We found from these applications that these folks are spending a completely disproportionate share of their income for housing, ranging anywhere from 40 to 50 percent of the total income they have. But more important, and very strongly, they are spending this money for substandard or slum housing. So, in effect, we have the very

untenable situation of the Federal Government, through social security or the local government, through aid and assistance, subsidizing slum or substandard housing.

Very specifically, I had the pleasure of interviewing some of these applicants this past week. I wish they were resident at this stage. This is a picture of a 93-year-old lady who is the most charming one I met in many a year. She said she had sole income of \$66 a month from social security. She paid \$40 in rent for a one-room kitchen, dining room, combination; everything I imagine. Her utility costs were some \$7. For food and everything else she had only the balance of that money.

My point, Senator, is if we can provide this type of housing at a reasonable price, which, in our study, appears to be somewhere between \$25 and \$30 a month, including utilities, this extra money that will become available to them will allow them to buy many other things they need and perhaps get better medical care and other items of great necessity.

In closing, in reference to the general observations about public housing, it would seem to me that we have a responsibility to have a legislative declaration to the effect that in addition to the housing agency providing decent, safe, and sanitary living conditions, that in connection with the elderly, there be added to this legislation a provision whereby we recognize that we should, in effect, create a semi-protective environment, which is exactly what the monsignor testified about before. That we recognize that we should have a general concern for the welfare and well-being of these elderly people and a particular recognition of the needs they have in reference to their situation in life.

Unlike other residents of public housing projects, as a previous witness pointed out, a lot of them aspire to greater income and hope to move on. Frankly, it appears to us that the situation of these older people in public housing projects can only become worse. In effect, their health deteriorates, their income diminishes, and we are going to have to help them for a long period of time. So we ought to cater to them.

In conclusion, the recommendations in connection with this particular phase of meeting the need are as follows:

1. That we provide an additional 10,000 units for public housing designed exclusively for the elderly.

2. One of the most important, I think, Senator, in connection with projects which are designed for general occupancy, there is a requirement that any day center or community facility not exceed 10 square feet. That is an administrative regulation. By administrative waiver, we were able to, in our first project, have that extended. But, in any event, it would seem to me that the legislation or administrative regulation should be changed to allow the local authority to use the type of building in size and in architectural design for day center facilities that will adequately meet the needs of the residents of that particular development as well as the senior citizen in the general area.

Senator SPARKMAN. What do you mean by 10 square feet?

Mr. FINE. For example, this building we have now has 65 units, this group for buildings. If we were to read the administrative regulations, a copy of which I have here, literally, that would mean the day center could only be 640 square feet.

Senator SPARKMAN. Ten square feet per unit?

Mr. FINE. I am sorry, 10 square feet per unit.

Senator SPARKMAN. That is different.

Mr. FINE. We have found we are able to enter into a constructive relationship with the United Fund agency in our community, the Senior Citizen Division, which has 154 organizations actively engaged on a day-to-day basis in studying and meeting the needs of our elderly citizens. These folks will be able to maintain the day centers with no cost to the Federal Government.

3. We would remove the restriction that no public-housing project may be provided unless the city has a workable program in effect, insofar as the projects for the elderly are concerned. In others, that has been necessary, but I think, in these projects, it is not particularly necessary.

4. We would provide funds for local authorities to hire a social worker for such projects, or could contract for such services within an existing casework agency to help these folks with the many problems they have, the least of which is the knowledge of how to avail themselves of the many benefits that are available to them.

5. We would remove the requirement that only 10 percent of the units under any one annual contribution contract may be designed for the elderly. It may very well be that we should allow that to be determined by the local authority.

6. We would recommend allowance for special design features for elderly projects and particularly allow waivers of certain requirements for other projects. For example, it would appear obvious to us we may not need as many parking spaces in a project designed for the elderly as we would in regular project, and that should be waived.

7. I think one of the most important administrative directions, is that at the very inception of these projects, they should be planned and coordinated with the local welfare planning agencies who have a tremendous amount of knowledge and know-how in these things and who can coordinate their efforts with those of the local authority and, thereby, multiply the good that can be done in these particular instances.

8. Study should be given to the question of whether or not an increased Federal subsidy may be required in connection with some of these projects. I was happy to hear Senator Clark say he has a bill now pending before the Senate in connection with just that problem.

9. Lastly, and we think one of our most important recommendations, is that grants be authorized by the Housing and Home Finance Agency similar to those under section 314 of the Urban Renewal Act, which would allow the public-housing authority locally to make certain tests and do certain basic research in connection with the best methods, manner, and means of developing such programs. Particularly, as to how to develop them in complete cooperation with local, existing agencies, who do a lot of good legwork in connection with these projects.

Senator SPARKMAN. Thank you, Mr. Fine. You have given us a very fine statement, and we appreciate it.

(The charts referred to follow:)

JEWISH HOME FOR THE AGED *Miami, Fla.*

MORTGAGE PAYMENTS ON LOAN OF \$375,000.00

	PRINCIPAL	FOR INTEREST 4½%	INSURANCE PREMIUMS
1 ST YR.	\$7,541.58	\$16,716.04	\$4,223.51 *
2 ND "	7,632.58	16,378.55	1,915.16
3 RD "	7,724.70	16,033.19	1,778.28
4 TH "	7,817.94	15,683.65	1,739.40
5 TH "	7,912.32	15,329.90	1,700.04
	\$38,629.12	\$80,141.33	\$11,356.41

* Includes interim premiums amounting to \$2,368.92 & 1ST yr. payments to \$1,854.61

TOTAL PAYMENTS \$130,126.86
FOR 5 YR. PERIOD

F.H.A. Application, Inspection Fees, Fanny Mae discount and closing costs totaled \$28,913.81

ELDERLY APPLICATION POOL

MIAMI HOUSING AUTHORITY MAY 12TH, 1960

Age and Income Characteristics of Elderly Applicants

TOTAL ELDERLY APPLICATIONS ON FILE	300
SINGLE PERSONS IN APPLICATION FILE	230
THEIR AVERAGE MONTHLY INCOME	† 84. ³⁵
AVERAGE AGE OF SINGLE PERSONS	71
COUPLES IN APPLICATION POOL	70
THEIR AVERAGE MONTHLY INCOME	† 137. ⁴⁸
AVERAGE AGE	72
SOURCE OF INCOME:	
OLD AGE ASSISTANCE & DADE COUNTY GRANTS	24%
SOCIAL SECURITY, PRIVATE RETIREMENT PLANS, ETC.	64
AND FROM RELATIVES	3
EMPLOYMENT, SAVINGS, ETC.	9
	100%

Senator SPARKMAN. Mr. O. H. Brinkman, executive secretary, legislative committee, National Apartment Owners Association.

STATEMENT OF O. H. BRINKMAN, EXECUTIVE SECRETARY, LEGISLATIVE COMMITTEE, NATIONAL APARTMENT OWNERS ASSOCIATION, INC.

Mr. BRINKMAN. Mr. Chairman, the chairman of our legislative committee, Mr. Henry duLaurence, of Cleveland, had intended to be here. He is a lawyer in Cleveland and, unfortunately, he had to be in court yesterday. He was unable to be here today and has asked me to appear to present his statement with your permission, if I may.

Senator SPARKMAN. Very good, sir.

Mr. BRINKMAN (for Mr. duLaurence). Our association is a national organization of rental-property owners whose membership extends through 37 States of the Nation. We appreciate being given the opportunity of appearing before this committee to give our views on housing.

Our appearance before this committee to discuss national housing must of necessity be general in scope, because we are, in fact, speaking on 17 or more bills involving housing which vary factually and in scope as to the recommended legislation for housing. Rental housing and private housing can and must be considered together, for whatever affects one will in equal proportion affect the other. We think that any legislation affecting housing must be weighed carefully, for collectively it represents not only our greatest national dollar asset, but individually is usually the greatest dollar asset of every homeowner in the country.

We would like to pursue the subject of certain unusual characteristics of housing which makes its use difficult to control and its value easy to upset. I would like to enumerate some of these.

1. Dollarwise, housing generally represents the biggest expenditure for the use of the family whether such housing is rented or owned. Tinkering with housing thus can develop far greater losses than in any other industry in the Nation.

2. Housing is immovable. Once constructed it has to stay in place until it is destroyed. This means that if unwise legislation creates a surplus, it cannot be stockpiled or it cannot be stored as in the case of farm surpluses.

3. Family use of housing is generally limited to one family per house. Any surplus of housing will make itself felt in loss of value or loss or reduction in rent. In the case of most other property you can encourage the use of additional items by reducing its price or increasing the scope of its use—but no matter how much you reduce the price or make more attractive the rent involved, a family can use one and only one house. A surplus is more dangerous in housing than in any other industry or commodity.

4. Proper maintenance of value or rents is a direct requirement for the prevention of slums—any deterioration, either of value or rents, will contribute to the deterioration of property, with ultimate slums resulting. Slums are merely the neighborhoods where housing has deteriorated to such an extent that it is in need of major repairs and is

far below the standards of the community where it is located. There is an equation of value to deterioration. When value deteriorates there is less incentive to maintain property—when rents are reduced there is less money to maintain the property. It is our contention that our slum problem has reached such extensive proportions because of former rent control which was continued long after the war and long after there was need for it. Those of this committee who sat here during the rent-control days will remember that this association consistently predicted that slums and substandard housing would be the direct result of the needless continuation of rent control. Our predictions have come true. We now make another prediction that if a surplus of housing is forced upon an already saturated housing market, it will create slums far faster than our urban-renewal programs can cure them or Federal moneys clear them. The present Housing Act already seems to create ample housing at a rate faster than our family formation. If this rate is accelerated, it will create housing surpluses which will depress prices and rents, which in turn will create more slums.

What is the situation in our national housing? What has been the ratio of housing construction to family formation? This is a most important consideration in determining a possible surplus of housing because we know that a family cannot use more than one house as a permanent domicile.

In the last 10 years we have built over 10,900,000 housing units but we have formed only 4,900,000 additional families. Thus, we have been constructing 121 percent faster than we have formed families. In 1950 our vacancy ratio was 2.6 percent. At the present time, it is 7.2 percent. This has been an increase of 275 percent. These statistics indicate that even at the present rate of construction we are actually building more housing than can be economically justified. It further indicates that if continued on the same basis for another 5 years, we shall increase our vacancy rate to 9.6 percent. We submit that the present vacancy rate is at an alltime high for the past 20 years. The last time this vacancy rate existed housing was barely emerging from the great depression of the 1930's. Any increase in this vacancy ratio would have serious repercussions on both housing values and rents.

What is the dollars and cents situation of rental housing? A realistic appraisal of the BLS index indicates little or no practical increase in the rental index in the last 5 years. It is true that the rent index has increased, but this increase has been primarily due to an insertion in the rent index of rental housing, usually constructed for the top of the rent scale and also due to an elimination of some slum housing usually at the bottom of the rent scale. The great body of rents therefore have increased little or not at all in this period of time. At the same time wages and buildings costs have continued to rise faster than the rent index—which, if continued, will price rental property out of the maintenance market. This will have a harmful effect on future housing and will result in deterioration of existing properties.

We believe that any substantial modifications of our present Housing Act will create problems out of all proportion to the good which may be done. We are firmly convinced that with the easy credit and small downpayment on housing required in this market, any respon-

sible American worthy of the name can purchase a home for his family if he so desires. Any liberalization of the provisions of the Housing Act would result in subsidized housing for the improvident, at the expense of the thrifty and the frugal.

PUBLIC HOUSING

Many of the bills before the committee propose large increases in public housing without regard to cost or actual needs. As we all know, public housing first started as a make-work project during the 1930 depression. As times improved, the work was continued with the ostensible purpose of furnishing publicly subsidized housing to that group of deserving citizens who were so poor that they were unable to furnish good housing for themselves. Under the guise of filling this need, the public housing lobby has come back again and again for congressional authorization to increase the number of housing units.

There is no question that originally the basic purpose of public housing appealed to both the planners and the legislators who voted the money needed for this very expensive operation. In the last few years, however, the administrators of public housing tired of rental only to the poor and the needy, who frequently weren't the most desirable or tractable tenants, and proceeded to rent this subsidized housing to people of moderate or middle-class means. Gradually, the restrictions for renting to the lowest economic group of society were eased and then done away with entirely. Except in the State of Ohio, local directors are virtually uncontrolled and determine who shall live in public housing units.

Public housing has been investigated on many occasions for many reasons. Certainly it is now time to stop any further construction of public housing and see to it that the use of this housing is restricted solely to the poor and the needy. The public housing law should have provisions that will permit policing and investigations to enforce this restricted use of public housing. Pending such a reorganization, no other public housing should be permitted to be built. Once this is done and our poor and needy are housed in present public housing, we are quite sure it will be found that most, if not all, of present needs will be taken care of by our present public housing units, which number over half a million.

In our opinion, the use of housing as a political instrument should cease. There are some well-meaning suggestions in the various housing bills which are being considered but most of them seem to be motivated by political considerations. As we have indicated, no small part of our present slum problem in this country can be laid directly to the use of housing as a political football during rent control days. The Federal Government is now forced to spend billions yearly in order to correct some small part of the damage created over a period of years in 15 million rental units then existing.

We are also unalterably opposed to any future public housing. Only in Ohio has any effort been made to use public housing for its dedicated purpose—helping out the needy and those on relief and public assistance. Nationally, the Public Housing Administration has abdicated this high purpose and now permits subsidized housing for the middle class, rather than restricting it to the low-income groups in

our society. The public housers fail to explain why the middle class should be subsidized in housing any more than they should be subsidized in food, cars, clothing, et cetera.

One of our friends suggested that we write what he termed a "constructive" report on the further liberalization of the Housing Act of 1954. By that he presumably meant the further liberalization of the already liberal provisions of the present Housing Act. We believe that a "constructive attitude" can also mean one that can bravely call a halt to the further needless subsidization of the shiftless and the improvident with public funds. It would be far better to use public funds for the welfare of the Nation and the people as a whole, regardless of the temporary political advantage of a subsidized home for every family. If we are unable to stop the spread of subsidy to all classes of our society, then our democracy will collapse because of the overburden which is imposed on the responsible elements of our society.

Thank you, Mr. Chairman.

Senator SPARKMAN. Thank you, Mr. Brinkman. You have given us an interesting statement and one that is thought provoking.

There was one figure you used. I realized you were giving Mr. duLaurence's statement. There is one figure that I wish you would check. You said that in 10 years we formed only 4,900,000 additional families. The Census Bureau reports that from 1950 through 1958, 8 years, there were 6,848,000 new households. I assume we mean the same, family formations and new households. Certainly, it is household formation you really mean to cover. So if it seems to me there must be a mistake in that figure.

Mr. BRINKMAN. There may be, Mr. Chairman. I am not responsible for these figures.

Senator SPARKMAN. I realize that. I said that in the beginning.

Mr. BRINKMAN. I will check with Mr. duLaurence, and if that figure is wrong, we will certainly correct it for the record and submit a letter of explanation, if we are able, to be incorporated into the record. We will either confirm it or correct it. Is that satisfactory?

Senator SPARKMAN. Yes.

I remember way back in 1947, Senator Taft appearing before this committee, and I believe he estimated family formations at that time at about 700,000 a year. That was as far back as 1947. I believe family formations now are running right at 1,000,000 a year, between 900,000 and 1,000,000. I have seen the figures, but I do not recall them.

Anyway, you have given us something to think about. Certainly, we ought to have in mind always to be certain that there is not overbuilding, generally, or in areas where it can be avoided.

Mr. BRINKMAN. I do know that on the Pacific Coast where many of our associations are located, there is a very large vacancy rate in apartments.

Senator SPARKMAN. I was somewhat surprised at the vacancy rate you had.

Mr. BRINKMAN. Those are Census Bureau figures, Senator.

Senator SPARKMAN. Thank you very much. We are glad to have you.

Mr. BRINKMAN. Thank you. We will correct this if we find it is a mistake. (See p. 943.)

Senator SPARKMAN. Very good.

The committee stands in recess until 10 o'clock tomorrow morning.

(Whereupon, at 1:23 p.m., the committee recessed to reconvene at 10 a.m., Wednesday, May 18, 1960.)

HOUSING LEGISLATION OF 1960

WEDNESDAY, MAY 18, 1960

U.S. SENATE,
COMMITTEE ON BANKING AND CURRENCY,
SUBCOMMITTEE ON HOUSING,
Washington, D.C.

The subcommittee met, pursuant to recess, in room 5302, New Senate Office Building, at 10:05 a.m., Senator John Sparkman (chairman of the subcommittee) presiding.

Present: Senators Sparkman and Clark.

Also present: Senator Javits.

Senator SPARKMAN. Let the subcommittee come to order, please. I think we better get started as we have a pretty full schedule this morning.

First, I understand Senator Javits wants to make an additional statement. Senator, we are glad to have you back in the subcommittee and will be glad to hear from you.

STATEMENT OF JACOB K. JAVITS, A U.S. SENATOR FROM THE STATE OF NEW YORK—Resumed

Senator JAVITS. I thank my colleague very much. I have to leave in 10 minutes for an important engagement in New York, but before I leave I wanted to introduce some very distinguished educators from my State who are here to testify today, whose testimony I believe should prove very helpful to us in our work here. I wish also to introduce some statements from other leading educators in the State of New York.

Mr. Chairman, if I may, I would like to introduce some statements. The first is from my colleague, Senator Keating.

(The statement referred to follows:)

U.S. SENATE,
COMMITTEE ON THE JUDICIARY,
May 17, 1960.

HON. JOHN SPARKMAN,
*Chairman, Subcommittee on Housing,
Committee on Banking and Currency,
U.S. Senate, Washington, D.C.*

DEAR SENATOR SPARKMAN: It is my understanding that the Subcommittee on Housing is presently considering S. 2912, a bill to amend the Housing Act of 1950 with respect to the amount of college housing loans which can be made to any one State. As a cosponsor of this measure, I want to take this opportunity to cite and discuss my several reasons for favoring an increase in the existing limit from 10 to 12½ percent.

The objectives of the Federal college housing program are of the highest importance to our Nation's institutions of higher education and to our total student population. The administration has made it clear that it supports and,

in fact, prefers Federal assistance to colleges and universities through a loan program geared to the improvement of college housing and dormitory facilities. Such an approach avoids the obvious difficulties involved in having the Federal Government contribute directly to funds for such purposes as teachers' salaries and major curriculum related expenses.

Mr. Charles A. Brind, counsel to the University of the State of New York recently called my attention to the fact that the existing 10-percent limit on the amount of college housing funds which can go to any one State has in many cases prevented New York State from obtaining as large a share as it would like of the total amount of Federal funds available for college housing. Upon further study, I found that 1959 degree credit enrollment in New York State institutions of higher education was above 10 percent of the national total. Furthermore, projections for future increases in New York State college enrollment indicate that enrollment will increase very markedly in the next decade.

On the basis of these and other major indexes as to the number, size, and nature of New York's institutions of higher education, I initially considered recommending to your committee that the arbitrary 10 percent ceiling on the amount of college housing funds which can go to any one State be raised to 15 percent. My colleague, Senator Javits, a member of this committee, suggested 12½ percent and in light of his considerable experience in this field, I decided to join with him in recommending the increase to 12½ percent, which is the figure proposed in S. 2912.

I earnestly hope that the committee will take favorable action on this bill. It is my belief that such action is necessary to insure the equitable distribution of the funds appropriated for college housing. Our amendment would not benefit New York alone. It would also be of assistance to the several larger States in which total college enrollment is relatively high and in which college housing needs are rising.

The steady increase in the number of students in institutions of higher education in New York State has clearly outgrown the 10-year-old limitation on the amount of college housing funds which can go to any one State. It is in this light that I urge that the Housing Subcommittee report favorably on legislation to increase this limit.

I would appreciate it if you would have this letter made a part of the hearing record in conjunction with the testimony of the several witnesses from New York State, who are interested in the enactment of legislation along the lines of S. 2912.

Very sincerely yours,

KENNETH B. KEATING.

Senator JAVITS. The next one from Chancellor C. C. Furnas, of the University of Buffalo, in favor of the college housing increase and the increase in the figure from 10 to 12½ percent as to the maximum amount which any State could draw.

(The statement referred to follows:)

STATEMENT OF C. C. FURNAS, CHANCELLOR, UNIVERSITY OF BUFFALO, N.Y.

Gentlemen: The University of Buffalo is an institution which serves almost 12,000 students, a substantial proportion of whom come to us from beyond commuting distance. The student body has representatives of every State in the Nation.

The Federal college housing loan program has made it possible for the university to have under construction at the present time a residence hall to house and to feed 504 additional women students. The same program enabled the university to complete about 2 years ago a residence hall and dining facilities for 440 additional men students. These two structures were financed by loans from Housing and Home Finance Agency totaling \$5,300,000.

The University of Buffalo currently has before Housing and Home Finance Agency a request for a further loan of \$3 million to aid in the construction of a new student union building in which the 11,000 students who commute to and from the campus may have adequate cafeterias, meeting rooms and other facilities generally found in student union buildings.

Before the end of fiscal 1965 we plan to ask for two loans for the construction of additional residence halls. Each request will be in the neighborhood of \$3

million. We therefore envision the total need for new funds for the University of Buffalo for construction of the type for which loans are now made to aggregate \$9 million before the end of fiscal 1965. This is in addition to the \$5,300,000 which the program has already made available to the institution.

Justification for this construction program is based upon sound statistics. There are already in our primary and secondary schools such large enrollments that the capacity of the university must by 1970 be at least double its capacity of 1958-59 if educational opportunities are to be made available for all qualified young persons. The University of Buffalo has moved rapidly to keep pace with the needs for new laboratory and classroom buildings, although this has strained its resources to the utmost. Without the loans of the magnitude permitted by Housing and Home Finance Agency it would have been impossible to provide residence halls and related facilities now completed or under construction. Without such loans it would likewise be impossible to proceed with the further construction so urgently needed by fiscal 1965. Without the construction many hundreds of students must be turned away.

Making funds available in the amounts indicated above is only half the story. To be of real assistance the favorable terms under which the loans have been made in the past must be continued. The modest interest rates coupled with a 40-year amortization period have made it possible for the facilities so financed to be carried on a self-liquidating basis. The limited resources of the university can then be used where they are of paramount importance, improving the quality as well as the capacity of our institution. We consider that our situation is typical of many other universities throughout the Nation.

The fact that this financing is accomplished by loans is especially significant. The principal and interest will be returned to the Federal Government. There have been, I am reliably informed, no defaults of principal or interest on these loans in the entire United States. None is expected. The colleges will make good on them because the terms make it possible to build self-liquidating projects.

There are in existence no other loan programs which hold out hope for the financing of residence halls and related facilities in the volume needed in the next several years. To discontinue the present college housing loan program which has worked so well in the interests of the Nation would indeed be a tragic turn of events for a great many thousands of students now in primary and secondary schools who would then be turned away because of a shortage of residence halls.

The proposal that the limits of the amounts made available to any State be raised from 10 to 12½ percent seems to be very wise. The program is one of loans which will be repaid. The loans are based on need. They should go where the demonstrated needs exist.

In the Buffalo area we should not lose sight of the fact that the \$3 million residence hall contract now under construction has helped to alleviate unemployment and to stimulate business. The Buffalo area has been listed by appropriate government agencies as a depressed area in recent months. All citizens have received benefit from the ever-widening circles of income stimulation resulting not only from this Federal loan but also from some \$4 million of other construction of laboratory, classroom, and research facilities proceeding at the same time on the University of Buffalo campus.

For the reasons stated above the University of Buffalo heartily endorses legislation which will make it possible to continue the most necessary and constructive program of college and university housing. We would like to call particular attention to bills S. 2911 and S. 2912 sponsored by Senator Javits as being particularly desirable. We feel that they are very much in the public interest.

Senator JAVITS. Another statement is from Chancellor William P. Tolley of Syracuse University, to the same effect, and the third is from President Grayson Kirk, of Columbia University. These are world-famous institutions located in my State.

Senator SPARKMAN. You offer those for the record?

Senator JAVITS. Yes, I ask they be placed in the record.

(The statements referred to follow :)

SYRACUSE UNIVERSITY,
Syracuse, N.Y., May 11, 1960.

Hon. JACOB K. JAVITS,
U.S. Senate, Washington, D.C.

DEAR SENATOR JAVITS: Inasmuch as I am unable to make a personal appearance to testify in behalf of the two bills you have introduced, S. 2911 and S. 2912, I should like to urge their support through this letter.

The College Housing Act has been a tremendous boon to higher education. As you know, in New York State there have been to date 101 projects providing facilities for 21,300 students and dining facilities for 23,325. In addition, 410 apartments and 76 units for supervisory staff have been constructed. Student union facilities caring for 42,000 students have also been provided. Nevertheless, in region I, in which Syracuse is included, there are applications pending which total approximately \$24 million. Among these is one of ours for \$2,982,000. It is not exaggeration to say that the failure of your bills to be passed would cripple the carefully thought out and interrelated housing plans of the several institutions of higher education in New York State. Confronted as we are with the rapid increase in the number of young people seeking admission to college, it is essential that funds be provided to carry forward the existing programs.

The colleges and universities are in agreement that the college housing dormitory program should remain under the jurisdiction of the Housing and Home Finance Agency in order to maintain the splendid administrative experience they have developed in this area. If the college housing program is expanded to include academic facilities such as classrooms, auditoriums, administration buildings, etc., under the general administration of the Department of Health, Education, and Welfare, it seems to us that the field and inspection work might be assigned to the Community Facilities Administration. This would prevent duplication of effort and the complication of having two different agencies operating on the several campuses of New York State and elsewhere at the same time. We believe that this would constitute an administrative economy.

A familiar logic of "distributive justice" fully supports your bill, S. 2912, calling for an increase from 10 to 12½ percent in the maximum amount of college housing loans permitted to be made in any one State. As you yourself have pointed out, New York State educates approximately 12½ percent of all the college undergraduate and graduate students in the United States.

In view of the tremendous amount of financial assistance required by higher education in America to meet the needs of the Nation by 1970, an amount for plant expansion estimated by the Department of Health, Education, and Welfare to be 13.7 billion, the continuation of this extremely vital college housing loan program seems modest.

We genuinely appreciate your introduction of these important bills.

With kindest personal regards,

Sincerely yours,

WILLIAM P. TOLLEY,
Chancellor.

COLUMBIA UNIVERSITY,
IN THE CITY OF NEW YORK,
New York, N.Y., May 4, 1960.

Senator JACOB K. JAVITS,
U.S. Senate
Washington, D.C.

DEAR SENATOR JAVITS: I have been trying to make arrangements which would permit me to be in Washington so as to testify before the Senate Subcommittee on Housing during the week of May 9. Alas, these pre-commencement weeks are so filled with fixed obligations, annual meetings, etc. that I simply cannot clear my calendar so as to make a trip to Washington possible. I think you know how much, on personal grounds, I regret this because I do want to be of any possible service to you, particularly in such a good cause.

I approve heartily of both S. 2911 and S. 2912. The opportunity to borrow long-term, low-interest money is indispensable for certain types of university construction and it must be continued. At Columbia we have recently received two such loans which made possible the construction of a dormitory housing 600 undergraduate men and an apartment house containing small furnished apartments for married graduate students. Both of these facilities have been

crowded and both have waiting lists; we hope to be able to build other such facilities in the future. The ability to do so will depend entirely upon the availability of Federal funds and favorable terms. This country cannot permit a situation in which institutions are unable to find the funds necessary for the construction of minimum physical facilities to enable them to cope with the flood of applicants from the young people who now seek admission. This is a matter of national importance and the colleges and universities of the country are contributing a national service of immeasurable significance. A Federal housing program, enlarged as you propose, is indispensable if the institutions are to discharge this national obligation.

Sincerely,

GRAYSON KIRK,
President.

Senator JAVITS. Now, Mr. Chairman, there are a number of distinguished educators here from my State, and I would value the privilege of introducing them to the committee. First is Dr. Thomas H. Hamilton, who is the president of the State University of New York. Dr. Hamilton is here and will testify in due course before the committee. Dr. Hamilton is one of our most distinguished educators.

We have a very distinguished commissioner of education, Dr. Allen, but I think that Dr. Hamilton will fully reflect for all practical purposes the official position of higher education in our State.

Also here to testify before the committee, Mr. Chairman, is Mr. Ewald Nyquist, of the department of education, the deputy commissioner of education of New York State. His chief is Dr. Allen.

Also here is a representative of one of the world-famous institutions in education in the State of New York, Dr. John Summerskill, vice president of Cornell University.

I would like to offer for the record brief biographies of Dr. Hamilton, Dr. Nyquist, and Dr. Summerskill, all of whom have a long history in education.

Senator SPARKMAN. Those will be received and printed in the record.

(The material referred to follows:)

Ewald B. Nyquist, Deputy Commissioner of Education of the State of New York, appearing for James E. Allen, Jr., commissioner of education.

Born, Rockford, Ill., November 1, 1914.

Navy service from 1941 to 1945, discharged as lieutenant commander.

Assistant director of University admissions, Columbia University, 1945-48.

Director of university admissions, Columbia University, 1948-51.

New York State assistant commissioner for higher education, 1951-55; associate commissioner for higher education, 1955-57; deputy commissioner of education, 1957-.

Also, secretary of the Commission on Institutions of Higher Learning of the Middle States Association of Colleges and Secondary Schools, 1948-53; chairman of this committee, 1953 to the present.

Honorary doctorates from Hatwick College, Canisius College, St. Francis College, Juanita College, St. John's University, and Fordham University.

Dr. Thomas Hale Hamilton, president of the State University of New York. Born in Marlon, Ind., 1914; B.A. DePauw University, M.A., Ph.D., University of Chicago.

Navy service, 1943-46.

Served on faculties of University of Chicago, Lawrence College, Chatham College, Michigan State University.

Assistant dean of University College, University of Chicago, 1946-48.

Vice president and professor of political science, Chatham College, 1948-53.

Assistant dean, basic college, Michigan State University, 1953-54; dean, basic college, Michigan State University, 1954-56.

Vice president for academic affairs, Michigan State University, 1956-59.

Among his honors are that he is chairman of the Commission on Instruction and Evaluation of the American Council on Education.

The State University consists of 11 colleges of education, 2 medical centers, a maritime college, 2 liberal arts colleges (Long Island and Harpur), 6 agricultural and technical institutes, a college of forestry, and 5 "contract colleges" at Alfred and Cornell Universities. It also supervises 18 community colleges. Student enrollment, fall 1958, was 38,642 full-time students, 17,399 part-time, 3,191 faculty.

The State Dormitory Authority, of which both Hamilton and Education Commissioner Allen are members, has built 9,316 student accommodations at these schools at a cost of \$53,670,000 and has in planning accommodations at a cost of \$16 million, a total of 10,287 accommodations cost \$69,670,000.

Dr. John Summerskill, vice president of Cornell University.

Born, Montreal, Canada, March 28, 1925, naturalized U.S. citizen, 1957.

B. A. McGill University; Ph. D. University of Pennsylvania.

Associate professor of medical psychology, Cornell, 1950-57; vice president, Cornell, 1958-

Lieutenant, Canadian Infantry, 1943-45.

Senator JAVITS. Finally, as representing the attitude of junior colleges, we have Dr. Bethel, who is the president of the Fashion Institute of Technology in New York, and extraordinary institution, which I think the chairman is familiar with and which teaches the more advanced aspects of design and operation in the needle trades. It is a most extraordinary and very highly thought of institution. I have a rather personal connection with it, as my wife was appointed one of the trustees by Governor Rockefeller.

These are our witnesses, Mr. Chairman. I know that the Chair will grant them every courtesy, and I value greatly the privilege of having introduced them to the committee.

Senator SPARKMAN. Thank you, Senator Javits. We are very glad to have all of these gentlemen.

I wonder if it would be agreeable for all of you gentlemen to form a panel at the table.

Senator JAVITS. If I may be recognized, Mr. Chairman, I would suggest that that probably is sound, except as to Dr. Bethel, because I think he has a rather different presentation for junior colleges.

Senator SPARKMAN. I should think the problems would be practically about the same.

Senator JAVITS. Dr. Bethel, the Chair asks whether or not you would like to make a panel of the testimony insofar as New York is concerned. Perhaps that would not fit with you because you are representing the junior colleges nationally.

Dr. BETHEL. Yes. I am not speaking only for New York but for the American Association of Junior Colleges.

Senator SPARKMAN. If you gentlemen speaking for the New York colleges would come forward, we might want to toss some questions back and forth among you. We will be glad to have your presentations individually. Dr. Hamilton, you appear first on the list. We have your prepared statement. May I suggest to all of you gentlemen that it is perfectly agreeable for you to treat your statement as you wish. Whether you read it, summarize it, or discuss it, it will be printed in its entirety in the record. So you proceed as you see fit, Dr. Hamilton.

**STATEMENT OF THOMAS H. HAMILTON, PRESIDENT, STATE
UNIVERSITY OF NEW YORK**

Dr. HAMILTON. Thank you.

Mr. Chairman and members of the committee, my name is Thomas H. Hamilton, and I am president of State University of New York. It is my privilege to testify this morning at the invitation of Senator Javits and on behalf of the university with which I am associated.

I shall confine my remarks really to the implications of this pending legislation for the State University of New York. I think the members of the committee are probably aware that the State University is a new institution as such public institutions go, being only 12 years old. The university came into being because of the great increase in the demand for higher education, and thus we have gone through a very rapid growth from roughly 24,000 full-time students in 1948 to 42,000 students plus in the present year. We estimate that by 1965 we shall be called upon to accommodate over 70,000 students in the constituent units of the university.

Of course, one of the major problems which we have had in trying to expand to meet this capacity is the provision of adequate housing for these students. We have now engaged in an extensive building program, and we must continue this for at least another decade if quality higher education at reasonable cost is to be provided for young people.

To date, through the good offices of the New York State Dormitory Authority, the university has provided new dormitory and feeding facilities for nearly 10,000 students. At this very moment facilities of this kind are being constructed to accommodate an additional 3,000 students. It has been estimated that this latter phase of our building program will cost \$15 million, of which the State of New York will provide one-third as a subsidy toward which the student makes no contribution, and the remaining \$10 million must, of course, be borrowed, to be repaid from student rentals over a period of 30 years.

I need not emphasize how important it is to our students and their families that this money be acquired at the most favorable interest rate. We are extremely interested in keeping cost to students just as low as we possibly can. To this end, the New York State Dormitory Authority has applied, as it has in the past, to the Housing and Home Finance Agency for a loan of \$10 million at $3\frac{1}{8}$ percent interest. As you quite well know, the Agency has been unable to honor this application. Due to a lack of sufficient Federal appropriations and the limitation on the funds that New York State institutions may receive, \$7 of the requested \$10 million bond issue will have to be sold in the private market, at an interest rate of $4\frac{3}{4}$ percent.

While, to be honest, failure to pass the legislation will not result in the curtailment of this necessary construction, as private buyers have been found, yet, in the absence of Federal support, the university will be forced to pass on the burden of higher interest to those who can least afford to assume it. In the form of increased rates, the students occupying these new facilities will have to provide an additional annual rental income of \$80,000.

Mr. Chairman, the year ahead and those to follow are very crucial years for us as far as capital construction is concerned. In addition to the \$10 million application which I have discussed in some detail, the university is now preparing a second application for approximately \$9 million, which will be used to provide dormitory space for another 2,850 students. This program, too, must be advanced in the months to come if we are to be ready for the influx of students anticipated for September of 1961.

I hope the committee will forgive me if I have developed this primarily in terms of the problem as it faces only one university in the United States, but I have done so in the hope that I might thus more easily translate the importance of the college housing loan program for the students who, whether they realize it or not, are awaiting the outcome of your deliberations.

The legislation introduced by Senator Javits would provide vitally needed Federal assistance to young people who, in the years to come, will be seeking to attend institutions of higher learning in every section of the Nation. In addition, it would apply a corrective to the inequity which is now imposed by the provision which limits the borrowing power of institutions in any one State to 10 percent of the total funds available. The members of the committee will recognize that colleges and universities in New York State accommodate 12½ percent of the Nation's student body, and thus we feel this statutory limitation very acutely. We cannot too strongly urge favorable consideration of the measures now before you.

Senator SPARKMAN. Thank you, Dr. Hamilton. My suggestion is we take all three witnesses and then come back to questions that any one or all of you may answer.

(Dr. Hamilton's prepared statement follows:)

STATEMENT OF THOMAS H. HAMILTON, PRESIDENT, STATE UNIVERSITY OF
NEW YORK, ALBANY, N.Y.

Mr. Chairman and members of the committee, my name is Thomas H. Hamilton, and I am president of State University of New York. It is my privilege to testify this morning at the invitation of Senator Jacob Javits and on behalf of the university with which I am associated.

Mr. Chairman, it is my intention today to confine my testimony to a consideration of the legislation proposed by Senator Javits and embodied in Senate bills 2911 and 2912. Further, I should like to narrow my comments to a review of the implications of this legislation for the capital construction program of State University of New York.

Members of the committee are, without doubt, mindful of the fact that State University of New York is but 12 years old and was created in recognition of the serious need for additional higher education facilities in New York State, required by a rapidly expanding population. That the university is so young, comparatively, and that it was founded with a sense of urgency are facts, it seems to me, of some significance to this committee. The population of the State has, indeed, expanded over the past 10 years and so, proportionately, has the demand for higher education. These facts are markedly attested to by the growth of the university itself. In 1948, just a little over a decade ago, the university enrolled 23,696 full-time students; today that enrollment has nearly doubled, to 42,343. By 1965 it is conservatively estimated that we shall be called upon to accommodate over 70,000 students in the constituent units of the university.

It will be obvious to the members of the committee that an expansion in enrollment of these dimensions has necessarily been paralleled by a major capital construction program. Entirely new campuses have had to be constructed in two instances; in all others, existing facilities have been or are being enlarged to accommodate tomorrow's matriculants. But perhaps more pertinent

to your immediate deliberations is the fact that, by necessity, the predominant emphasis of our current construction program has been clearly given to the provision of adequate housing for students.

In the interests of brevity, allow me to comment directly upon the college housing loan program and the amendments to it which have been proposed by Senate bills 2911 and 2912. As you will have gathered from my introductory remarks, State university is presently engaged in an extensive building program which, begun in 1948, must continue for at least another decade if quality higher education at a reasonable cost is to be provided for our young people. To date, through the good offices of the New York State Dormitory Authority, the university has provided new dormitory and feeding facilities for nearly 10,000 students. At this very moment, facilities of this kind are being constructed to accommodate and additional 3,000 students. It has been estimated that this latter phase of our building program will cost \$15 million, of which the State of New York will provide one-third as a subsidy toward which the student makes no contribution. The remaining \$10 million must, of course, be borrowed, to be repaid from student rentals over a period of 30 years. I need not emphasize how important it is to our students and their families that this money be acquired at the most favorable interest rate. As a public institution, we recognize our responsibility to provide educational opportunity and adequate housing for students at costs they can afford. To this end, the New York State Dormitory Authority has applied, as it has in the past, to the Housing and Home Finance Agency for a loan of \$10 million at 3½ percent interest.

As you will have guessed, the Agency has been unable to honor this application. Due to a lack of sufficient Federal appropriations and the limitation on the funds that New York State institutions may receive, \$7 of the requested \$10 million bond issue will have to be sold in the private market, at an interest rate of 4¼ percent. I should be less than candid if I did not report to the committee that failure to pass the legislation under consideration will not result in the curtailment of this necessary construction. Private buyers have been found and we will go ahead, as we must. But, in the absence of Federal support, the university will be forced to pass on the burden of higher interest to those who can least afford to assume it. In the form of increased rates, the students occupying these new facilities will have to provide an additional annual rental income of \$80,000.

Mr. Chairman, the year immediately ahead is a crucial one to the capital construction program of State University of New York. In addition to the \$10 million application which I have discussed in some detail, the university is now preparing a second application for approximately \$9 million which will be used to provide dormitory space for another 2,850 students. The program, too, must be advanced in the months to come if we are to be ready for the influx of students anticipated for September of 1961.

The members of the committee will forgive me for developing at some length only one phase of a problem facing but one university in the United States. I have done so only with the hope that I might more easily translate the importance of the college housing loan program to the countless students who, whether they realize it or not, are awaiting the outcome of your deliberations.

The legislation introduced by Senator Javits would provide vitally needed Federal assistance to young people who, in the years to come, will be seeking to attend institutions of higher learning in every section of the Nation. In addition, it would apply a corrective to the inequity which is now imposed by the provision which limits the borrowing power of institutions in any one state to 10 percent of the total funds available. The members of the committee will recognize that colleges and universities in New York State, which accommodate 12½ percent of the Nation's student body, have felt this statutory limitation most acutely. I cannot too strongly urge your favorable consideration of both of these measures now before you.

Thank you, Mr. Chairman.

Senator SPARKMAN. Now Dr. Nyquist.

**STATEMENT OF EWALD B. NYQUIST, DEPUTY COMMISSIONER OF
EDUCATION, STATE OF NEW YORK**

Dr. NYQUIST. Mr. Chairman and members of the committee, I am Ewald B. Nyquist, Deputy Commissioner of Education. I have the honor and privilege of representing the Commissioner of Education in the State Education Department of New York and the Regents of the University of the State of New York. The University of the State of New York, whose campus is the entire State, is a constitutional corporation comprising all public and private educational institutions in the State of New York, including 178 private and public degree-granting colleges and universities. Columbia University, the State University, and the newest community college are all parts of the system.

The college enrollment this past year numbered over 401,000, of which over 200,000 are full time. In 1957-58, approximately 16 percent of the graduate degrees granted in the United States were conferred by New York State institutions, and about 10 percent of the undergraduate degrees.

I should first like to make two general statements:

1. No one should doubt now that education must be and is an instrument of national policy. Such a statement is based, in part, on the significance of the passage of the National Defense Education Act of 1958. But, as has been said elsewhere, though timely, generous, and comprehensive, it does not constitute the ultimate felicity in a long and increasingly intimate relationship between the Federal Government and higher education.

The proposal to continue on a large scale the college housing program should be viewed in the light of the indispensability of education to the fulfillment of our national goals.

2. The question of Federal control in education is a constantly recurring issue. To paraphrase what John Galbraith has said, the college housing program provides a happy detour around the rancor anciently associated with any attempt on the part of the Federal Government to tell colleges and universities what to do.

When one considers the problems of financing higher education in the years immediately ahead, several predictions can safely be made. One of these is that regardless of whose estimate is used, the costs are going to be high. A second is that, based on all experience of recent years, almost all estimates by responsible and well-informed persons will prove to be on the conservative side. A third prediction is that somehow, somehow, the citizens of this country will see that the funds and facilities are eventually obtained.

There is no agreement at present on even a general formula by which these costs will be met: but many believe that the only reasonable solution lies in a joint effort on the part of all agencies involved—the student, the college or university, the State, the Federal Government, and the philanthropy of industry, of foundations, and of individuals.

In various combinations and to different degrees, these contributions have made possible the establishment and operation of our present colleges and universities. There is no reason to assume that any one of the supporting elements cannot make an increased con-

tribution. There is need, though, to review constantly the relative contributions of each and the size of the total effort which the maintenance and the expansion of a quality system of higher education require. It is both prudent and economical to maintain the best possible alliance between the local, the State, and the Federal dollar.

This statement will urge an increased contribution from the Federal Government in the form of loans for housing, but at the same time will indicate what is being done in the State of New York by the colleges and universities, the student, and various agencies of the State. We strongly urge favorable action on pending proposals to increase the loan funds for housing in order that the Federal Government will be making a more equitable contribution in this swiftly changing, complex, and critically important area.

We wish also to emphasize that while we could easily justify the appeal for additional Federal funds as an investment which the Government will neglect at the peril of the strength of the Nation, we are not asking for such an expenditure at this time. We are asking only for loans. Such funds will help the colleges to help themselves in meeting the tremendous demands which are imminent.

This is not just a pious statement. In respect to the institutions concerned, New York colleges and universities are ready to spend more than they are asking as a loan. To be specific, we understand that in New York State there have been completed or there are under construction, through the assistance of the Housing and Home Finance Agency, 101 college projects which will supply housing, dining, and other services for over 85,000 students. Yet there is a desperate need to start at once on additional buildings for what will soon be an emergency situation on most campuses. The colleges and universities recognize this and have marshaled all the resources they can command. Tangible evidence of their planning and their efforts is found in the fact that if Federal loans were now available to New York State institutions to the extent of an additional, modest, \$21 million, the institutions are prepared to provide immediately for various other sources nearly \$24 million. These figures are based on a list of proposed projects in New York State which we understand the Housing and Home Finance Agency could approve at once if loan funds were available.

However, the additional \$250 million in loans which would be provided by S. 2911 will not meet the present emergency in New York State unless a greater flexibility in making grants in any given year is also introduced. For this reason we also strongly urge the approval of S. 2912, which would raise the maximum amount of college-housing loans permitted to be made in any one State from 10 to 12½ percent.

A brief review of the data will illustrate the need for raising the limitation on the maximum. If an increase of \$250 million is secured through S. 2911, we understand that \$25 million would be reserved for nurse-intern housing and \$25 million for related facilities. \$200 million would then be available for college housing. If loans to New York State institutions of higher education are limited to 10 percent of this amount, there would be only \$20 million available. This amount, though bolstered by \$24 million from the institutions concerned, would be shy \$1 million to support fully all projects already

planned and submitted, and which could be approved at once if sufficient funds were available. But even more importantly, there would still be a backlog of additional projects which the Housing and Home Finance Agency has placed in deferred status, as well as of projects held in abeyance by the colleges when they realized that Federal funds were inadequate to meet applications already on hand.

The limitation of 10 percent is an undesirable restriction as far as, for instance, the States of California and New York are concerned. These States, regardless of the way one classifies and computes college enrollments, now care for and will continue to provide for a number in excess of 20 percent of the national collegiate population. States responsible for anticipating such heavy enrollments require an amount and speed of construction which may be sharply contrasted with that of three other States, no one of which enrolls more than one-fourth of 1 percent of the total enrollment in the country. It would not be surprising if States such as these would in certain years require little or no assistance.

Another factor that should be considered is the cost of construction. Construction cost indexes in the Architectural Record for April of this year compare costs in Atlanta, St. Louis, San Francisco, and New York for the construction of apartments, hotels, and office buildings. Costs in the first three cities are respectively 37 percent, 17 percent, and 13 percent lower than in New York. On the average, the three are 22 percent lower. Construction cost indexes for 20 cities in the United States picked at random from a list published in the April number of the Engineering News Record average \$813.58 as compared with \$1,010.58 in New York, or 24 percent lower than in New York.

New York State has a further disadvantage in planning for college housing. Although the number of graduate students migrating to the State is larger than the number emigrating, the reverse is true for the larger numbers involved in undergraduate education. When a balance is struck, New York is now a debtor State.

But there will likely be changes in policies of public institutions in other States in the direction of favoring their own residents, as was done during the "veterans' bulge" following World War II. There is already some evidence of this. Such a shift in policy would affect undergraduates in particular, of whom 13,200 from New York were attending public institutions in other States in 1958-59. Of these 13,200 students, 4,900 had enrolled for the first time in the public institutions of other States where restrictions are most likely to develop. These States can gain places for their own citizens by barring out-of-State students, thereby in part lowering their financial requirements for new housing construction. But, as a consequence, debtor States such as New York will be at a disadvantage in accelerating their own construction program.

There is no single or simple solution to the problem of meeting this complex situation as it develops year by year. Our plea is that the Housing and Home Finance Agency be given greater freedom in judging all the factors involved. As it is now, presumably judgment would have to be suspended when loans in any one State reach 10 percent even if there were uncommitted funds in the appropriation.

In making its appeal for an increase in Federal loans, the State is not unmindful that it should show that it, as well as the Federal Government and the colleges, is making an effort to help meet the needs. Many specific actions could be mentioned on the part of the board of regents, the State education department, and the State University of New York to prepare for the great increase in college students.

One of the most effective was the creation of a State dormitory authority by legislative enactment to implement the borrowing of funds for the construction of dormitory facilities at units of the State University. This money would be secured through the issuance of tax-exempt bonds that would be applicable to each specific project.

Later the statutes pertaining to the State dormitory authority were amended to make it possible, through the issuance of tax-exempt bonds, for any institution, either public or private, to borrow money for the construction of dormitories. Probably this was the first time in history that a State has been willing to use its powers for issuing tax-exempt bonds in favor of so-called private institutions within its geographical area. Dormitories and dining halls constructed for the State University amount to \$41.5 million. In addition, \$16.5 million are under construction at the present time and \$16.8 million are in the planning stage. For private institutions the authority has proposals in advanced stages of planning amounting to more than \$13 million.

Subsequently the statutes pertaining to the State dormitory authority were further modified to permit the issuance of bonds for the construction for private institutions of higher education, of general educational facilities, including classroom and laboratory buildings as well as dormitories.

Joint resolutions adopted in the recent session of the State legislature propose amendments to the State constitution which, if eventually approved by the people of the State in a referendum, will place the credit of the State behind the bonds of the authority. This may be up to half a billion dollars.

If the State of New York guarantees the tax-exempt bonds of the dormitory authority, it is expected that bond buyers would be willing to purchase the bonds at a lower rate. The interest rate on funds derived from these bonds would then compare favorably with that on Federal housing loans. Thus the State of New York has taken historic steps which will now complement the Federal funds available to both private and public institutions.

Another effort made by the State in cooperation with various communities takes the form of a steadily developing system of community colleges under the supervision of the State University. These colleges are, for the most part, nonresidential and will help to keep the immediate costs of college housing at a minimum, but they cannot meet the long-range needs.

In the first place, they do not provide certain special courses, upper level programs and graduate studies which can economically be offered only in a relatively few selected regions of the State. Secondly, some of these community colleges offer special courses, and some are located in sparsely populated areas so that some housing is necessary. A third factor is that the very existence of a community

college eventually stimulates the "college going rate" of high school seniors in the community in which it is located. The increase in the number of college-bound students is produced not only by the enrollment in the local nonresidential colleges but by students going elsewhere in the State in larger numbers. In addition, a substantial number of students who complete the 2-year programs in the community colleges decide to transfer to 4-year institutions. It is, therefore, important to act now to increase funds for college housing in order to be prepared better for the heavier demands which the community colleges will eventually accentuate.

Finally, there are the students for whom all this planning is done. They, too, make their contribution to college housing through the rent they pay for their rooms. Dormitory room charges constitute one of the sizable costs of attending a higher education institution. Circular 614 published by the U.S. Department of Health, Education, and Welfare, provides data for 1959-60. By geographic region, the highest rates in private institutions anywhere in the United States are charged in the North Atlantic region, the average being \$253 and \$291 annually for men and women, respectively. Comparable figures for New York State are still higher—\$279 and \$330. Even in the public institutions in New York State the average is \$263 and \$269 as compared with the national average of \$168 and \$174.

In view of this record of the total effort made by the student, the institution, and the State, we urge that favorable action be taken on S. 2911 and S. 2912.

Someone has remarked, in connection with the importance of providing physical facilities for the teaching and learning process, that even a masterpiece needs a frame. It is urged that the Federal Government continue its assistance at a high level so that the frame which has been started may be completed.

Thank you, Mr. Chairman, for the opportunity to appear here on behalf of a good cause.

Senator SPARKMAN. Thank you, Dr. Nyquist.

Dr. Summerskill, we will be glad to hear from you, sir.

STATEMENT OF JOHN SUMMERSKILL, VICE PRESIDENT, CORNELL UNIVERSITY, ITHACA, N.Y.

Dr. SUMMERSKILL. Mr. Chairman and members of the committee, my name is John Summerskill, and I am vice president for student affairs at Cornell University at Ithaca, N.Y.

This statement will not be primarily concerned with the pressing nationwide need for expanding college student housing. Others appearing before the committee have the appropriate facts to demonstrate that the nation's colleges cannot provide adequate housing for all the young men and women who require higher education.

Instead, I would like to tell the committee about this housing problem as it exists right now on one campus. The viewpoint in this testimony is that of an educator who daily talks with college students, regularly visits their dormitories and other accommodations, and frequently meets with parents and others with a vital interest that their children be admitted to a university.

When you are on the firing line, I can assure you that the need for additional student housing is not a matter for speculative future

planning. College students need additional places to study, sleep and eat, and they need them today.

If you will permit me to use Cornell University as an example, I should like briefly to illustrate how the lack of student housing can seriously hamper a university's educational effort and can exclude many deserving young people from the university education they seek. In discussing Cornell's problems openly, I do not imply that Cornell or its sister institutions are doing a second-rate job for, in fact, we are properly proud of the education which students can obtain today in the leading colleges and universities. But there is a college housing crisis and unless this is solved the country is not going to see a continued strengthening of its program for education beyond the high school.

Allow me briefly to mention the educational program at Cornell and then the students who apply to the university. Finally, I should like to indicate how this university's housing situation holds back educational objectives important to the individual students, the university, and ultimately the nation.

Cornell has 14 academic divisions, with its College of Arts and Sciences at the Center. A distinguished, dedicated faculty assists young men and women to become educated persons, individuals with the knowledge and wisdom to eventually take positions of leadership in government, business, teaching, and research, and in nearly all the major professions. The university is training students to speak fluently in any of 15 modern languages. Other students are learning the fundamentals of nuclear physics, working with a faculty engaged in advanced research equipped with a synchrotron and other complex apparatus. A great many students are studying the history and present functioning of the American Government, analyzing the issues of the day, and keenly following the actions of government as it wrestles with these problems and works out solutions.

Students in the university's college of engineering are preparing for careers in mechanical, civil, electrical, chemical, and aeronautical engineering and in engineering physics. The university now has a radio astronomy center, with leading experts in space physics, an awesome high-powered computing center, and in the near future there will be an atomic reactor for teaching purposes. Many of these students will be in the forefront of scientific and technological development so important to mankind.

As a land-grant university, Cornell trains men and women for careers in agriculture, agricultural economics, agricultural engineering, the biological and nutritional sciences. The university has high-quality, active educational programs leading to degrees in architecture, fine arts, home economics, hotel administration, industrial and labor relations. At the graduate level Cornell students are being prepared for service and research in the fields of medicine, veterinary medicine, nursing, law, business and public administration, hospital administration, and other fields.

In general, the quality of students applying to the university is excellent. Eleven thousand students come from every State in the Union and from all over the world. Their intellectual qualifications are good, and there appears to be marked improvement taking place within recent years. Most of these students are serious about their studies and they are working hard.

I hope that some members of the committee would now entertain the thought that their own children or grandchildren might well consider attending Cornell.

Senator CLARK. I may say, I have a nephew at Cornell, and he seems to like it.

Dr. SUMMERSKILL. If this were to be the case, I would immediately caution you on two counts: (1) The university is now turning down applicants with outstanding qualifications because there is an acute housing shortage; (2) some of the students admitted to the university, particularly graduate students and married students, live in conditions which you would not tolerate for members of your own family.

I might interpose here to say that we are next year turning down valedictorians from certain high schools because there is simply no place for them to stay.

As an educator, I am admittedly biased about these matters, but I think it is a crime that a housing shortage can prevent an individual from being educated when that individual is clearly qualified and deserving and a university has the faculty and the will to provide that individual with an education. Considering these losses on a national scale leads, in my opinion, to one conclusion; the colleges and universities must join with their State and Federal Governments to make sure that a housing shortage does not exclude any individual from the full development of his skills and understandings. If I ever had any doubts that such a policy was in the national interest, they were erased this year at a conference concerned with the manpower needs of the U.S. Air Force. There should be no doubt that the further strengthening of American democracy depends heavily on the ability of our universities to produce expert knowledge and expert personnel.

Speaking again, and briefly, of Cornell University, I should like to point out one further damaging effect of a housing shortage. There are 750 students attending Cornell from 79 different countries, including India, Korea, Vietnam, Greece, Turkey, the United Arab Republic, Israel, the countries of Western Europe, the British Isles, and many of the countries of both eastern and western Africa. Many of these visitors arrive just before the academic year begins and are unfamiliar with American customs and standards. They find accommodations only in the cheapest and worst rooming houses. The university is embarrassed that it cannot offer these students safe and decent housing, but it just does not exist. As citizens we are even more embarrassed about the reports which visiting students take back to their own people about housing conditions on many American campuses.

I should like to say one more thing about the housing shortage at Cornell. We are doing something about it. The university and the Dormitory Authority of the State of New York are now partners in two large dormitory projects at Cornell, and in 1 year's time we will have relief from the worst of the situation as it has been described to the committee today. This is a first step in solving Cornell's housing crisis, but there are colleges throughout the country which cannot take this first step for one reason—lack of construction funds. Meanwhile students are turned away from these colleges or are forced to study and live in squalid and unsafe quarters.

Finally, because of these human and educational factors, the committee is respectfully urged to support S. 2911 and S. 2912, introduced in the Senate on January 26, 1960, by Senator Javits. Additional authorizations for college housing are urgently needed for the educational and human reasons outlined in this testimony. The 10 percent limit on loan funds for each State should be raised so that college housing can be provided wherever needs exist. This legislation is directly and soundly beneficial to the individual student, to the colleges and universities, and to the nation's total resources in knowledge and expert skills.

Senator SPARKMAN. When you make the statement that there are 750 students attending Cornell from 79 different countries, I found that a little confusing at first. You mean foreign students from 79 different foreign countries, do you not?

Dr. SUMMERSKILL. That is right.

Senator SPARKMAN. You have a student body of 11,000, I think you said earlier in your statement.

Dr. SUMMERSKILL. Yes.

Senator SPARKMAN. All of your statements have been very helpful. Senator Clark.

Senator CLARK. Thank you, Mr. Chairman. I am going to ask a few questions, and perhaps you gentlemen who are appearing together will decide among yourselves who is the best one to answer.

Unfortunately, there are no members of the minority on this subcommittee here this morning, but I think you are aware of the fact that the Eisenhower administration is strongly opposed to the legislation which you advocate. By way of being the devil's advocate, I would ask you to comment for the record on what I understand their position to be, this is, generally speaking, that the Federal Government should stay out of the business of loaning money to colleges for construction, that the money can well be obtained from the private market through private financing; and, although the cost may be higher, this is an incident of our free enterprise system which we should be prepared to accept because of its other great advantages. Finally, that the Federal Government should keep its hands entirely out of aid to education except to the extent that national security requires it.

How can those of us who are sympathetic with the general point of view which you gentlemen have expressed meet these arguments?

Dr. HAMILTON. Let me start this, Senator, if I may.

I think we have to recognize that the entire future of our society is dependent upon being able to solve this problem.

Senator CLARK. When you say "this problem," you mean the overall educational problem?

Dr. HAMILTON. The overwhelming educational problem.

To say that we should get this money completely from the private market rather cavalierly brushes off the fact that this increased cost is then going to have to be borne by those who can least afford it, the students who in many cases come from truly economically deprived circumstances.

Senator CLARK. Is not this an inevitable and perhaps desirable result of an unregulated free enterprise system in an unregulated money market?

DR. HAMILTON. I am not an expert in public finance, so these are my personal opinions.

Senator CLARK. You are more interested in getting housing built cheaply for students who need it than indulging in economic analysis?

DR. HAMILTON. I have a feeling this is no threat to the free enterprise system. In point of fact, it seems to me that assistance can be given to higher education through this particular device in a way that means less influence on the part of the Federal Government in the matters which are most important at the university level. Paraphrasing somewhat the words of another famous Republican, we want to hire the money.

Senator CLARK. Is it not true that in your State there are some institutions which would not be able to get financing on the private market? Or does your setup with the dormitory authority and the other financial arrangements which you gentlemen have described make it possible for the poorest private institution to get the credit it needs?

DR. HAMILTON. As far as the State university is concerned, of course, we have the backing of the State through the possibility of appropriations. This is not a major problem with us, but I think it is with some of the small private institutions, and I would yield to Dr. Nyquist.

DR. NYQUIST. That is true, sir.

Senator CLARK. But you are now proposing, are you not, constitutional changes which would put the credit of the State behind the private institutions? Is that correct?

DR. NYQUIST. That is right. It would guarantee that tax-exempt bonds be issued so the lower interest rate can be secured.

Senator CLARK. And if that were to be successful then there would be no obvious need for the Federal Government to move in to assist these poorer private institutions because you would have done the job yourself?

DR. NYQUIST. It depends upon what interest rates we can get. We are trying to help ourselves. Almost every year there has been debate about ending the program, and we want to be sure there was something that would continue it. However, it is going to take us, according to our democratic processes, a couple of years to put those constitutional changes through, and we are at a high level of student influx, as you know, into our colleges and universities.

Senator CLARK. Cornell can get money on the private market; can it not?

DR. SUMMERSKILL. We can if we have the necessary reserves to make sure we can pay that money back without shooting our already very high and exclusive needs up further. That is our problem.

Senator CLARK. But surely with your successful and relatively well-to-do alumni body you have enough support to enable you to finance from your own resources in the private market the money you need?

DR. SUMMERSKILL. We have not to this point. Our alumni, of course, have contributed facilities, scholarships, and so on. Alumni interest in housing is apparently not as great.

But if I may just backtrack and come back to your original question, Senator, to me this question of Federal aid is settled.

Senator CLARK. I wish it were.

Dr. SUMMERSKILL. It may not be settled in the discussion arena.

Senator CLARK. Perhaps in your political science department you have heard the term "political lag."

Dr. SUMMERSKILL. The Federal Government this year, I believe, contributes to higher education in direct moneys somewhere in the neighborhood of three-quarters of a billion dollars.

Senator CLARK. It is even higher than that, but this is done with the right hand not knowing what the left hand is doing, unfortunately.

Dr. SUMMERSKILL. And in our own institution's yearly budget, exactly one-quarter is direct Federal funds.

Senator CLARK. Actually, what you three gentlemen are saying—and I am now being the Devil's advocate, you understand—is that you want to borrow your money cheaper through Federal Government help than you could get it on the private market. In every case in New York you could get it on the private market if you were willing to pay the price. Is that not true?

Dr. HAMILTON. Yes; and the reason we want the lower interest is because we do not want to have to pass those costs on to the students.

Senator CLARK. Which, of course, is pure socialism, is it not?

Dr. HAMILTON. I do not think so; no.

Senator CLARK. Let me move to another subject.

Are any of you gentlemen familiar with S. 1017, which is the administration bill entitled "College Facilities Act of 1959?" This is the administration's way of attempting to solve the problem which you gentlemen have raised with us. If you are not familiar with it, I will not ask you any questions, but if you are I would like your opinion as to whether you think that is a better way of doing the job than the way which you gentlemen have advocated.

Dr. NYQUIST. Is this the bill that provides capital construction funds for academic facilities other than dormitories?

Senator CLARK. No; this is a program of debt service guaranty contracts and debt retirement assistance commitments. It authorizes the guarantee of taxable bonds of private colleges which would be sold through private bankers on the market, and it is thought that the Government guarantee would enable a lot of these bonds to be floated. The money could be used for housing, academic, and related educational facilities. The Federal Government would, to some extent at least, guarantee the bonds and give some retirement assistance commitments to the poorer institutions.

Frankly, the bill has not even had hearings yet. I do not think it has much chance of passage, but this is a possible alternative to which we probably should give consideration to.

Dr. HAMILTON. Senator, I do not know the bill in detail. I can only report what people who have analyzed it more carefully tell me, and that is in the long run to build buildings in this fashion would force us to increase fees to students. Beyond this I cannot testify, and this is only the opinion of some people whose opinions I respect.

Dr. SUMMERSKILL. It seems to me one strong argument in favor of this bill—

Senator CLARK. When you say "this bill"—

Dr. SUMMERSKILL. I mean the bill before us this morning—is that it has been tested and it works.

Senator CLARK. It is an existing program.

Dr. SUMMERSKILL. And it was well received and well respected by the people in the housing field within the colleges and universities.

Senator CLARK. Are you gentlemen familiar with S. 2950, introduced by Senator Fulbright and Senator Sparkman?

Dr. NYQUIST. Yes.

Senator CLARK. I notice you are supporting Senator Javits' bill, which calls for only half the amount which Senator Fulbright and Senator Sparkman call for. I know you are loyal residents of New York, but would you not yield a point perhaps to Alabama and Arkansas if worse came to worst, and support Senator Sparkman's and Senator Fulbright's bill?

Dr. HAMILTON. I think the spirit is willing, sir.

Senator CLARK. I would really like to get your thinking on this subject. A happen to serve on the Labor and Public Welfare Committee as well as on this committee, and we have to deal with aid to education bills. I have come to the tentative conclusion—and you gentlemen disillusion me if you will—that the Federal Government ought to give a higher priority to assistance for academic facilities than it should for housing and restaurants and eating places. My thinking is largely based on the fact that the community college movement is growing at a high rate of speed. The poorer students are probably going to have to be confined for the foreseeable future to these day colleges, living at home. There is a shocking lack of laboratories, libraries, and classrooms, which lack exists in the sleep-in colleges as well as in the day colleges. The impact of what will be limited Federal funds in any event, due to the political lag we spoke of, could better be put in programs for improving academic facilities, which would be available across the board to Temple University in my own State as well as to Cornell.

Tell me why, other than the fact that this dormitory program got off the ground first, you gentlemen are down here emphasizing housing and eating places instead of laboratories and libraries.

Dr. NYQUIST. I would only say—and the answer may be unpalatable—that with the importance of education we need both programs, Senator.

Senator CLARK. There is no doubt of that, but if we are only going to be able to get one, there is the old story about the student who was taking an examination in sacred history and was asked to give the names of the major and minor prophets, and he said, "Far be it from me to distinguish between such good and holy men." No doubt you feel the same way, but quite seriously, with the understanding that this will not prejudice your case, do you not think there is a very real need in all institutions of higher education for academic facilities to which the Congress ought to give very serious attention, and that perhaps we have put the cart before the horse? I am beginning to believe that we have the cart before the horse, that we ought to take care of the straight educational facilities before we take care of a place where students sleep and eat.

Dr. HAMILTON. I would be very happy to answer this.

I think there is no doubt of the very great need of academic facilities, and if I have to testify on that issue I shall testify in favor of that, too. But I think there is perhaps one difference. I believe that most university administrators would find that their experience has been that it is a little easier for them to find funds for academic facilities than for housing. But as to the need, for both are very great.

Dr. SUMMERSKILL. That would be my reaction, Senator, and this is not speaking for the community colleges, where there may be a very different situation. But in a private institution like Cornell, where we are relying heavily on both alumni and corporation support, the corporation support for engineering facilities, and also the Atomic Energy Commission and National Institutes of Health, it seems that the housing gift money has been bypassed.

Senator CLARK. Actually, am I overstating the case when I say that really the educational community has rallied behind the dormitory program because it got off the ground first, and here was a straw at which a drowning man could clutch. But the entire educational community, those concerned with day colleges as well as with institutions such as you gentlemen represent, could unite on a program for academic facilities. Whereas the day colleges cannot get very excited about the dormitory loan program? That is a fair statement, is it not?

One more question: How are Senator Sparkman and I going to persuade 96 Members of the Senate who do not come from California or New York that we ought to raise this limit that you can get more money and they get less?

Dr. HAMILTON. I think you have to speak to them of justice. After all it does not make very much sense to—I recognize perhaps some outer limit—restrict it in terms of the States, which vary so much in the proportion of our youth that they educate. I think really it is a matter of equity. How convincing this will be, I do not know.

Senator CLARK. Can you sustain the proposition that on a student population basis you will not be getting any more than your fair share if we up this limit? In other words, do you have more than 12½ percent of the total higher education student population in New York State?

Dr. HAMILTON. I think, without having the documentation with me, it is that much or more.

Dr. NYQUIST. As much as 12½ percent or more than 12½ percent? I do not think it is more.

Senator SPARKMAN. Did not one of you include in your statement that 10 percent of the graduates were from New York State? I think one of you had that statement—about 15 percent of graduate students and 10 percent of the rest.

Dr. NYQUIST. That is right.

Senator CLARK. Actually, I support your proposition. But I find it very difficult to develop convincing arguments to Senators from Mississippi and Idaho, and even to sustain my position in Pennsylvania, which as you know is a backward State in terms of higher education, that we should lift this limit and allow the richest two States in the country, New York and California, to run off with more money than they are now getting when their own representatives testify

they could get this money in the private market if the Federal Government did not lend it to them. And so many institutions in my State and in other States which are relatively backward cannot possibly do it. Again because of the political lag at the State level and because we have not developed the instrumentalities at the State level which you have.

I find it pretty hard to support the argument that this limit should be raised, although I am personally sympathetic to it.

Dr. SUMMERSKILL. If you take a national look at this, sir, this past winter I went to an Air Force conference, and the Air Force people just pleaded with us to produce for them more scientists, more business managers, more experts on foreign relationships, and all kinds of trained people.

Senator CLARK. Did they mention more teachers?

Dr. SUMMERSKILL. They did not.

Senator CLARK. Do you not think we should have more?

Dr. SUMMERSKILL. Yes, but they were looking at their own specific needs. In working with us, they did not say the first man should come from California or New York or Pennsylvania or New Mexico.

It seems to me that if we have the concentration of teachers in a place like New York State and certain advanced facilities for training these people, then it just does not make sense not to have quickly and immediately the money to house those students without putting up the fees again to drive them away. In other words, we can do a job I would say for the Nation in meeting these personnel needs if this dormitory program could move forward swiftly.

Senator CLARK. I agree with you, but come down here some day and help me argue.

Senator SPARKMAN. May I make this suggestion. I think it could become a moot question if we write into the bill and put through the proposal that Senator Fulbright and I are sponsoring, which would give adequate funds, and then you would not be worried.

Senator CLARK. For another couple of years.

Dr. NYQUIST. Just to add to this, is it not an argument to say you could guarantee at least 10 percent and then allow the agency to handle this area of judgment up to 2½ percent, depending on the availability of funds in any particular year? In other words, raise the limit on a permissive basis, depending upon some authority in Washington.

Senator CLARK. If you will not consider it unduly partisan, I suggest you leave Senator Javits' ship and get on Senator Sparkman's.

Senator SPARKMAN. We are all driving at the same objective. We do believe in this program that has been going since 1950 and has worked so well. And, as I have repeatedly said, if and when the Congress adopts a program, recommended by the administration or someone else, that adequately meets the merits of the existing program I am perfectly willing to have this program phase out. But until that is done I think we ought to maintain it, and, as I understand it, you gentlemen agree with that.

By the way, Dr. Hamilton, you said that if you have to get this one loan from private industry you will have to pass it on to the students in the equivalent of \$80,000 a year in interest. How many scholarships would that provide?

Dr. HAMILTON. It would provide 160 to 200 scholarships.

Senator SPARKMAN. That is quite a penalty, is it not?

Dr. HAMILTON. Yes. Actually, it would increase the cost to each of our dormitory residents about \$30 a year.

Senator CLARK. Tight money and high interest.

Senator SPARKMAN. Thank you very much, gentlemen. We appreciate your statements.

We will place in the record an excerpt from a digest of S. 1017 that was referred to.

Senator CLARK. The administration bill.

Senator SPARKMAN. Yes.

(The material referred to follows:)

DIGEST OF BILL S. 1017—SENATOR MORTON AND OTHERS

(Short title, "College Facilities Act of 1959")

The bill would establish a program of Federal assistance to institutions of higher education in financing housing, academic and related educational facilities through (1) debt service guaranty contracts, and (2) debt retirement assistance commitments.

GUARANTY CONTRACTS

Section 2 of the bill would authorize the Commissioner of Education to guarantee the taxable bonds of private colleges. Guarantees could be made up to June 30, 1964, up to \$1 billion in bonds outstanding at any one time.

DEBT RETIREMENT ASSISTANCE

Section 3 of the bill would authorize the Commissioner of Education to make grants to pay one-fourth of the debt service on bonds issued by private or public institutions of higher learning with maturities of not less than 20 years or more than 50 years. The assistance commitments could be made until June 30, 1964, up to an aggregate amount of \$500 million with a ceiling of \$5 million on payments to any one educational institution. Assistance commitments would be made for construction which would substantially increase the student enrollment capacity of the institution except that an increase would not be required if the expansion took place in the field of science and engineering teaching and research.

An institution of higher learning would be required to certify that it did not have the cash or other resources to finance all or any portion of construction by any means except borrowing on a long-term basis.

DEFINITIONS

The definitions in the bill are the same as those in the college housing title (title IV) of the Housing Act of 1950, with two exceptions:

(1) The definition of "educational institution" could include unaccredited 2-year colleges, in order to make eligible technical institutions which would not ordinarily prepare students for a bachelor's degree.

(2) The definition of "academic facilities" would include, in addition to housing and certain other educational facilities covered by the existing college housing program, classrooms, laboratories, libraries, and related facilities.

Senator SPARKMAN. The next witness is Mr. Lawrence L. Bethel, president of the Fashion Institute of Technology of New York City, and past president of the American Association of Junior Colleges. We are glad to see you again and glad to have you before us. You proceed in your own way.

**STATEMENT OF LAWRENCE L. BETHEL, PRESIDENT, FASHION
INSTITUTE OF TECHNOLOGY, AMERICAN ASSOCIATION OF JUNIOR
COLLEGES**

Mr. BETHEL. Mr. Chairman, as you have indicated I am representing the American Association of Junior Colleges. I have served as president of the association, as a member of their board of directors, and as a working member of the association's research and service commissions. At present I am the representative of the association to the National Commission on Accrediting.

I am going to deal specifically in my statement on those elements of particular concern regarding community colleges. Senator Clark has indicated a special interest on this, and I certainly endorse that interest.

In State after State, where educational needs have been carefully studied, recommendations have been made for the establishment of additional junior colleges to accommodate many of these students. In my own State of New York a network of junior colleges is already beginning to bring higher education within commuting distance of every person desiring it. Florida, California, Washington, and many other States have followed suit. Many communities are facing the problem of providing postsecondary education to their adults, their workers, and their high school graduates. Businessmen and industrial representatives see in the junior community college the opportunities for retraining staff, for providing the additional education and training required because of automation and more complex industrial and manufacturing processes.

States and local communities are pressed to their financial limits now to provide for elementary and secondary school building programs. It is impossible for them to provide sufficient funds for all educational levels. Also, many private institutions are caught in the scissors of rising costs and limited income. Yet they have a most important role to play in educating American youth. They need funds to build their institutions to meet the present and near future needs. Pending applications for loans from the Housing and Home Finance Agency from both public and private junior colleges total more than \$5,800,000. No funds are available from this source at this time. Many more colleges have indicated they plan to apply if funds would be made available. We hope members of this committee will do all in their power to help these and other institutions to help themselves and American youth.

Many junior colleges have already been aided through the issuance of loans under the college housing loan program. Twenty million dollars have been approved for junior colleges and with further reservation of funds of \$10 million. I am submitting a listing of these institutions for which funds have been approved, reserved, or are pending. My own institution, the Fashion Institute of Technology, in New York City, applied for \$1,770,000 for dormitories, for which funds have been reserved, fortunately.

Predictions are that by 1970 the junior colleges will be expected to take care of more than 50 percent of all freshmen enrolled in higher education. This means a tremendous expansion in facilities if the demand is to be met. This is to free the senior colleges and universi-

ties for expansion of their upper division and graduate schools which only they can do.

From the standpoint of dormitories, it is uneconomical to expect that all community junior college students can live at home. Specialized laboratories for highly specialized programs are quite costly. They should not be duplicated unnecessarily. My own institution is a case in point. We have built a \$12 million instruction plant for a highly technical community college to prepare people to enter New York's largest industry, the soft goods industry. This industry headquarters in New York City, and this is where the college has been located. It will be the only college of its type in the State, and will enroll students from many States. Broome County, N.Y., takes on other high specializations, and so on through various industrialized localities of the Nation.

This brings us to the matter of percentage quota in the Housing Act. With the continued trend toward centralization of population, it is to be expected that the growth in college facilities will be in urban areas. For example, it is estimated that New York has in excess of 10 percent of the college population. Yet, by the present Housing Act they can use not more than 10 percent of the funds. Out of 163 projects in region I, 101 have been in New York State, and yet New York State has had the largest backlog of proposals that cannot be served. I certainly urge the passage of the amendment increasing the percentage allowance.

I want also to make reference to provision for academic housing, which I earnestly endorse. Furthermore, I urge that to avoid duplication in the supervision of academic and dormitory housing in a single campus that provision be made similar to that contained in section 209(a) of Public Law 815, 81st Congress.

Senator CLARK. Mr. Bethel, I do not understand that reference. Would you amplify it a little bit?

Mr. BETHEL. Yes. There is a provision that the Community Facilities Administration supervises the work on campuses in connection with the building of dormitories under this act. If academic housing goes through, who is going to supervise it? Are we going to have two supervisors of different agencies on the same campus?

Senator CLARK. What do you mean by "academic housing"? Do you mean classrooms, laboratories, libraries, and the like?

Mr. BETHEL. That is right. All I am suggesting is that provision be made in what I call academic housing to put it under the same supervision as dormitory housing.

Senator CLARK. I think it is a highly sensible suggestion, but the way we operate down here it will be difficult to work it out.

Mr. BETHEL. There may be complications, of course, that I do not know about.

Senator CLARK. The jurisdiction of two different committees is what gets us into trouble. Last year we handled academic facilities in this committee, and some of our Republican friends thought that we had no business doing it, that we ought to just stick to housing. The President vetoed the bill twice. We took the academic facilities out this year, and we are handling that over in Labor and Public Welfare as though it were completely divorced from the other. Maybe the twain can meet somewhere.

Mr. BETHEL. To summarize this statement, I am here representing, as you know, the fastest growing segment of all education in America. We have quite a load on our shoulders. We are perfectly willing to handle it if we have help, and I cannot possibly see how the communities scattered across the Nation can individually take on this burden by themselves.

Senator CLARK. Mr. Bethel, are you willing to stick your neck out—there is no reason why you should if you do not want to—and tell me whether I am wrong when I say that the community colleges have far greater need of academic facilities than they do of dormitories?

Mr. BETHEL. Yes. Proportionately, certainly yes. A majority of the students in community colleges do and will continue to live at home.

Senator CLARK. In your specialty, which I gather is training technicians for the soft goods trade, you must need some rather specialized academic facilities to carry on that work, do you not?

Mr. BETHEL. Yes. We are probably a little more fortunate in this respect, in that the city of New York and State of New York did come through for us with \$12 million.

Senator CLARK. What are you going to do with it?

Mr. BETHEL. We just moved into a building.

Senator CLARK. What kind of a building did you build with the \$12 million from the point of view of function?

Mr. BETHEL. Highly specialized laboratories.

Senator CLARK. No dormitories?

Mr. BETHEL. No dormitories. As to dormitories, as I say we have funds reserved for us at the present time under the act to build dormitories, because we draw students from all over the world.

Senator CLARK. Then actually you are all set on your academic facilities?

Mr. BETHEL. For the moment.

Senator CLARK. But you are a rather fortunate example, are you not, among institutions of your category, where the need for academic facilities is really acute?

Mr. BETHEL. Yes; with this great expansion coming on in particular. You will notice I said that we are going to have to pick up more of the total freshmen and sophomore population. In order that the senior colleges and universities can expand their upper division and graduate schools, some of these senior institutions have indicated that they are going to become, as the University of California has, almost totally upper division and graduate institutions. Already in California, as you probably know, 65 percent of all the freshmen and sophomores in the State are in the community colleges, and we have to build the facilities for the pick up of this additional load.

Senator CLARK. Do you think this is a healthy development?

Mr. BETHEL. I do, indeed.

Senator CLARK. I do, too.

Thank you very much, Mr. Bethel.

(The tables submitted by Mr. Bethel follow:)

Status of junior college requests for loans while funds were still available

State	Reservation	Approval
Alabama:		
The Marion Institute.....		\$150,000
Do.....		265,000
California:		
Menlo College.....	\$563,000	
Do.....	520,000	
Do.....	500,000	
Colorado:		
Colorado Woman's College.....	335,000	
Fort Lewis A. & M. College.....	806,000	
Do.....	514,000	
Pueblo County Junior College.....	600,000	
Delaware: Wesley College.....		665,000
Georgia:		
Gordon Military College.....	337,000	
Young Harris College.....	500,000	
Georgia Military College.....	258,000	
Idaho:		
Boise Junior College.....	379,000	
North Idaho Junior College.....		110,000
Illinois:		
North Park College and Theological Seminary.....		550,000
Lincoln College.....		175,000
Do.....		250,000
Indiana:		
Earlham College.....		600,000
Vincennes University.....		250,000
Iowa:		
Waldorf College.....	275,000	150,000
Northwestern College.....		250,000
Pikesville College.....		400,000
Massachusetts: Dean Academy and Junior College.....	400,000	
Minnesota: Concordia College.....		650,000
Missouri:		
William Woods College.....		686,000
Wentworth Military College.....		550,000
Cottey Junior College.....		875,000
Stephens College.....		1,000,000
Christian College.....		759,000
Nebraska: McCook College.....		240,000
New York:		
Fashion Institute of Technology.....	1,770,000	
Briarcliff Junior College.....		340,000
Cazenovia Junior College.....		101,000
Do.....		653,000
North Carolina:		
Campbell College.....		192,000
Do.....		205,000
Do.....		465,000
St. Mary's Junior College.....		190,000
Wingate Junior College.....		225,000
Lewisburg College.....		180,000
Chowan College.....		235,000
Presbyterian College.....	1,215,000	
Oklahoma:		
Central Christian College.....		600,000
Eastern Oklahoma A. & M. College.....		760,000
Northeastern Oklahoma A. & M. College.....		765,000
Cameron State Agricultural College.....	175,000	
Puerto Rico: Puerto Rico Junior College.....	422,000	
Texas:		
Texarkana College.....		475,000
Wharton County Junior College.....		65,000
Tyler Junior College.....		200,000
San Angelo College.....		1,165,000
Howard County Junior College.....		580,000
South Plains College.....		420,000
Blinn College.....		78,000
Del Mar College.....		300,000
Tarleton State College.....		515,000
Utah:		
Carbon College.....		134,000
Snow College.....		189,000
Dixie College.....		350,000
Weber College.....		675,000
Vermont: Vermont (junior) College.....		730,000
Virginia:		
Shenandoah College.....	713,000	
Clinch Valley College (of University of Virginia).....		150,000
Ferrum Junior College.....		612,000
West Virginia: Potomac State College.....		364,000
Total.....	10,282,000	20,488,000
Grand total.....		30,770,000

Pending junior college applications—College housing loan program

Project No.	Institution	Federal funds
CH-Ala-39(D).....	Walker Junior College.....	\$196,000
CH-Ala-40(D).....	Sacred Heart College.....	400,000
CH-Dela-5(S).....	Wesley College.....	317,000
CH-Ga-27(D).....	Abraham Baldwin Agricultural College.....	360,000
CH-Ga-31(D).....	Middle Georgia College.....	450,000
CH-Ga-32(D).....	West Georgia College.....	540,000
CH-Ill-107(D).....	North Park College and Theological Seminary.....	470,000
CH-Mich-47(D).....	Northwestern Michigan College.....	531,396
CH-NY-122(S).....	Cazenovia Junior College.....	175,000
CH-NY-123(D).....	do.....	500,000
Okla. 34-CH-22(D).....	Central Christian College.....	450,000
CH-Pa-123(D).....	Harcum Junior College.....	250,000
CH-SC-27(D).....	Voorhees Junior College.....	300,000
CH-Utah-18(D).....	Snow College.....	300,000
CH-Wyo-1(D).....	Casper College.....	600,000
	Total.....	5,839,396

Senator CLARK. The next witness is Mr. Martin L. Bartling, and with him is Mr. E. J. Burke, Jr., representing the National Association of Homebuilders.

STATEMENT OF MARTIN L. BARTLING, PRESIDENT; ACCOMPANIED BY NELS G. SEVERIN, PAST PRESIDENT, E. J. BURKE, JR., FIRST VICE PRESIDENT, AND HERBERT S. COLTON, GENERAL COUNSEL, NATIONAL ASSOCIATION OF HOMEBUILDERS

Mr. BARTLING. Mr. Chairman, I would like to introduce the gentlemen with me. On my right is Mr. Nels Severin, past president of the NAHB, from San Diego; Mr. Jim Burke, first vice president, from San Antonio; and Mr. Herbert Colton, on my left, our general counsel.

Senator CLARK. The committee is very happy to welcome you gentlemen. We are glad to have you all here.

Mr. Bartling, I see that you have a pretty voluminous statement here, and it will be printed in the record. Proceed in your own way.

Mr. BARTLING. I promise not to read it all unless you request it.

My name is Martin L. Bartling, Jr., and I am a homebuilder in Knoxville, Tenn. I appear before you today as president of the National Association of Homebuilders, a trade association representing 44,000 members in 50 States and 342 local and State associations.

I appreciate this opportunity to express the views of the homebuilding industry on the current status of the industry and with respect to the many legislative proposals now pending before this subcommittee.

At the outset I should like to discuss very briefly with the subcommittee some of the fundamental problems facing the housing industry, the Government, and the American public today.

We look at the decade of the 1960's as being both a tremendous opportunity and a period which will require redoubled efforts on the part of all who are concerned with American housing to work out better solutions to a whole range of problems with which all of us are familiar.

During the decade of the 1950's we produced some 12 million housing units. During the same period our population increased by 25 million, and our gross national product increased by about 70 percent to \$500 billion. During the sixties we are told that our population will increase by 34 million and our gross national product will increase another 50 percent to \$750 billion.

Your own subcommittee has already completed an excellent study resulting in a report entitled, "A Study of Mortgage Credit," which concludes that during the 1960's we must produce at least 16 million houses if we are to keep pace with the needs of our expanding population and growing urban centers.

Senator CLARK. You have not seen the committee's study on mortgage credit needs, have you? It is just a coincidence I guess that your figure and ours are identical.

Mr. BARTLING. Yes, sir. We are referring at this point to the fact that we agree with your conclusions on this.

Senator CLARK. This pleases us very much, needless to say.

Mr. BARTLING. In other words, we heartily concur in the findings of your subcommittee and are as an association doing our best to meet the challenge of the 1960's.

Our present rate of production is only slightly more than 1,100,000 units per year. Even if we are successful in raising 1960 production to 1,200,000 units, it is obvious that we are falling substantially behind our minimum housing requirements.

I might depart from the statement at this moment and say that I view with considerable alarm the fact that, even though in 1959 our housing volume in terms of dollar volume was the highest ever on record, we actually built less housing units in 1959 than we did back in 1950, despite the 25 million population increase.

All of the problems which face the housing industry can be summarized very simply, it seems to me. Due to a whole complex of factors involving speculative land costs, increasing and expensive local and Federal requirements, increases in the cost of materials, increases in the costs of community facilities, outmoded codes, lack of technical research, and finally but by no means least chronic shortages in the supply of mortgage credit and excessive charges therefor have prevented us from making any substantial progress in meeting the housing needs of the people of moderate and lower income. The latest available figures indicate that 36 percent of the families in this country have annual incomes of less than \$4,000. Despite the fact that these families represent such a high proportion of our total population, families in this income group represent less than 4 percent of the purchasers of FHA houses in 1958. Similar figures are not available on housing produced and sold with conventional financing, but it seems only reasonable to assume that the picture is certainly not better and may even be worse, since customarily we have looked to the FHA as the principal device available to the building industry to help in the production and financing of modest priced homes.

I might say, departing from the text again, that the fact that this vacuum exists in our housing field poses very serious political, economic, and sociological problems that are going to increase in the years ahead, and we must face up to them.

In a limited but nevertheless serious way we in NAHB are diverting a substantial share of our resources to attacking all of the problems which I have just enumerated. For example, we are now engaging in a special study on the economical utilization of land with the Urban Land Institute. We have established a modest research laboratory in which we are carrying on a series of tests and projects which we hope will result in cost-saving techniques. We have sponsored a series of research houses, striving in each case to improve construction techniques and to stimulate the utilization of new and economical products. We have a study with the Massachusetts Institute of Technology in use of component parts in construction. We have sponsored four research houses to date and starting on our fifth one this year, in each case trying to come forth with new and better ways technologically speaking to lower the cost of housing. We are undertaking special studies in the fields of mortgage financing and are attempting to develop newer, improved, and more acceptable means of housing the lowest income families in our society. We have initiated intensive work in the building code field.

I might depart from the text again and say we are spending for us a rather substantial sum of money in terms of trying to find alternatives to public housing, our feeling being that we cannot be negative in this approach but we must come up with some positive answers. This study will not be completed until later on this year, so I cannot say yet what conclusions will come out of it.

Senator CLARK. Let me interrupt just long enough to ask you whether you are far enough along in your study to have any more or less empirical view on how big a handicap obsolete building codes are?

Mr. BARTLING. I am glad you asked me that question, because one of the prime objectives of our National Association of Home Builders this year is to do something about the problem of obsolete building codes. On April 11, we held a meeting here in Washington in which manufacturers, trade associations, Government, and the press, radio, TV, and so on, were invited, and at this meeting we kicked off and asked for the cooperation of all groups in terms of No. 1 priority really to face up to our problems and to do something about this code situation and quit talking about it. We have just started on the program.

Senator CLARK. I am delighted to hear that. Actually, the housing and building codes are much more of an impediment in the cities than they are in the suburbs, are they not?

Mr. BARTLING. In many communities of the country that have a multiplicity of building codes. For example, I understand that Metropolitan Chicago is made up of roughly 900 communities, and I am sure they represent at least 30 or 40 or 50 different codes. In other parts of the country the city has a code and the suburbs do not have a code. So there is no easy, straightforward solution to this. We are advocating the adoption of one of the four recognized general building codes rather than a specific national code as a means of doing it.

Senator CLARK. I suppose individual conditions would differ, would they not, depending on geography?

Mr. BARTLING. There are climatical and geographical differences that would be reflected in building codes.

Frankly, we are proud of these projects, but we would be less than realistic if we implied that through our efforts alone all of the solutions which this country needs could be found. The challenge which we face will demand the best efforts of all groups within the industry, the administrative agencies of Government and the Congress.

In general, 1960 has been a disappointing year for the homebuilding industry. As a result of combination of factors, in particular, the high price of and the general tightness of mortgage money in the late months of 1959 and the early months of 1960, housing starts have run considerably below the same month of the previous year. While it is true that money has been somewhat easier in recent months, though the price for that money is still extremely high, there is an unavoidable time lag between the availability of funds and improvement in the housing scene.

In the first 4 months of this year housing starts were nearly one-fifth lower than a year ago. At best, and this is a fairly optimistic best, we look for a volume of 1,200,000 this year which would be close to 200,000 below 1959's level. In the general state of sidewise drift in the overall economy, there is little likelihood that the volume will exceed the 1,200,000 level.

Senator SPARKMAN. I am not quite clear. You say, "We look for a volume of 1,200,000 this year, which would be close to 200,000 below 1959's level." Is that correct?

Mr. BARTLING. I might be a few thousand off, but I think close to that, Mr. Sparkman.

Senator SPARKMAN. You are close to that figure.

Mr. BARTLING. I would like to make it abundantly clear that we in the homebuilding industry regard a volume of this size as thoroughly inadequate and a poor showing for a vigorous and healthy economy such as we now have in the United States. While it does not portend immediate crisis, it certainly means that we will be doing less than is necessary to meet the housing requirements of the American people. This volume, if we do achieve it, will be fully 400,000 units less than the annual level your own subcommittee has indicated is necessary for the decade of the sixties.

One factor in the relationship of housing to America's growth that is of particular concern to us is the inescapable conclusion that homebuilding has been used as a balance wheel for the rest of the economy.

In the material which we are submitting for the record, we supply some charts and some comments on the chart which clearly indicate the countercyclical experience which the homebuilding industry has had in the past decade. So long as it is considered acceptable that this be the general role of the homebuilding industry, we believe that the industry will encounter great, if not insuperable difficulties, in measuring up to the challenge of better housing for the American people which the Congress of the United States has posed as the objective for the years ahead.

Mr. Chairman, the statement we are submitting for the record goes into further detail on these matters. Appendix 1, with attachments A and B are here, which we would like to put in the record.

Senator SPARKMAN. They will be printed in the record.

PENDING LEGISLATIVE PROPOSALS

Mr. BARTLING. Mr. Chairman, I should like now to give you our views on those matters of main interest to our industry which are pending before you as legislative proposals. First, I should like to express our sincere appreciation to both you and Senator Capehart for joining in the introduction S. 3541, to provide additional financial facilities in the Federal National Mortgage Association and to establish a better central mortgage reserve facility.

We agree wholeheartedly with the statement of Senator Sparkman in the record at the time of introduction of S. 3541. We are hopeful that discussion of this legislation during these hearings will lead to a fuller understanding of the purposes of the bill and a deeper appreciation of the need for legislative action to provide a soundly functioning mortgage reserve facility. In order to provide a complete explanation of the bill as we understand its provisions and to present in fuller detail the viewpoint of the home building industry, I have asked Mr. Nels Severin, who is here with me this morning, a former president of this association and well known to the subcommittee, following my statement, to give you separately, if time permits, our testimony directed solely to S. 3541. At this point, I will say that we unreservedly endorse this proposal and look forward to working with the committee in developing legislation which we hope will continue to receive bipartisan support and passage at the earliest possible date.

Mr. Chairman, we also would like to introduce into the testimony tomorrow or the next day written testimony on the central mortgage facilities, if we may, sir.

Senator SPARKMAN. We shall be very glad to have it at that time.

Mr. BARTLING. Thank you.

As you will note, we have provided a succinct summary of our views on most of the major proposals now pending in Congress on housing as an appendix to this statement, appendix II. We support an increase in the FHA insurance authorization or elimination of the ceiling on this authorization as proposed in S. 3504 as well as continuation of the FHA title I program as proposed in S. 3500. We wish to make sure that the general operations of FHA will continue without interruption and we believe the title I program has proved its value to all homeowners and to the good maintenance of our housing inventory. We also support an entirely new proposal, S. 3502, which would authorize FHA to insure mortgages on apartments in multifamily structures in amounts and terms not different from those in the act for cooperative and rental programs. Experience to date, especially in Puerto Rico, has proved the soundness of this approach to homeownership, we believe, and we think the bill should be enacted at the earliest possible date.

May I now refer to the legislative proposals in S. 3379 which are designed to encourage construction research. Together with efforts to bring about more enlightened building codes throughout the country and to increase the productivity and lower the cost of onsite labor, we believe technological research holds great promise for new horizons in homebuilding. NAHB has been working in cooperation with materials and equipment manufacturers for several years in an effort to improve the quality and lower the cost of homes to the buyers.

As the latest step in this program, our research institute opened its research laboratory during the last year and we completed our fourth research house in conjunction with the Michigan State University. The statement has University of Michigan, but it is Michigan State. Accordingly, we fully support the provisions in S. 3379 to further and encourage housing research in the Housing and Home Finance Agency and in the Federal Housing Administration.

We should also like to comment upon section 1 of S. 3379 which calls for an annual message from the President to Congress including statements and recommendations concerning a residential construction goal. Our association has no established policy on this proposal since it has been introduced so recently. However, in the NAHB policy statement for 1960 we urged "a clear definition of current Government housing policy to the end that programs of the Government in this area can be better coordinated in the interests of housing for the American People."

If the legislation calling for a national housing goal is clearly understood as a means of bringing to the public attention and the arena of public debate the coordinated policies and attitudes of the administration with respect to all programs of housing, then it would seem that this would be a healthy and refreshing effort. Certainly we would not wish, however, to endorse any effort to create a "controlled economy" approach within the public or private housing programs of the Government, nor would we wish to saddle the administrators of the housing programs with a requirement which in all practical commonsense cannot be met. Clearly, the housing industry and the public as well as the Congress should have the benefit whenever possible in advance of knowing for a certainty what the objectives may be of Federal officials responsible for the housing segment of our economy.

Senator SPARKMAN. Mr. Bartling, if I may interrupt right there?

Mr. BARTLING. Yes, sir.

Senator SPARKMAN. I appreciate your statement regarding S. 2279 which, as you know, is the legislative recommendation of this entire subcommittee.

Mr. BARTLING. Yes, sir.

Senator SPARKMAN. I want to say to you that, certainly, it was not in the mind of the subcommittee, and I think not in the mind of any single member of the subcommittee, that this study in any way create a controlled economy or that the administration would be saddled with impractical things, despite the charges that some may have made to this effect. I want it made very clear that what we were seeking to do was to get some leadership in the executive department toward projecting a reasonable program that might be attained, just as it does on so many other things.

Mr. BARTLING. We certainly were confident, Mr. Sparkman, that this was your view, and we heartily agree, I might say, with your viewpoint on this. We completely concur with it.

Senator SPARKMAN. I appreciate it.

Mr. BARTLING. As a general matter, we also support the purpose of S. 3292 to establish a Cabinet post for housing and urban affairs.

On this point, I should like to quote directly from our policy statement for 1960 which reads as follows:

The best interests of homebuilding are no longer adequately served by the present governmental housing agency complex—taking into account the size of the homebuilding industry, its position in the economy, and its capital needs and requirements. The problems of building and financing homes for the predicted “population explosion” of the decade just starting make essential a voice for homebuilding at the highest governmental policy level. We recommend a Cabinet department for housing and related matters.

Finally, I should add that we believe that the time has come for the Congress to consider most seriously a complete reevaluation of Federal housing laws. We believe it should consult with industry and public experts to determine whether new programs and new devices may not be required if America is to make any noticeable progress in the solution of her tremendous housing problems.

Diagnostic study of this complex industry is needed, not an aspirin of expediency when it begins to ache. And as all of you are too painfully aware from the experience of 1957–58, when the housing industry aches, the whole economy hurts.

This subcommittee has made an excellent start toward this diagnosis with its recently completed “Study of Mortgage Credit.” Now, perhaps, is the time to take this study a step further into all of the ramifications of housing laws. We strongly feel that if the general situation of drift is allowed to continue, we may in the not too distant future be confronted with housing problems which are almost insurmountable, in view of the anticipated population increases and rapid expansion of our urban centers.

In closing, we are particularly grateful to this committee for the work which it has already undertaken and for the interest which it has always displayed in its efforts to work out better solutions to the country’s housing problems. Over the years this committee and the Congress have done the industry and the public a true service in providing a forum in which to focus attention upon the many new ideas and concepts which ultimately developed into programs of great benefit to the Nation. I hope this will always be the case.

Thank you for the courtesy and attention given to this testimony and for the opportunity to present the views of the homebuilding industry. I will be happy to answer any questions which may occur to the subcommittee.

Further, I would also like permission, following the conclusion of our spring board meeting on the 24th of this month, to insert in the testimony any additional material which might be developed as a result of our deliberations.

Senator SPARKMAN. We shall be very glad to have it, but I want to suggest that you send it up promptly because we expect to bring this hearing to a close on May 27.

Mr. BARTLING. We will try and do it daily if it develops that fast. But, in advance of our meeting, it is a little hard for us to come up with something specific.

Senator SPARKMAN. I realize that, but we will be trying to get this to the printer as soon as possible.

Mr. BARTLING. Yes, sir.

NATIONAL ASSOCIATION OF HOME BUILDERS,
NATIONAL HOUSING CENTER,
Washington, D.C., May 25, 1960.

HON. JOHN J. SPARKMAN,
Chairman, Subcommittee on Housing, Committee on Banking and Currency,
Senate Office Building, Washington, D.C.

DEAR SENATOR SPARKMAN: This will supplement our testimony of May 18 during which I asked permission to submit for the record any additions to our policies pertinent to pending legislation and decided by our board of directors during its meetings on May 22, 23, and 24.

I am happy to report that there is no matter of major substance which differs from the testimony previously submitted to your subcommittee. Our board considered all of the pending legislation and there was unanimous commendation of your efforts and those of Senator Capehart for introducing S. 3541 to amend and expand the facilities of FNMA.

At a joint meeting of our legislative and mortgage finance committees there was an extensive discussion of section 1 of S. 3379, which calls for the setting of a national housing goal. A resolution was adopted which received the approval of our board of directors, as follows:

"Be it resolved, That NAHB support legislation which, in accord with our policy statement for 1960 adopted by the board in January, calls for 'a clear definition of current Government housing policy to the end that programs of the Government in this area can be better coordinated in the interests of housing for the American people' but that we oppose the setting of a national housing goal which establishes a minimum or maximum number of housing units to be built in any one or two years."

In addition, our board resolved to support the program and legislative proposals of the savings and loan leagues to establish a secondary mortgage market within the Federal Home Loan Bank System to improve and enlarge its sources for conventional mortgages. This proposal is now contained in title II of H.R. 12153, pending before the House Banking Committee. A resolution in support of the proposed schedule of FHA downpayments in H.R. 12153 was tabled during the board sessions so that we have no policy with respect to this proposal.

Other committees of our board of directors expressed in their reports general approval of legislation to permit FHA to insure mortgage loans on condominium-type apartment mortgages and expressed general approval of the objectives in S. 3282 to permit savings and loans to invest some of their resources in similar institutions in newly developing countries.

As soon as our economics department can finish tabulating the returns on our latest builders economic council survey, this information will be forwarded to your committee for use and reference in connection with the current housing bills.

Thank you again for your courtesy in receiving our testimony.

Sincerely,

MARTIN L. BARTLING, Jr., *President.*

Mr. BARTLING. I have Mr. Severin here also, Mr. Sparkman, in case you want to ask him any questions.

Senator SPARKMAN. I was going to suggest we might hear from Mr. Severin before submitting questions.

We are glad to have you with us.

Mr. SEVERIN. Thank you, sir.

As you know, Mr. Chairman, and Mr. Clark, it has been my privilege to appear before your committee many, many times. I am privileged to have the opportunity again.

I want to talk in support of S. 3541, as Mr. Bartling suggested, which is a bill to create a central mortgage reserve facility. Nobody in Government is more aware of the conditions that exist in housing than is yourself, both as to the inadequacy of production, as pointed out by Mr. Bartling, and as to the funds necessary for mortgages to support this industry of ours. We built roughly 1,400,000 houses in 1959 under conditions almost intolerable in the mortgage market

due to the tight money situation that existed, to the point that discounts became unbearable.

I think that production for 1960 is already reflecting the attitude of builders around the country, of their unwillingness to further put up with the cost of money. If we had trouble in financing our houses in 1959 more than in earlier years, and if all of us are in agreement, and I think we are, that we must materially step up our production in the 1960's to meet the population explosion that is occurring, where in the world will we turn for the mortgage money that we must have in the 1960's if we did have such difficulty in the 1950's?

It seems obvious to us that we must find new methods and new sources that might be reliable to support the mortgage market. Therefore, in conjunction with many of the other trade associations, from whom I know you will hear, we have developed this program that has been embodied in S. 3541 as introduced by you, Senator Sparkman.

At the outset, let me say that it is not NAHB's intention nor desire to create some great new Government agency, but rather we do hope that by a series of amendments, we will change the structure of the Federal National Mortgage Association in such respects as will make it more workable to support the mortgage market.

Let me also make it clear that it is not our desire or our feeling that the mortgage market should have an inordinate amount of money funneled through it, but rather that some method must be found to make it possible for the homebuyers, the homebuilders, of America to find ways to get their fair share of such money as is available.

In other words, what I am trying to say is that we recognize truly that there must be peaks and valleys in the supply of mortgage money and that we expect we shall have to abide by the valleys as well as any other segment of industry. But Mr. Bartling also pointed out that the homebuilding industry in the past has been used, and we think unfairly so, as a countercyclical vehicle in the economy. These amendments that we talked about will involve, first, one that would make it possible for FNMA to lend money to banks, mortgage companies or other originators of mortgages on the basis of pledging FHA and GI mortgages as security to the extent of 90 percent of the unpaid balance at such rates as FNMA would prescribe and under such conditions and rules as they would prescribe.

In return, anyone who did business with FNMA under that program would be required to buy one-half of 1 percent of the total transaction in FNMA's common stock, which is similar to the way they presently operate the secondary market operation.

Senator SPARKMAN. Let me ask you something there. You say it would authorize FNMA to sell these mortgages to banks, insurance companies, and savings institutions; is that right? Are those the categories?

Mr. SEVERIN. No, sir; I did not say that. Did you ask me did I favor that?

Senator SPARKMAN. Will you restate what you said?

Mr. SEVERIN. I said that we in NAHB favor a program which, by the passage of this S. 3541, would make it possible for banks, savings and loans, any type of mortgage originator, to go to FNMA and hypothecate these mortgages up to the extent of—

Senator SPARKMAN. Oh, it was just the other way.

Mr. SEVERIN. That is right. For a period of 1 year with no more than 1 year's renewal allowed and, as I stated, at 90 percent of the unpaid balance at rates to be prescribed by FNMA. This would be in addition to their secondary operation, Senator, which presently allows them to buy mortgages. Obviously, they do so with the view in mind they will turn around and sell them to whomever they can get to buy them.

Senator SPARKMAN. Of course, a lot of this legislation, a good part of it, pertains to FNMA. You don't actually change the present structure of FNMA, do you?

Mr. SEVERIN. Yes, sir. We would like to propose, and the bill also does so, that the—

Senator SPARKMAN. As I remarked on the floor at the time I was introducing the bill by request, I had just received it and had not had time to study or analyze it.

Mr. SEVERIN. If you refer to the financial structure, no, we do not propose any changes in that. But we do propose some changes in its management structure.

Senator SPARKMAN. Yes, I understand that. But I meant it now has a threefold operation. It has the secondary market; it has the primary market—I suppose you would call it—in the special assistance field, and then it has the liquidation. You do not change any of that, do you?

Mr. SEVERIN. We feel that ultimately the FNMA operation should become, and rightfully so, a private enterprise operation under Government sponsorship and, of course—

Senator SPARKMAN. Of course, under the law now, it is a quasi- or semi-private—

Mr. SEVERIN. That is right. For practical form, we know this cannot be done any earlier because they have an advance reservoir of mortgages under their control, and these must be liquidated in an orderly fashion in order to make the whole thing work. But we do not ask that FNMA be given any more Government support, but that, rather, its financial structure be changed to the point that their borrowing capacity shall be 15 to 1 rather than the present 10 to 1 authorized by the law.

Here is one place where NAHB departs slightly from some of our counterparts in the trade in that we feel it really should be 20 to 1. But, in the interests of finding something on which we could agree, we would go along with the 15 to 1 also.

Senator CLARK. Mr. Severin, could I interrupt to ask you this: As I understand it, this bill which Senator Sparkman introduced by request would still leave FNMA as a partially privately owned institution, charged with the duty of making a profit. Is that right?

Mr. SEVERIN. That is right. However, I would like to make it clear that, ultimately, Senator, we would like to have this by its orderly liquidation of the portfolio it presently has and by the retirement of the preferred stock which the Treasury Department has contributed to FNMA's capital, becoming, as I stated, a private enterprise under Government-sponsored operation.

Senator SPARKMAN. Your thought is that with sufficient capital upon which to operate and this flexibility that you provide for, it would give stability in the market that would remove a lot of these headaches we have now such as discounts and things of that kind?

Mr. SEVERIN. Yes, I do, indeed, sir, and I would like to expand on that for a moment, if I may. I am getting a little ahead of myself, but that is all right.

Senator CLARK. Before you do, I thought "stability" was a naughty word.

Mr. SEVERIN. Not to me, sir.

I think it is a very creditable word.

The objective of expanding FNMA's operations is to encourage different types of funds that are not presently invested in the mortgage market to come into the mortgage market, even by an indirect route, if necessary, through the expanded authority of FNMA to issue additional debenture bonds. I think it has been amply proved in the marketplace that FNMA's securities are well received and that there is no reason in our Government why this could not be readily expanded.

This appeal would be made to pension funds which have a very, very small percentage of their funds presently invested in mortgages. It should also appeal to private and public trusts. It should also appeal to all types of investors. I think one of the most important sources that might be tapped through the passage of this bill would be the thousands of small commercial banks that are scattered around the country who are very reluctant presently to invest any of their funds in long-term monthly payment mortgages for the reason that they feel they must maintain a degree of liquidity which they do not think they would have with mortgages, and rightly so.

If they felt there was a place to which they could turn in terms of depositors' requirements and pledge these mortgages temporarily for the funds that they would need to meet the requirements of their depositors, I feel confident, and so do my associates, that we would have much wider participation in the smaller communities where it is really needed around the country.

Senator CLARK. In this regard, the bill would be quite analogous to the functions of the Federal Reserve bank, would it not?

Mr. SEVERIN. In that the commercial banks of the country, of course, currently, the Federal Reserve could hypothecate their loans and this, in a sense, would be a place where the commercial banks could also turn for mortgages, which they may not presently pledge with the Federal Reserve due to their regulations. To get on with it, we would certainly feel that it is important to change the management structure of FNMA to the degree that the President of the United States appointed the President of FNMA in contrast to its present system of appointment. We think that there should be two other members, making a board of directors of three full-time managers of the Federal National Mortgage Association who would establish policies and be responsible for the management of the organization.

We think, in addition to that, that there should be created an advisory council of 12 members from geographically scattered locations around the country, men who are broadly experienced in the whole building and mortgage lending field as advisors to meet not less frequently than once every 4 months in various cities around the country.

Mr. Bartling points out to me this is no reflection upon Stanley Baughman, the president of FNMA. I think it is important that we highlight our very great appreciation of the job that Mr. Baughman has done. But we think he cannot last forever and that we should recognize the fact that in other hands, FNMA might not have been operated as efficiently as it has been.

Senator SPARKMAN. It seems to me that probably the greatest merit of your recommendation on that, as I gathered from reading your proposal, is that you propose a board that will bring in three full-time people who will devote their full time and effort to the managing of the affairs of FNMA.

Mr. SEVERIN. With staggered terms, sir.

Senator SPARKMAN. What?

Mr. SEVERIN. With staggered terms.

Senator SPARKMAN. The way it is now, Mr. Baughman—and I share the high regard you have for him; I think the country is indebted to him for the very fine job he has done over the years with FNMA—is a full-time man, gives his full time to that. But the other two are ex officio people, are they not?

Mr. SEVERIN. Yes.

Senator SPARKMAN. They are closely identified with that one industry and that one agency. You would make it possible to bring in a much broader viewpoint to the Board, is that right?

Mr. SEVERIN. That is correct; sir, yes.

We feel, too, in NAHB that this Board should have the right to establish interest rates on FHA and VA loans. We feel strongly about it. Our contemporaries do not necessarily feel as strongly as we do, and in the interest of getting some type of legislation passed, we would not hold out in opposition to the bill for that reason. I cite this to point up merely, Mr. Chairman, that the industry is not in complete agreement on the details of the bill, but we are certainly in, so far as I know, complete agreement that something must be done and soon if we are going to meet the challenges of housing in this country.

Senator SPARKMAN. You are familiar with the fact that in our subcommittee report on mortgage credit we recommended that the agency give consideration to the establishment of some such setup as that?

Mr. SEVERIN. Yes; I am.

A second feature of S. 3541 to me and to my associates in the NAHB is the establishment of a system of chartering Federal mortgage investment corporations which would, under the bill, each be required to have a minimum capital of \$1 million and would have debenture issuing authority all under the supervision of FNMA and would be entitled to operate in very much the same fashion as the Federal National Mortgage Association presently is. As I said, all under the supervision—

Senator SPARKMAN. Would that be under the control of the FNMA Board?

Mr. SEVERIN. Under the control of the FNMA Board, chartered by them, and supervised and examined by them. This would not be too much different than the Home Loan Bank Board presently operates so far as the savings and loan associations are concerned.

We think that some of the features which we will cover in our report to be filed with you, as you have already indicated you would like us to do, will cover tax treatment for these Federal mortgage associations and will cover other refinements that we think important.

I would like to highlight our attitude on this feature by saying that we are confident that there are many, many private funds in local communities around the country that presently make no investments whatever, or relatively so, in mortgages that could be induced to buy the securities of a more or less local Federal mortgage investment association—such things, particularly, as local union pension and welfare funds and trusts of a local nature. We think we could greatly expand the amount of money coming into the private mortgage market through this vehicle.

As Mr. Bartling stated, I, too, would be very glad to answer any questions that you might wish to put to me about it. We certainly wholeheartedly support the passage of S. 3541.

Senator SPARKMAN. Just for the record, this is nothing new, is it?

Mr. SEVERIN. Nothing new.

Senator SPARKMAN. What I mean is that it is not something you have just brought out quickly here?

Mr. SEVERIN. No, sir.

Senator SPARKMAN. How long have you been—

Mr. SEVERIN. At least 4 years I know of that I have been talking to you, sir, about this matter.

Senator SPARKMAN. You may remember that nearly 10 years ago, I introduced a measure, seeking a central mortgage bank of some kind. I don't remember just what year it was, 1950 or 1951, somewhere along there, and I have said many times I wished something could be done. I know your organization has been working on it. As I recall, 18 not, among your objectives?

Mr. SEVERIN. It is still there, sir.

Senator SPARKMAN. Is it not true that you made an appropriation and had a research group make a careful study of it?

Mr. SEVERIN. Yes, it is. We have a committee in NAHB we call EPIC.

Mr. BARTLING. It is a long-range planning committee.

Mr. SEVERIN. At any rate, we came up with the conclusions, after the activity of this committee, that something certainly should be done, as I said earlier, if we are going to meet the mortgage requirements of the expanded home loan building in the 1960's.

Senator SPARKMAN. Is it true that the Mortgage Bankers Association has been working along the same line over several years?

Mr. SEVERIN. Yes; it is true.

Senator SPARKMAN. Is it not true that for the first time the Home Builders, the Mortgage Bankers Association, and the Real Estate Boards are presenting a united front behind these recommendations?

Mr. SEVERIN. I cannot speak for them except to say I think such is the case, but they will testify for themselves, of course. I can only state we have met under the sponsorship—

Senator SPARKMAN. I will say the real estate boards have already presented their testimony.

Mr. SEVERIN. I am glad to hear that.

But we met, if they did not inform you of the fact, under the sponsorship of the Housing and Home Finance Administrator's sponsorship to have a roundtable discussion of this. And our request to have you introduce this bill, sir, was the outgrowth of that.

I stated that we had compromised on our different attitudes, but I think it is safe to say we are in agreement that this is a good bill and should be passed.

Senator SPARKMAN. I was going to ask you if you had had conversations with the housing agency people.

Mr. SEVERIN. Yes, sir; we have.

Senator SPARKMAN. We have invited them to come before us again on the 26th, and I assume, at that time, I hope, they may be able to give us a statement regarding this.

Thank you, Mr. Severin.

Senator Clark, do you want to ask some questions of Mr. Severin or of Mr. Bartling, either one?

Senator CLARK. Just a couple, Senator.

I take it that you gentlemen are in accord that tight money and high interest rates are holding down housing starts. Is that right?

Mr. BARTLING. It is one of the contributing factors, as we point out in our statement. There are other impediments and obstacles to attaining our housing goals. We mentioned land codes, et cetera, but this past year it has been a real deterrent, let us say, to achieve the rate of production we would like.

Senator CLARK. You think that this bill of Senator Sparkman's, which Mr. Severin has just been testifying to would make additional needed credit available so that more houses could be built?

Mr. SEVERIN. Without question, it would. I do not expect to see a change immediately because this is still something that will have to be pioneered a little bit, but I am talking more or less long-range, that we simply must have some new vehicle created to attract funds into the mortgage market that presently do not come there. I regard the pension funds which are growing at accelerated pace every year as the most logical one that we should try to appeal to.

Mr. BARTLING. I might say, Senator Clark, we do not regard this proposal as being a panacea, a cureall, for all our problems. But it is certainly a step in the right direction to face up to some of these problems.

Senator CLARK. I understand. I do not want to overemphasize the importance of low interest and easy credit, either, because there are lots of other factors. Perhaps the most important one of all is the cost of materials and of land. Would you not think that if interest rates generally were substantially lower than they are today and credit more readily available, you would build a lot more houses?

Mr. BARTLING. Yes, sir, I think the answer to that is obvious. If those conditions were present, I am sure our housing starts would be greatly stimulated. The demand and the desire is there.

Senator CLARK. We do not need to get into any arguments about inflation or monetary policy, but it is an actual hard, cold fact, is it not, that tight money and high interest is holding down the number of houses, which you would otherwise build, and holding it down substantially?

Mr. BARTLING. Every time you raise the interest, of course, you raise the monthly cost of owning this house, and you obviously eliminate a certain segment of the people who can qualify under the present rules of qualification.

Senator CLARK. You price an additional number of American families out of the market.

Mr. BARTLING. Yes, sir, and we are concerned particularly with the vacuum in the low- and moderate-income brackets.

Senator CLARK. Although I note you do not see eye to eye with me as to what we should do about it.

Mr. BARTLING. I do not know, necessarily, about that.

Senator CLARK. I am talking about the middle-income housing bill.

Mr. BARTLING. On the middle-income housing bill, anticipating you might ask me a question, I did a little homework on that this morning, Senator.

Senator CLARK. Yes, you encouraged me to ask you.

Mr. BARTLING. This subject will be discussed at some length at our board meetings in the next few days. If you will look on page 2 of one of our appendixes back here, you will find we have not taken any stand on your proposal on this or the counterpart proposal in the House at this time. As a matter of fact, we are planning on checking into this with a great deal of interest because we have had several proposals put forward that hold some of these same features that we must discuss with this. And the study we have underway of alternatives to the public housing, I am sure will deal with this. Our thinking is we have not got enough background to really state authoritatively where we are going.

Senator SPARKMAN. Senator Clark, I call attention to the fact that in his direct statement, Mr. Bartling pointed out the existing gap that they have not reached and need to reach.

Senator CLARK. I am delighted that I appear to have been misinformed. Let me suggest to you in all seriousness, Mr. Bartling, that you take a good, hard look at New York. Senator Javits is certainly convinced that it works up there and that it does not interfere with the legitimate expansion of private homebuilders, that this will not be competition which will hurt you fellows a bit. Whether it will make, at least, a start toward bridging this gap, which you point out in your testimony, I know you are going to give it an objective look.

Mr. BARTLING. We plan to, sir.

Senator CLARK. I hope you will come out with a feeling you can support the bill.

Mr. Severin, you wanted to say something?

Mr. SEVERIN. Senator Clark, may I speak to the subject of low interest and tight money, as you put the question?

Senator CLARK. Yes, I wish you would.

Mr. SEVERIN. I would like to make it clear there is a large segment of NAHB that feels very strongly that flexible interest rates are the answer to many of our problems. I would have to certainly agree with Mr. Bartling that your premise that if we have low interest rates and relatively free money, we are going to build more houses is correct. But I would also hasten to say that I do not think any of us expect that we can go contrary to the economy generally.

If tight money exists for other industries and, therefore, higher interest rates, we certainly feel that we have got to bear our burden of such a load also.

Senator CLARK. I would expect such a comment from so wise a conservative.

Mr. SEVERIN. Thank you.

Senator SPARKMAN. May I just say, and I have made this point many times, there is in existence a flexible interest rate, since the ceiling is 6 percent and FHA has been given the right to operate under the 6 percent ceiling. FHA has never seen fit to go to 6 percent.

Senator CLARK. Of course, my point is that it is a deliberate policy of the Treasury and the Federal Reserve Board to keep money tight and interest rates high because they think in that way they can curb inflation. And some of us think they are nuts, but they think we are nuts.

Mr. SEVERIN. Mr. Clark, you should know that some of my colleagues think I am not conservative.

Senator CLARK. May I ask Mr. Bartling a question? I am refraining from commenting about what is happening in California. I can comment off the record later.

Mr. Bartling, we have had some disturbing reports. I do not think they are much more than rumors at the moment, that there is a backlog of unsold new housing building up. I wonder if you have any facts, or whether you could reasonably quickly get them, which would advise the committee of the number of unsold new housing units in the current market and the price range of these unsold units and their geographical location?

Mr. BARTLING. Mr. Clark, we sent out a builder's intention survey just about 10 days ago, or less, in anticipation of our builders coming into this meeting. This survey goes to, I believe, 600 or 800—600, I believe—carefully selected builders who form a builders economic council. Statistically, this is done on a basis that should mean something.

These figures are coming in at the present time, and I think one of the questions—I know one of the questions—we have asked in this rather extensive survey is this market analysis, and I am confident that at some time during this meeting we will be able to pinpoint some of these problems.

It is quite true that in some areas of the country I understand that due to, let us say, the cost of doing business nowadays, there have been a lot of people with sufficient income, but who do not have sufficient savings to qualify. Therefore, we were quite happy to finally get into effect the lowering of downpayments on FHA on the above \$15,000 bracket because this has a decided impact on the situation we are talking about.

Senator CLARK. Will this study you are making reveal the answer to questions I asked you?

Mr. BARTLING. I think, in part, it will. If not, perhaps we can develop means of getting it at this meeting. We certainly will supply you with whatever information we have.

Senator CLARK. Send it up here by special delivery.

Mr. BARTLING. We certainly will.

Senator SPARKMAN. Thank you very much, gentlemen. We appreciate your help.

(The prepared statement of Mr. Bartling follows:)

STATEMENT OF MARTIN L. BARTLING, JR., PRESIDENT, NATIONAL ASSOCIATION OF HOME BUILDERS

Mr. Chairman and members of the subcommittee, my name is Martin L. Bartling, Jr., and I am a homebuilder in Knoxville, Tenn. I appear before you today as president of the National Association of Home Builders, a trade association representing 44,000 members affiliated in 342 local and State associations in all parts of the United States.

I appreciate this opportunity to express the views of the homebuilding industry on the current status of the industry and with respect to the many legislative proposals now pending before this subcommittee.

At the outset I should like to discuss very briefly with the subcommittee some of the fundamental problems facing the housing industry, the Government and the American public today. We look at the decade of the 1960's as being both a tremendous opportunity and a period which will require redoubled efforts on the part of all who are concerned with American housing to work out better solutions to a whole range of problems with which all of us are familiar.

During the decade of the 1950's we produced some 12 million housing units. During the same period our population increased by 25 million, and our gross national product increased by about 70 percent to \$500 billion. During the sixties we are told that our population will increase by 34 million, and our gross national product will increase another 50 percent to \$750 billion.

Your own subcommittee has already completed an excellent study resulting in a report entitled, "A Study of Mortgage Credit," which concludes that during the 1960's we must produce at least 16 million houses if we are to keep pace with the needs of our expanding population and growing urban centers. We heartily concur in the findings of your subcommittee and are, as an association, doing our best to meet the challenge of the 1960's.

Our present rate of production is only slightly more than 1,100,000 units per year. Even if we are successful in raising 1960 production to 1,200,000 units, it is obvious that we are falling substantially behind our minimum housing requirements.

All of the problems which face the housing industry can be summarized very simply, it seems to me. Due to a whole complex of factors involving speculative land costs, increasing and expensive local and Federal requirements, increases in the cost of materials, increases in the costs of community facilities, outmoded codes, lack of technical research, and finally, but by no means least, chronic shortages in the supply of mortgage credit and excessive charges therefor have prevented us from making any substantial progress in meeting the housing needs of the people of moderate and lower income. The latest available figures indicate that 36 percent of the families in this country have annual incomes of less than \$4,000. Despite the fact that these families represent such a high proportion of our total population, families in this income group represented less than 4 percent of the purchasers of FHA houses in 1958. Similar figures are not available on housing produced and sold with conventional financing but it seems only reasonable to assume that the picture is certainly not better and may even be worse, since customarily we have looked to the FHA as the principal device available to the building industry to help in the production and financing of modest priced homes.

In a limited but nevertheless serious way we in NAHB are diverting a substantial share of our resources to attacking all of the problems which I have just enumerated. For example, we are now engaging in a special study on the economical utilization of land; we have established a modest research laboratory in which we are carrying on a series of tests and projects which we hope will result in cost savings techniques; we have sponsored a series of research houses striving in each case to improve construction techniques and to stimulate the utilization of new and economical products; we are undertaking special studies in the fields of mortgage financing and are attempting to develop newer, improved and more acceptable means of housing the lowest income families in our society. We have initiated intensive work in the building code field. Frankly, we are proud of these projects, but we would be less than realistic if we implied that through our efforts alone all of the solutions which this country needs could be found. The challenge which we face will demand the best efforts of all groups within the industry, the administrative agencies of Government and the Congress.

SUMMARY STATEMENT OF HOMEBUILDING AND ECONOMY

In general, 1960 has been a disappointing year for the homebuilding industry. As a result of a combination of factors, in particular, the high price of and the general tightness of mortgage money in the late months of 1959 and the early months of 1960, housing starts have run considerably below the same month of the previous year. While it is true that money has been somewhat easier in recent months, though the price for that money is still extremely high, there is an unavoidable timelag between the availability of funds and improvement in the housing scene.

In the first 4 months of this year housing starts were nearly one-fifth lower than a year ago. At best, and this is a fairly optimistic best, we look for a volume of 1,200,000 this year which would be close to 200,000 below 1959's level. In the general state of sidewise drift in the overall economy, there is little likelihood that the volume will exceed the 1,200,000 level. I would like to make it abundantly clear that we in the homebuilding industry regard a volume of this size as thoroughly inadequate and a poor showing for a vigorous and healthy economy such as we now have in the United States. While it does not portend immediate crisis, it certainly means that we will be doing less than is necessary to meet the housing requirements of the American people. This volume, if we do achieve it, will be fully 400,000 units less than the annual level your own subcommittee has indicated is necessary for the decade of the sixties.

One factor in the relationship of housing to America's growth that is of particular concern to us is the inescapable conclusion that homebuilding has been used as a balance wheel for the rest of the economy.

In the material which we are submitting for the record we supply some charts and some comments on the charts which clearly indicate the countercyclical experience which the homebuilding industry has had in the past decade. So long as it is considered acceptable that this be the general role of the homebuilding industry, we believe that the industry will encounter great, if not insuperable difficulties, in measuring up to the challenge of better housing for the American people which the Congress of the United States has posed as the objective for the years ahead.

The statement we are submitting for the record goes into further detail on these matters (app. I, with attachments A and B).

PENDING LEGISLATIVE PROPOSALS

I should like now to give you our views on those matters of main interest to our industry which are pending before you as legislative proposals. First, I should like to express our sincere appreciation to both Senator Sparkman and Senator Capehart for joining in the introduction of S. 3541, to provide additional financial facilities in the Federal National Mortgage Association and to establish a better central mortgage reserve facility.

We agree wholeheartedly with the statement of Senator Sparkman in the Record at the time of introduction of S. 3541. We are hopeful that discussion of this legislation during these hearings will lead to a fuller understanding of the purposes of the bill and a deeper appreciation of the need for legislative action to provide a soundly functioning mortgage reserve facility. In order to provide a complete explanation of the bill as we understand its provisions and to present in fuller detail the viewpoint of the homebuilding industry, I have asked Mr. Nels Severin, a former president of this association and well known to the subcommittee, following my statement to give you separately our testimony directed solely to S. 3541. At this point, I will say that we unreservedly endorse this proposal and we look forward to working with the committee in developing legislation which we hope will continue to receive bipartisan support and passage at the earliest possible date.

As you will note, we have provided a succinct summary of our views on most of the major proposals now pending in Congress on housing as an appendix to this statement (app. II). We support an increase in FHA insurance authorization or elimination of the ceiling on this authorization as proposed in S. 3504 as well as continuation of the FHA title I program as proposed in S. 3500. We wish to make sure that the general operations of FHA will continue without interruption and we believe the title I program has proved its value to all homeowners and to the good maintenance of our housing inventory. We also support an entirely new proposal (S. 3502) which would authorize FHA to insure mortgages on apartments in multifamily structures in amounts and terms

not different from those in the act for cooperative and rental programs. Experience to date, especially in Puerto Rico, has proved the soundness of this approach to homeownership, we believe and we think the bill should be enacted at the earliest possible date.

May I now refer to the legislative proposals in S. 3379 which are designed to encourage construction research. Together with efforts to bring about more enlightened building codes throughout the country and to increase the productivity and lower the cost of onsite labor, we believe technological research holds great promise for new horizons in homebuilding. NAHB has been working in cooperation with materials and equipment manufacturers for several years in an effort to improve the quality and lower the cost of homes to the buyers. As the latest step in this program our research institute opened its research laboratory during the past year and we completed our fourth research house in conjunction with the University of Michigan. Accordingly, we fully support the provisions in S. 3379 to further and encourage housing research in the Housing and Home Finance Agency and in the Federal Housing Administration.

We should also like to comment upon section 1 of S. 3379 which calls for an annual message from the President to Congress including statements and recommendations concerning a residential construction goal. Our association has no established policy on this proposal since it has been introduced so recently. However, in the NAHB policy statement for 1960 we urged "a clear definition of current Government housing policy to the end that programs of the Government in this area can be better coordinated in the interests of housing for the American people." If the legislation calling for a national housing goal is clearly understood as a means of bringing to the public attention and the arena of public debate the coordinated policies and attitudes of the administration with respect to all programs of housing, then it would seem that this would be a healthy and refreshing effort. Certainly we would not wish, however, to endorse any effort to create a controlled economy approach within the public or private housing programs of the Government, nor would we wish to saddle the administrators of the housing programs with a requirement which in all practical commonsense cannot be met. Clearly the housing industry and the public as well as the Congress should have the benefit whenever possible in advance of knowing for a certainty what the objectives may be of Federal officials responsible for the housing segment of our economy.

As a general matter, we also support the purpose of S. 3292 to establish a Cabinet post for Housing and Urban Affairs. On this point, I should like to quote directly from our policy statement for 1960 which reads as follows:

"The best interests of homebuilding are no longer adequately served by the present governmental housing agency complex—taking into account the size of the homebuilding industry, its position in the economy, and its capital needs and requirements. The problems of building and financing homes for the predicted 'population explosion' of the decade just starting make essential a voice for homebuilding at the highest governmental policy level. We recommend a Cabinet department for housing and related matters."

Finally, I should add that we believe that the time has come for the Congress to consider seriously a complete reevaluation of Federal housing laws. We believe it should consult with industry and public experts to determine whether new programs and new devices may not be required if America is to make any noticeable progress in the solution of her tremendous housing problems.

Diagnostic study of this complex industry is needed, not an aspirin of expediency when it begins to ache. And as all of you are too painfully aware from the experience of 1957-58; when the housing industry aches, the whole economy hurts.

This subcommittee has made an excellent start toward this diagnosis with its recently completed study of mortgage credit. Now, perhaps, is the time to take this study a step further into all of the ramifications of housing laws. We strongly feel that if the general situation of drift is allowed to continue, we may in the not too distant future be confronted with housing problems which are almost insurmountable, in view of the anticipated population increases and rapid expansion of our urban centers.

In closing, we are particularly grateful to this committee for the work which it has already undertaken and for the interest which it has always displayed in its efforts to work out better solutions to the country's housing problems. Over the years this committee and the Congress have done the industry and the

public a true service in providing a forum in which to focus attention upon the many new ideas and concepts which ultimately developed into programs of great benefit to the Nation. I hope this will always be the case.

Thank you for the courtesy and attention given to this testimony and for the opportunity to present the views of the homebuilding industry. I will be happy to answer any questions which may occur to the subcommittee.

APPENDIX I

THE CURRENT STATUS OF THE HOUSING INDUSTRY

At the outset of my testimony I should like to give the members of this subcommittee a brief summary of the housing situation as we in the homebuilding industry view it.

Expressed in very simple terms, the year 1960 has so far been a disappointing period for the homebuilders of this country. As a matter of fact, the current state of affairs really dates from last fall when mortgage money became increasingly difficult to obtain and expensive to pay for. Since that time, housing starts have generally run considerably behind the same month the year previous. During the first 4 months of this year the total volume of new private housing which the industry was able to start was some 19 percent below the levels attained in the same period of 1959. I have attached to my formal statement a simple memorandum comparing the housing starts figures for these two periods (attachment A).

As I am sure the members of this subcommittee will recall, as we moved into 1960, there was widespread optimism about the overall economic outlook for the year ahead. A spirit of optimism pervaded the thinking of economists for virtually every sector of the economy—except home building. There was general agreement that homebuilding activity in 1960 would be below 1959. I take no particular pleasure in the fact that the forecasters proved to be right only in the housing field. Housing has declined, but the overall improvement in the economy as a whole has not occurred. Rather, the economy has remained on a somewhat high plateau during the first quarter of 1960 but has shown no real forward movement nor are there any indications that there will be such movements within the immediate future.

So far as homebuilding is concerned, we anticipate that the next several months may show some slight improvement over the situation which now prevails. At best, this is far from a satisfactory outlook. Production at an annual seasonal rate of only slightly more than 1,100,000 is simply too low a figure when weighed against the housing demands of the American people.

The question is frequently asked as to why homebuilding volume has not improved since the money markets have eased somewhat in recent months. I know that the members of this subcommittee are thoroughly familiar with the sensitivity of homebuilding activity to the availability and price of mortgage credit. The subcommittee also understands, I am sure, that usually there is a lag of anywhere from 3 to 6 months between the time funds do become available and that availability is translated into additional housing starts. The money market was extremely tough last fall and the industry just does not start up quickly after the kind of cutback we had to take at that time. Finally, while it is true that the general money markets are somewhat easier than they were last fall, it is also true that mortgage money behaves rather differently than other types of credit. Time and time again we have learned that mortgage money is the last type of credit to feel the effects of any general money easing just as it is the first to feel the effects of tightening.

On the whole, it has been our experience that mortgage interest rates are still higher than they were a year ago and discounts are about the same, even though there has been some easing in the general money market. We see little hope that this situation will be measurably improved in the near future. For one thing, certain of the forces which have contributed to some easing in the money market are not likely to continue. For example, the fact that homebuilding has been proceeding at substantially reduced levels in recent months has undoubtedly been one of the factors which has contributed to some easing in the market. The same may well be true of the slower than expected business conditions. Furthermore, tax receipts by the Treasury will be heavier than ex-

penditures during the first half of 1960, which will fall behind in the second half when the Treasury will again be in the market to refinance maturing issues.

To sum up I should say that, while we expect some moderate improvement in the housing-production picture in the months ahead, we are convinced that we will have real difficulty in producing as many as 1,200,000 units this year.

I certainly do not mean to imply that a volume of this size indicates an immediate and major crisis situation. At the same time, I cannot emphasize too strongly my own conviction that production at this level is cause for neither satisfaction nor congratulations to the housing industry. Quite to the contrary, I think we are falling far short of what the industry should be doing in the way of providing housing, particularly for the large group of underhoused citizens who are in the moderate income group.

I firmly believe that we could build and sell a minimum of 200,000 units more this year if mortgage funds were available in reasonably supply and at reasonable prices. Certainly, an added volume of this size would place no great strain on the suppliers of material or our labor force. Actually, if our forecasts prove accurate, we will produce 200,000 less units this year than we built in 1950, when our population was 25 million fewer and when our gross national product was only \$284 billion as compared with the over \$500 billion expected this year. As a matter of fact, in the last 4 years over the past decade, the industry has produced more than the 1,200,000 units which we will be fortunate to build this year. Thus, the volume of new homes in 1960 at the most optimistic estimate will be a good 400,000 units less than the annual level for the next ten years found necessary by your subcommittee in its recent report on "A Study of Mortgage Credit."

It is our firm belief that so long as production continues at present levels we are sadly underproducing the housing which is sorely needed if this country is to make any improvement of consequence in American living standards. In point of fact, the production of 1.2 million homes a year is barely adequate to meet the requirements which arise from new family formations and the replacement of units that will be lost as a result of demolition and similar causes. In short, we are barely holding our own and holding our own is simply not good enough for what should be a growth industry in an expanding American economy.

If I may, I should like to emphasize to the committee certain of the basic reasons which seem to underlie the problems faced by the housing industry.

In the first place, if we examine the whole pattern of economic growth during the past 10 years it is hard to escape the conclusion that homebuilding has been used as a balance wheel for the rest of the economy. I have attached to my statement a chart which compares housing starts and the economy generally in the postwar period (attachment B). The chart highlights dramatically how much greater has been the fluctuation in homebuilding than in the economy as a whole. You will not on the chart that in each of the postwar recessions homebuilding seemed to lead us in and lead us out—an honor which we would be happy to do without, as you can well appreciate.

On the surface this would seem to be a good demonstration of a generally accepted economic theory that homebuilding is more volatile than the economy as a whole and that housing starts lead economic activity both on the downswing of a recession and the upswing of a boom. Yet it seems to us that this demonstration is a thoroughly misleading one. Throughout the postwar period the volume of homebuilding has been closely influenced by Government policy and by actions of the Federal Reserve. In fact, a very close correlation could be made between governmental actions and the reaction of homebuilding.

The net result of the balance wheel role which housing has filled has meant a great deal of up and down activity during the past several years.

Without dwelling at length on the point, I should like to remind the committee that any industry which shows such marked fluctuations and such an induced instability is laboring under severe and very real handicaps in its attempts to achieve production efficiency. Without a reasonable degree of stability—reasonable enough to allow builders to plan their operations for some time into the future—we can at best make only slow progress in the reduction of true housing costs. I know of no industry in America that has successfully improved its efficiency and reduced its costs which did not enjoy, during the process, a fair degree of stability in terms of its production and marketing levels.

ATTACHMENT A
HOUSING STARTS ACTIVITY

In recent months housing starts have fluctuated within a very narrow range, some 15 to 20 percent below the same period of last year. This continuing stability at a low rate probably reflects a lack of "zest" in the markets, both of mortgage money and sales. While the results so far this year are disappointing, the very fact that no decline has taken place since early this year is in itself somewhat encouraging, given the sidewise drift of the economy generally. The moderate recent easing in mortgage money supply—though not particularly in the cost of that money—permits some mild optimism for improvement in the months ahead. This, despite the unexpected drop in FHA new-home applications, is about the way the situation now sizes up. No great changes in either direction seem immediately in prospect, though moderate improvement may occur through the summer months.

Table A-1 shows housing starts monthly so far this year. Table A-2 shows the situation as of April 1960 for starts by type of financing and applications under FHA and VA.

TABLE A-1.—Housing starts—1960 compared with 1959

	Monthly totals		Seasonally adjusted annual rate	
	1959	1960	1959	1960
January.....	87,000	76,300	1,364,000	1,210,000
February.....	94,500	76,500	1,403,000	1,115,000
March.....	121,000	97,800	1,403,000	1,125,000
April.....	142,200	110,400	1,434,000	1,135,000
Total.....	444,700	361,000		
Average.....			1,405,000	1,144,000

TABLE A-2

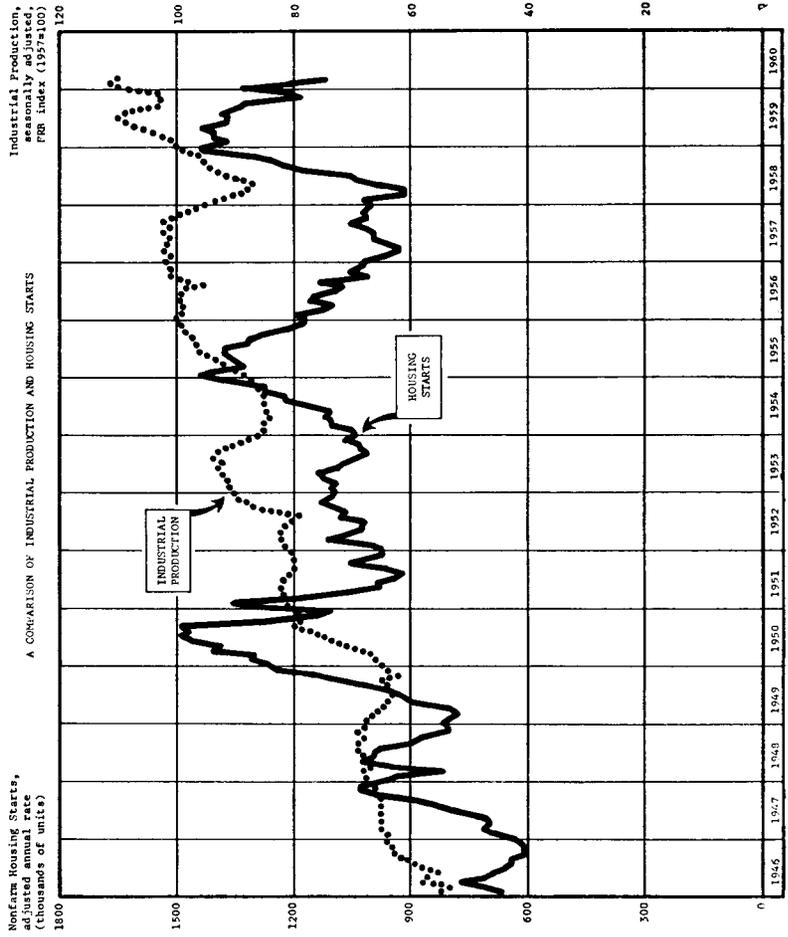
[Thousands of units]

Summary of nonfarm housing data for April 1960	Current month			Same month year ago		1st 4 months		
	April 1960	March 1960	Percent change	April 1959	Percent change	1960	1959	Percent change
Total starts.....	110.4	97.8	+12.9	142.2	-22.4	361.0	444.7	-18.8
Public.....	1.5	3.1	-51.6	4.8	-68.8	8.2	11.6	-29.3
Private.....	108.9	94.7	+15.0	137.4	-20.8	352.8	433.1	-18.6
Private starts, seasonally adjusted at annual rate.....	1,135	1,125	+0.9	1,434	-20.9	1,144	1,405	-18.6
Conventional starts.....	76.2	67.6	+12.7	92.8	-17.9	250.6	296.0	-15.3
VA starts.....	7.3	5.2	+40.6	11.0	-34.0	21.3	33.8	-36.9
FHA starts.....	25.4	21.9	+16.1	33.5	-24.2	80.9	103.3	-21.7
In projects.....	1.7	2.5	-31.0	3.4	-49.2	8.0	10.6	-24.0
Individual homes.....	23.7	19.4	+22.2	30.1	-21.4	72.8	92.7	-21.4
Proposed new units in:								
VA appraisal requests.....	13.7	12.9	+6.4	18.9	-27.4	50.6	80.9	-37.5
FHA applications.....	30.2	34.2	-11.8	46.9	-35.7	111.7	157.5	-29.1
In projects.....	7.7	6.8	+13.0	7.9	-2.4	24.4	24.5	-0.4
Individual homes.....	22.5	27.4	-18.0	39.1	-42.4	87.3	133.0	-34.4
Existing units in:								
VA appraisal requests.....	6.6	5.9	+11.6	8.3	-21.0	21.7	30.3	-28.4
FHA applications.....	34.9	34.3	+1.7	52.5	-33.5	122.5	183.0	-33.1

NOTE.—Percentages calculated prior to rounding of figures.

Sources: Bureau of the Census, Federal Housing Administration, Veterans' Administration.

ATTACHMENT B



APPENDIX II

STATEMENT OF THE NATIONAL ASSOCIATION OF HOME BUILDERS ON PERTINENT
LEGISLATIVE PROPOSALS AFFECTING HOUSING*Central Mortgage Bank (S. 3541, H.R. 12153, H.R. 12216)*

NAHB strongly favors enactment at the earliest possible date of the amendments to FNMA and other provisions in the companion bills introduced May 12, 1960, to create a more effective central mortgage reserve facility. The provisions we support are contained in S. 3541 and H.R. 12216; these supplant and replace earlier proposals, some of which are contained in title II, H.R. 12153, sections 201, 202.

Departmental status for housing (S. 3292, H.R. 12153)

NAHB favors a Cabinet post for housing and urban affairs. Accordingly we support the purpose of S. 3292 and title V of H.R. 12153, though not necessarily endorsing each of the specific provisions in these proposals. We favor the designation "Department of Housing and Urban Affairs" and the transfer of all Federal housing functions to the new Department. We believe "the problems of building and financing homes for the predicted population explosion of the decade just starting make essential a voice for home building at the highest governmental policy level" (1960 NAHB policy statement).

A national housing goal (S. 3379)

NAHB has no policy on this proposal in section 1 of S. 3379, introduced April 18 by Senator Sparkman. In the NAHB 1960 policy statement, however, we "urge a clear definition of current Government housing policy to the end that programs of the Government in this area can be better coordinated in the interests of housing for the American people." The proposal in S. 3379 would call for an annual Presidential message "including statements and recommendations concerning a residential construction goal" and a report by January 20 "indicating the minimum number of housing units which should be started" during the coming year or two years "in order to be consistent with the program of the President." The bill also requires the report to contain an indication of how existing law will be administered to achieve the goal and new legislation recommended as necessary in order to reach the specified number of units.

FHA-HHFA housing research (S. 3379)

NAHB welcomes the cooperation of all concerned with home building and home finance, including all segments of the Federal Government, in our efforts to improve the quality and lower the cost of homes to their buyers through constant research to obtain better construction materials and methods. We support enactment of sections 2 and 3 of S. 3379 which would authorize HHFA to undertake and carry out a research and study program and require FHA to encourage the use of new construction design and technology where it can reduce cost without sacrifice of quality. These efforts should effectively supplement our own program of working in cooperation with materials and equipment manufacturers and all others concerned, through our national housing center, our annual convention exposition, our research committee and institute, our research laboratory and our program of research houses built in various sections of the country to field test new methods and materials.

FHA insured loans for land development (H.R. 12153)

NAHB favors development of an FHA mortgage insurance program to finance land development similar to the proposals in title IV of H. R. 12153 introduced May 10 by Representative Rains. However, time has not permitted a policy position on the specific provisions of title IV of H.R. 12153 which would authorize FHA to insure up to a 5-year mortgage loan to cover the land and water lines, sewer lines, utility plants, pavements, buildings, curbs, gutters, and other improvements on the land when the FHA finds that it will aid in economically sound land development. The total single loan limit is \$5 million, with a transfer of \$10 million of FHA funds to a new land development insurance fund. There would also be a loan limit of 80 percent of the cost of the land plus cost of development, and not more than 90 percent of the loan could be dispersed in insured advances prior to completion.

Conventional mortgage secondary market (title III, H.R. 12153)

NAHB has no policy on the provisions of title III of H.R. 12153 introduced May 10 by Representative Rains, and creating a secondary market for conventional mortgages within the Federal Home Loan Bank System. However, we generally favor all sound means of improving the conventional mortgage market. The proposed "Home Mortgage Corporation Act" under title III of H.R. 12153 would create and charter a Home Mortgage Corporation operated under the Federal Home Loan Bank Board. The Corporation could issue capital stock to Federal home loan banks, borrow money and issue securities up to 10 times its capital, surplus and reserves, and would be exempt from Federal, State, and local taxes but its securities would be taxed. Federal home loan banks and Federal savings and loans could purchase stock, sell mortgages to the Corporation and thus provide liquidity in the conventional loan field.

Middle income housing (S. 1342; title II, H.R. 12152)

NAHB has adopted no policy on the proposals in S. 1342 and title II, H.R. 12152, which would establish an extensive Federal loan program for housing for sale or for rent by families having a moderate to lower income level. However, our belief in general has been that a complete and full use should be made of existing Federal insurance and guarantee programs supplementing and assisting private enterprise, with the single exception of public housing, before enlarging or expanding direct Federal control and intervention in home financing and construction. The provisions of S. 1342 would create a new "Federal Limited Profit Mortgage Corporation" to make loans for housing construction on a 50-year term and a subsidized rate of interest for families of moderate income who cannot buy or rent new housing financed otherwise. Funds would be obtained by issuance of securities which would be tax exempt. The provisions in title II, H.R. 12152 are similar and would authorize loans to nonprofit corporations for rental housing for low and middle income families displaced by urban renewal. The loans would be for 60 years and bear the same rate of interest as for REA loans (presently 2 percent).

Veterans programs (S. 3275; S. 3276, H.R. 7903; H.R. 9601 and related bills)

NAHB favors extension of World War II home loan guarantee program but has no policy on the direct loan program (S. 3276). In addition to an extension of the World War II guarantee program, we favor giving VA authority to set a flexible interest rate with a 6 percent ceiling comparable to that which has existed for years in FHA. Also, to counteract high discounts in the VA program, we recommend use of the NSLI fund to invest in long-term FNMA debentures to purchase VA mortgages for new construction.

International housing (S. 3282)

NAHB has no policy on this specific proposal to permit Federal savings and loans to invest limited funds from reserve in home financing institutions outside the United States. However, we favor generally actions to stimulate private enterprise and home ownership in foreign lands, particularly Latin America toward which this proposal seems to be directed.

Insurance of condominiums (S. 3502, H.R. 11914)

NAHB supports enactment at the earliest possible date of these companion bills which would permit FHA to insure individually owned units in a multi-family structure. This method of ownership is well known under civil law and well established in Latin American countries including parts of the United States including especially Puerto Rico where substantial conventional investment and construction under condominium ownership is currently underway. Passage of this amendment will add a useful authority to FHA, of great significance to Puerto Rico and possible widespread importance as a means of providing property ownership to lower income families in built-up urban centers.

Community facilities (S. 467, S. 1955, S. 3498)

NAHB supports Federal and State aid to communities for water and sewerage installation, storm drainage, public parks, and recreation areas, but at a going rate rather than a subsidized rate of interest. We have no positions as between the specific bills before the committee but support their general purpose and an increase in the public facility loan program.

Urban renewal (S. 1680, S. 3042, S. 3148, S. 3278, S. 3458, S. 3509, H.R. 12152)

NAHB has no policy on the several bills before Congress and the many specific provisions within these bills. However, we support a high rate of capital grant funds for continued use in Federal urban renewal programs and, in general, we favor the development and testing of new tools and techniques for the conservation of our present housing inventory through rehabilitation. We believe the increasing demands for relocation housing require immediate study of this difficult problem and we hope that urban renewal projects will be developed in unit sizes within the capacity of local builders.

Public housing (S. 3509)

NAHB opposes any further expansion or liberalization of the public housing program. We believe that there is a growing realization that public housing has failed and that this is now shared with us by many of its former proponents. On the other hand we believe this has resulted in an active search in which we are participating for a more acceptable and effective private enterprise substitute to aid in the provision of homes for low-income families. For such families displaced from slums by urban renewal and other programs, we believe the problem of relocation must receive more intensive congressional and administrative attention to make more workable the private enterprise solutions and to expand the opportunity for such families to obtain a greater share of the new and existing housing inventory. The provisions in S. 3509, introduced on May 9 by Senator Clark, are opposed by NAHB policy. They would authorize additional contributions for elderly families occupying public housing, authorize about 100,000 additional public housing units, permit the sale of public housing to tenants and permit overincome tenants to remain in public housing projects.

FHA amendments (in several House and Senate bills)

Authorization (S. 3504, S. 3509, H.R. 12153).—NAHB supports S. 3504 which would remove the limitation on the aggregate amount of FHA's general mortgage insurance authorization and the separate limit on the amount under title II of the act. We believe this would prevent needless interruption in FHA's future operations and eliminate the disruption or slowdown of homebuilding which occurs whenever FHA's authorization ceiling is reached by increased production volume under its programs. The provision in S. 3504 is preferable to section 2 of S. 3509, introduced May 9, 1960, by Senator Clark, which would add \$4 billion to the current ceiling of \$15 billion under title II of the act (which could be reached before the end of 1960 though FHA currently believes not).

Title I program (S. 3500, H.R. 12153, H.R. 12172).—NAHB favors permanent extension of the FHA title I property improvement and home modernization insured loan program plus removal of the dollar limit on its loan authorization as provided under S. 3500 and H.R. 12172. Failing this, we support a lesser extension and increase in insurance authority, for the program is far too valuable to the Nation's homeowners and the proper maintenance of our housing inventory to be let expire as would otherwise be the case under existing law.

Acceptance of individuals as mortgagees (H.R. 10213).—NAHB has no policy on this proposal. As a general matter, however, we favor any sound proposal which would increase the flow of savings into home mortgages.

Downpayments (H.R. 12153).—NAHB has no policy on the new proposal in H.R. 12153, introduced May 10, to eliminate the FHA minimum downpayment requirement on single-family homes up to the first \$13,500 of value and substantially reduce the minimum downpayment requirements on homes on higher valuations. In the past, however, NAHB has supported the adjustment and liberalization of FHA downpayment schedules to meet prevailing credit needs and standards of modern home buyers and lenders consistent with sound credit experience.

Mortgage amount (H.R. 12153).—NAHB supports a maximum mortgage amount for FHA insurance of \$30,000. The bill, H.R. 12153, calls for an increase from \$22,500 to \$25,000 and therefore is supported by NAHB though we would prefer a higher limit comparable to the initial ceiling of \$16,000 established in the original law in 1934.

Term (H.R. 12153).—NAHB favors a maximum term of 40 years on FHA-insured home loans. Accordingly, we support the provision in H.R. 12153 which would provide an increase in term from 30 to 35 years, with discretion in FHA to increase this to 40 years for insured loans in hardship cases where the family could not otherwise meet the monthly payments. (A similar discretionary power worked well for VA guaranteed home loans during the Korean credit control

period, and FHA may already insure loans up to 40 years under the sec. 213 cooperative and sec. 221 relocation housing programs.)

Premium (S. 3042, H.R. 10213, H.R. 12153).—NAHB favors legislation which would permit the FHA to lower the insurance premium below the one-half percent now required by the act. We do not believe this should be mandatory on FHA but discretionary. The authority should be provided for all one- to four-family homes, and not just for selected programs as under S. 3042. We believe the decision should be made by FHA on the basis of sound actuarial experience and judgment, so as to avoid impairment of FHA's operation. At the same time we believe FHA's experience warrants more acceptance of credit and mortgage risk taking than is currently the practice.

Section 207. Rental housing (sec. 103, H.R. 12153).—NAHB has no policy but would generally favor amendments in H.R. 12153, introduced May 10 by Representative Rains, which would make FHA's controls over rentals, charges, rate of return, methods of operation, etc., discretionary rather than mandatory on section 207 projects. This would conform section 207 to the corresponding provision in sections 220, 221, 231, and 803 of the act. The same section would also provide the same land value treatment for section 207 private profit projects as now given to all other multifamily programs. It would also provide that exterior land improvements cannot be included in figuring the per room and per unit dollar limits and it sets a 40-year term on section 207 projects, which runs from the first amortization payment which must occur not later than 4 years after completion. Also, it provides that where leaseholds are customary, the builder will get the full mortgage amount without deduction of the land value.

Section 213. Cooperative housing (sec. 104, H.R. 12153).—NAHB has no policy on the amendments in section 104 of H.R. 12153 introduced by Representative Rains on May 10. This section includes extensive amendments to FHA section 213 cooperative housing insurance program. It provides that exterior land improvements shall not be figured in applying the per room and per unit dollar amount limitations to management-type cooperative mortgages. It also requires a detailed enumeration of the items includible in replacement cost for determining the maximum mortgage under section 213, in both management-type and investor-sponsor-type mortgages.

Under this amendment, replacement cost could include fair market value of the land, physical improvements, utilities, etc. Another provision requires the sole test of whether a co-op project is economically feasible to be whether buyers are available who can afford the housing at cooperative charges and not whether there is a market for conventional rental housing. Also periodic amortization payments are required to be in equal monthly installments and to begin within 2 years from date of completion.

A further amendment reduces from eight to five the minimum number of family units in a management-type co-op under section 213. Another amendment authorizes FHA to refuse to insure any additional mortgages executed by an investor-sponsor-type mortgagor who fails to sell a project to a management-type co-op as required by law, or to insure mortgages by any other investor-sponsor having stockholders identified with the first such mortgagor. Another new amendment would also require FHA to give first preference for a reasonable period to properly qualified consumer cooperatives to purchase at fair market value any rental housing project which FHA has acquired by default of a mortgage under sections 213, 207, 220, 221, 608, or 908 of the Housing Act.

A further series of amendments would place the financing of the cooperative housing program on a mutual basis, so that refunds of premiums can be made based on loss experience. Another amendment provides for appointment within FHA of an Assistant Commissioner for cooperative housing. Finally, an amendment is included providing that where several projects with separate mortgages are to be separately constructed or acquired by a single, nonprofit cooperative corporation, the ownership and management and financing can be done by one corporation with each mortgage becoming a separate obligation payable from the income of the particular project involved and enforceable only against that project.

Section 220. Urban renewal housing (S. 3509, H.R. 12153).—NAHB has no policy on the proposals in S. 3509, introduced May 9 by Senator Clark, to liberalize the FHA provisions of section 220 urban renewal housing to make the program available in neighborhood conservation areas and to reduce the down-payment requirements on two-or-more family houses. However, we strongly

favor maximum use of the FHA section 220 program in urban renewal and especially in conservation efforts and sound amendments to further the benefits of this program for both single-family and multifamily housing.

NAHB has no policy on the amendments in H.R. 12153, introduced May 10 by Representative Rains, which would provide an increased maximum mortgage (from \$22,500 to \$25,000) and lower downpayment requirements for section 220 sale-type housing. For rental housing under section 220, this bill (sec. 106) would also provide a detailed enumeration of the items includible under replacement cost, would require equal monthly amortization payments and a limit on the term of 40 years. It also provides for an Assistant FHA Commissioner for Urban Renewal and Relocation Housing.

Section 221. Relocation housing (sec. 107, H.R. 12153).—NAHB has no policy on the amendments in H.R. 12153, introduced May 10 by Representative Rains, which would provide a detailed enumeration of the items includible in replacement cost for mortgages by profit and nonprofit organizations. It also provides that exterior land improvements will not be included in determining the per-room and per-unit dollar limits on rental projects by profitmaking organizations. A 40-year term is fixed for rental projects both profit and nonprofit, and periodic amortization payments must begin within 2 years following completion.

Small rental projects (sec. 108, H.R. 12153).—NAHB favors reenactment of provisions similar to the old section 210 FHA program for insurance of mortgages on small rental projects without the restrictions and controls which accompany large scale FHA rental projects. Therefore, we support section 108 of H.R. 12153 introduced May 10 by Representative Rains. This would authorize a new section 210 FHA rental program with a minimum of eight units required, and a maximum insured loan limit of \$250,000. The units can be single family or multifamily type. The loan is limited to 90 percent of value, not to exceed \$2,500 per room (\$9,000 per unit where the number of rooms is less than four) with a high-cost area increase up to \$1,250 per room. A 6-percent limit is fixed on the interest rate but no limit is set on the term. Cost certification would apply.

Elderly family housing (S. 3509, H.R. 12153).—NAHB strongly supports the FHA elderly housing program for profit and nonprofit corporations. In general, we would favor the proposal in section 6(b) of S. 3509, introduced May 9, to provide adequately for the health, social, and recreational needs of elderly persons, although time has not permitted an official policy position in support.

NAHB has no policy on amendments to section 231 rental program for elderly persons contained in section 109 of H.R. 12153, introduced by Representative Rains on May 10. These would provide that exterior land improvements cannot be included in figuring the per-room and per-unit dollar limits on mortgages. Also, it provides a detailed enumeration of items includible in replacement cost and sets a 40-year limit on the term.

Prepayment penalty (H.R. 12153).—NAHB has no policy on this proposal, introduced May 10, in which the present 1-percent prepayment penalty on FHA loans would be prohibited after the loan has matured for 5 years. It is quite possible the proposal has merit, however, and certainly some examination should be made as to whether the existing prepayment penalty operates inequitably upon the various classes of mortgagors or as between the several types of FHA insured programs.

Section 809. Program (S. 3226, H.R. 10213).—NAHB supports the fullest use of the FHA section 809 program of insured home loans for research and development installations, whether under the military or the new jurisdiction of the National Aeronautics and Space Administration.

FNMA fees and charges (sec. 110, H.R. 12153).—NAHB has no policy on this proposal, introduced May 10, to require FHA to include FNMA fees and charges on multifamily project mortgage commitment and purchase as part of the estimated replacement cost, whether or not finally sold to a private lender.

FNMA amendments—Secondary market function

Purpose (H.R. 10213).—NAHB favors an amendment clarifying the purpose of FNMA as an aid "in the stabilization of the mortgage market."

Unlimited purchase (H.R. 10213, H.R. 12153).—NAHB opposes FNMA "second-guessing" FHA and VA on the purchase of mortgages, and we support amendments in these bills which would require FNMA to purchase any mortgage offered to it so long as title is good and the mortgage is not in default, though not necessarily on a permanent basis.

Stock requirement (H.R. 10213, H.R. 12153).—NAHB supports amendments which would require FNMA to reduce its stock purchase requirement from 2 percent to 1 percent, though not necessarily on a permanent basis.

Advance commitments (H.R. 12153).—NAHB has no policy on the provision in H.R. 12153 introduced May 10 by Representative Rains which would authorize FNMA to make advance commitments to purchase mortgages on new and existing housing under its secondary market function.

Lending authority, capitalization and Board (H.R. 12153).—NAHB favors the provisions for a central mortgage bank which are contained in H.R. 12216 and S. 3541. These supplant the provisions in H.R. 12153.

FNMA amendments—Special assistance function

Program 10 (H.R. 10213).—NAHB favors the use of funds under the FNMA special assistance program only as a last resort. The amendment in H.R. 10213 would provide \$1 billion of FNMA special assistance at par for purchase of FHA and VA loans up to \$13,500, or \$14,500 in high-cost areas. FNMA is directed to channel this assistance into areas where mortgage discounts and credit shortages are creating severe problems; and FNMA is directed to prevent any builder or mortgagee for obtaining a disproportionately large share of such program 10 assistance.

NAHB's policy, determined at its annual convention in January 1960, is that if a severe drop in construction takes place and tight money continues, we can see no alternative but for Congress to authorize the purchase, under appropriate safeguards, of large amounts of mortgages in areas where mortgage money is unavailable at recent prices. To aid the growth areas in the United States and prevent serious decline in homebuilding, we recommend the use of NSLI funds to support the VA program through FNMA, the recognition of discounts by FHA and VA as part of the cost of producing homes and, as a last resort, the appropriation of an adequate fund to FNMA for use in areas where home mortgages are not otherwise available. FNMA should buy at prices which the building industry can absorb while providing an adequate supply of moderate priced homes.

Other programs (H.R. 10213, S. 3499).—NAHB has no policy in favor of other FNMA special assistance programs such as contained under H.R. 10213, which provides \$50 million for par purchase of FHA section 203(i) low-cost housing loans and \$25 million for purchase of FHA section 810 military offbase housing loans. NAHB favors the general FNMA special assistance fund programs and therefore supports any necessary increase in the authorization for these funds such as proposed in S. 3499.

STATEMENT OF NATIONAL ASSOCIATION OF HOME BUILDERS ON S. 3541 AND H.R. 12216

Mr. Chairman and members of the subcommittee, for some years there has been increasing public discussion of the need for a central mortgage reserve facility to further improve the residential mortgage credit system of the Nation. The National Association of Home Builders has long advocated such a development and, in testimony before the committees of the Congress in prior years, has suggested the outline of legislation to provide such a central mortgage reserve facility.

In order to present to the Congress a specific bill as the basis for legislative consideration, the National Association of Home Builders a few months ago in cooperation with the National Association of Real Estate Boards and the Mortgage Bankers Association scheduled a series of meetings of three representatives of each of these organizations. With appropriate staff assistance, these men were charged with the responsibility of developing a bill which, within the policies of our respective organizations, would provide at least a framework for a true central mortgage reserve facility. The bill (S. 3541) introduced jointly by Senators Sparkman and Capehart in the Senate on request and the companion bill (H.R. 12216) introduced by Representative Rains in the House result from those discussions.

The proposal which is in the same form in identical bills in both Houses of Congress consists of a series of amendments to the Federal National Mortgage Association Charter Act. (We will therefore speak of only one bill in discussing its provisions.) Since its reorganization in 1954 FNMA has, in effect, been performing many of the functions of a mortgage reserve facility.

It was therefore not thought wise to risk the disruption to the mortgage market which would be caused by creation of a new agency.

We believe it is a long step forward. Naturally, resulting from a cooperative effort, in some respects it represents a compromise of the views of the three sponsoring organizations and of the individual views of the representatives. We do not present it as perfect and complete; we do however believe that it is sound and workable and that it represents maximum progress which could be accomplished at this time toward perfecting the mortgage financing system. It is our hope—and we believe also the hope of the two other groups which developed this bill—that all other segments of the home financing and home building industry will join with us in support of this bill. We welcome their help in developing better home financing.

The bill is divided into three titles:

Title I changes and expands the operating authority of FNMA and effects important changes in its structure.

(1) Lending authority

The most important change in operating authority would enable FNMA, in addition to its present secondary market purchase functions, to make loans on the security of FHA or VA loans. Such loans would be limited to 90 percent of the unpaid principal balances of the mortgages securing them; are to bear interest at a rate established by FNMA; and would mature in not more than 12 months except if extended by FNMA on terms and conditions and upon payment of a further fee, as decided by it. In order to be eligible to borrow from FNMA, the holder of the loan must purchase common stock of the Association to the extent of one-half of 1 percent of the amount borrowed.

The purpose of this provision is to meet the need for liquidity which, in our opinion, prevents some classes of lender from investing in mortgages. For example in many smaller towns and rural areas—to which ordinary mortgage sources do not readily flow—there are local banks with funds available for long-term investment which, however, are conservatively kept in cash or liquid securities against the possibility of a sudden call in the event of crop failure or other local emergency. No outlet presently is available to them to raise cash on the security of mortgages. We believe the lending authority provided by this bill would provide a means of liquidity in time of need in reliance upon which an institution of this type would be warranted in investing in residential loans in its community.

We want to make it crystal clear that this provision is not intended as a "warehousing device" by which prime lenders could pyramid their lending operations on a comparatively slim margin. Loans under this power would be made with full recourse to the borrowing institution which would have wide discretion—which we would expect it to use—to prevent such speculative warehousing by appropriate regulation.

(2) Increase in ratio of debt to capital

A second important revision would permit FNMA to sell its securities up to 15 times the amount of its capital—instead of the 10 to 1 ratio of debt to capital under existing law.

We believe FNMA's capital is ample to support borrowing by it to the full extent of the unpaid principal balance of mortgages which secure such borrowings. On its record, FNMA's existing capital should be ample margin to protect debenture holders against defaults. The 10 to 1 ratio was not based on any precedent or specific data but set—rather empirically—in 1954. We believe the soundness of the FNMA operation is now sufficiently well established that the investment market will continue to purchase FNMA issues of securities at the proposed higher ratio. NAHB, in fact, originally advocated a 20 to 1 ratio but acquiesced in the 15 to 1 called for by the bill in order to obtain general agreement. We see no real reason why the ratio cannot safely be set at 20 to 1, which is the ratio provided by title II for Federal mortgage investment companies and which, incidentally, was the ratio provided over 20 years ago by title III of the National Housing Act.

It is our understanding that FNMA will reach its present borrowing limit some time next year unless the mortgage market drastically reverses itself to permit sales of FNMA's holdings. It seems unlikely to expect such an extensive change in the mortgage market within that time. Consequently FNMA can only continue to operate if (a) its capital base is increased by additional Treasury purchase of preferred stock, or (b) its ratio of borrowing to capital is raised as sought by this amendment.

We do not advocate Federal contributions to FNMA. (In fact, this bill nowhere calls for any contribution by the Federal Treasury or for any additional guarantees by the Federal Government.)

(3) Revision of FNMA structure

The third important change effected by title I is to authorize the President of the United States, by and with the consent of the Senate, to appoint the President of FNMA, who shall serve as chief executive officer of the Association and as Chairman of its Board of Directors, and to authorize similar appointment of two other full-time directors. The terms of the President and other members of the Board of Directors are to be 6 years on a staggered basis.

While still remaining within the framework of the Housing and Home Finance Agency, such a Board would give to FNMA a standing and dignity consistent with the importance of the function of this agency. This is not presently provided by the status of FNMA as a unit of the Office of the Administrator with the FNMA President chosen by the Administrator—as if he were a staff employee—and with its Board composed of part-time directors who have their main employment and responsibility in other parts of the HHFA or elsewhere within the Government.

The Federal National Mortgage Association has been and is fortunate in the type of sound administration which it has enjoyed during the tenure of Stanley Baughman as President. We hope and trust Mr. Baughman continues in office for many years to come. Nevertheless it is not healthy for the policies and operation of such an important organization to depend upon one man. We therefore have advocated a Board of three with staggered terms to minimize changes in basic policies and in administration which result from changing personnel.

The bill also establishes an Advisory Council to provide a responsible forum for exchange of ideas between FNMA and the home finance and homebuilding industries. The Council would consist of 12 members to be appointed by the President of FNMA for terms not exceeding 2 years. In order to assure that the position will be somewhat more than merely honorary, it is provided that the Council shall meet at least once every 4 months and that its meetings shall be held in various cities so that the members of the Council—and FNMA officials—can keep informed of the differing conditions of the mortgage market in various parts of the country from time to time.

Title II provides for establishment of Federal mortgage investment companies.

These would be local privately owned organizations with capital of at least \$1 million and would be chartered and supervised by FNMA. In effect, such companies would be local privately owned "little Fannie Mae's." They would be authorized to raise money for investment in mortgages by selling their securities up to 20 times their capital and surplus but not to exceed the outstanding principal amount of FHA or VA loans held by the investment company.

This title is patterned very closely on old title III of the National Housing Act which was the original statutory basis for FNMA, prior to its reorganization in 1954. That title was repealed before any mortgage associations, other than FNMA, were formed. It is felt that the legislation was sound in theory; that there is now available private capital to form such investment companies; and that they could perform a very worthwhile function in providing a means for investment in mortgages by local capital, such as State and local pension and retirement funds, labor union funds, and other investment capital reluctant or unable to invest directly in mortgages.

All aspects of the operations of such investment companies would be supervised by FNMA. All moneys would be required to be invested in mortgages, in obligations of the United States or of FNMA, in operating facilities, or kept in cash, with the proviso that each company must maintain such reserves as FNMA shall prescribe. The companies could invest in conventional mortgages but only to the extent of capital and surplus; borrowed funds must be backed by FHA or VA loans.

Title III provides for miscellaneous statutory changes including important tax treatment and SEC changes.

National mortgage associations originally contemplated by title III of the National Housing Act were given complete tax exemption including tax exemption on securities issued by them. The pending bills (S. 3541 and H.R. 12216), however, in keeping with Government policy since 1941 do not attempt to provide tax exemption to securities issued by these companies but provides tax treatment comparable to that provided to mutual funds. Under this the company could

avail itself of 'conduit' tax treatment by paying out to its stockholders 90 percent of its taxable income. In addition it is provided that such companies can take as a deduction reserves for losses up to 10 percent of taxable income.

Finally, the bill would free securities issued by these companies from certain provisions of the Securities Act of 1933, the Trust Indenture Act of 1939, and the Investment Company Act of 1940, having in mind that such companies are adequately supervised and their issues of debentures passed upon by FNMA.

We urge serious consideration by Congress of these bills (S. 3541 and H.R. 12216). We believe the provisions of title I will substantially improve the existing functions and organization of FNMA. We believe further that the Federal mortgage investment companies provided by title II may eventually permit FNMA to discontinue its mortgage purchasing operations and—through the use of the new lending function provided by title I of this bill—convert itself into a credit reservoir for mortgage investment companies and other lending institutions.

In any event, the bill has been drawn in such fashion as to avoid the necessity for any additional Federal funds or credit to be invested in the mortgage market. In our opinion it provides maximum assistance in stabilizing the mortgage market at minimum cost without increasing the Federal Government's responsibility in mortgage financing.

We strongly commend it to the consideration of the Congress. A section-by-section analysis is attached for your convenience.

SECTION-BY-SECTION ANALYSIS OF S. 3541 AND H.R. 12216

TITLE I

Section 101 effects an amendment to provide general authority for the proposed new FNMA lending operations—loans of up to 12 months to be secured by mortgages—that are expressly provided for in section 106 of the bill.

Section 102 removes from FNMA's charter the present provision which recites that common stock shall, arbitrarily, be retirable at par value. The substitute language states that FNMA may "purchase, and may retire, hold, or sell" its common stock. This substitute language provides need flexibility under which outstanding capitalization could be reduced whenever circumstances permit a major contraction of the portfolio of mortgages; in such circumstances there would be, of course, a reduction of the income that is available for dividend payments on outstanding stock.

Section 103 establishes a ceiling of one-half of 1 percent on the nonrefundable amount to be paid by borrowers toward FNMA capital.

Section 104 provides that those who make nonrefundable payments, including borrowers, shall be entitled to receive shares of FNMA common stock, subject to any appropriate adjustments if the association should determine that portions of any such payments are to be credited to surplus.

Section 105 is an amendment which provides that plans for the transfer of the FNMA secondary market operations to the owners of the outstanding common stock (after the retirement of all preferred stock) should be transmitted, for legislative action, by the President of the association rather than by the Housing and Home Finance Administrator.

Section 106 sets forth in full the proposed new FNMA lending operations. FNMA is granted authority in its secondary market operations to make loans secured by FHA or VA mortgages, in amounts not to exceed 90 percent of the unpaid principal balances of the mortgages deposited with FNMA as security. Such loans shall bear interest at a rate established from time to time by FNMA and shall be for not more than 12 months. The volume of such operations and all details, within the statutory authority, are to be determined by the Board of Directors of the Association with the express statutory precaution that such lending activities should be conducted in such fashion as to prevent excessive use and to be fully self-supporting.

Section 107 would amend existing law to permit FNMA to borrow 15 times the amount of its capital and surplus. The present limit is 10 times the capital and surplus.

Section 108 repeals the existing prohibition against the purchase by FNMA, under its secondary market operations, of participations in mortgages.

Section 109 authorizes FNMA to take into account as a part of its assets the notes which will evidence the loans that are made on the security of mortgages.

Section 110 makes provision for a full-time three-man Board of Directors, and also provides (in subsec. (e)) for "The Advisory Council, Federal National Mortgage Association." The President of FNMA and other members would constitute the Board and are to be appointed by the President of the United States with the advice and consent of the Senate. Their terms of office shall be 6 years, on a staggered basis. The basic rates of compensation of the President and Board members are set forth in the terms of the Federal Executive Pay Act of 1956.

There is established the Advisory Council of the Federal National Mortgage Association to be appointed by FNMA's President after selection by its Board of Directors, and to consist of 12 members to serve for terms not exceeding 2 years. Members of the Council shall fairly represent the homebuilding, mortgage banking, real estate, and general financing interests, and the geographic divisions of the nation. The Council must meet at least once every 4 months and, insofar as feasible, its meetings shall be held in various cities.

Section 111 places the authority to appoint employees in the President of the Association. Under existing law this authority is in the Housing and Home Finance Administrator in his capacity as Chairman of the Board.

Section 112 amends existing law to state affirmatively that the Association is a mixed-ownership corporation, and to correct obsolete provisions to the contrary in the Government Corporation Control Act.

TITLE II

Section 201 designates this title as the Federal Mortgage Investment Act.

Section 202 authorizes the Board of Directors of FNMA to charter and to regulate, examine, and supervise Federal mortgage investment companies. The Board is authorized to levy fees and charges for its services, to provide funds for its expenses; to appoint a Secretary of Incorporations to serve as chief administrative officer for this title; and to empower him to carry out such duties as it may determine necessary. FNMA may make available its personnel and facilities and may make advances for purposes of this title, all on a reimbursable basis.

Section 203 gives the usual general corporate powers to Federal mortgage investment companies chartered under this title.

Section 204 provides that not less than five natural persons may apply for a charter under this title by submitting proposed articles of incorporation stating the proposed name of the company; its proposed place of business; its capitalization (not less than \$1 million); the names and residences of subscribers and the number of shares to be held by each; and such other information as the Board may require.

Section 205 authorizes the Board to issue a certificate of incorporation to an applicant Federal mortgage investment company if it determines the company to be lawfully entitled thereto under this title. No company shall transact any business until chartered; and no certificate of incorporation shall be issued until at least 25 percent of the company's capital stock has been subscribed to and paid for in cash, Government securities, or first mortgages.

Section 206 authorizes a chartered Federal mortgage investment company to originate, purchase, service, sell, borrow on, and otherwise deal in mortgages insured by FHA or insured or guaranteed by VA, or (within the limitation provided in section 207 that borrowed funds may not be used for that purpose) conventional loans not exceeding 75 percent of value, subject to rules and regulations of the Board. Such companies are also given powers sufficient to carry out their stated purposes, such as to make payments to FNMA; to borrow money; to deal with any property acquired by them; to adopt and use a corporate seal; to adopt, amend, and repeal bylaws; and generally to enter into any transaction and to execute any instruments and do any and all things necessary or incidental to the conduct of its affairs.

Section 207 authorizes a Federal mortgage investment company to issue its securities up to 20 times its paid-up capital and surplus, but in no event to exceed the unpaid principal balances of FHA and VA loans held by it, plus its cash and the value of its investments in obligations of or guaranteed by the United States, or of FNMA. Except with the approval of the Board, a company is forbidden to issue any securities until the full amount of subscriptions to its capital stock are paid in full.

Section 208. Moneys not invested in mortgages or in operating facilities approved by the Board are to be kept in cash or invested in obligations of or guar-

anteed by the United States, or of FNMA, provided that a minimum reserve shall be accumulated as the Board shall prescribe by regulation.

Section 209 exempts such companies from State or local taxation, except that their real or personal property is subject to tax as other such property is taxed.

Section 210 permits voluntary liquidation by any solvent Federal mortgage investment company by a two-thirds vote of its stockholders, subject to regulations of and supervision by the Board.

Section 211 gives the Board power to wind up the affairs of any such company found to be violating this title or any rule or regulation promulgated thereunder, on which conducts its business in an unsafe and unbusinesslike manner. If the capital of any such company is substantially impaired and not restored after 30 days' notice, the Board is required to order liquidation of the company.

Section 212 authorizes the Board to prescribe rules and regulations for operations of companies under this title; makes each company subject to examination at the direction of the Board; and requires each company to report to the Board as required by it.

Section 213 contains the usual provision forbidding any company not incorporated under this title using the words "Federal Mortgage Investment Company", or any combination thereof, as a part of its name, and prescribes a fine of \$100 or imprisonment up to 30 days, or both, for each day during which any such violation occurs. Companies under this title are exempted from section 709, title 18, of the United States Code, which forbids a private corporation (which these would be) using the word "Federal" in its title.

TITLE III

Section 304(a) amends section 1242 of the 1954 Internal Revenue Code to make clear a stockholder owning stock in a Federal mortgage investment company properly chartered under the Federal Mortgage Investment Company Act can receive an ordinary loss deduction, rather than a capital loss, in transactions involving such stock of the company. The transactions as to which an ordinary loss would be allowable include sales, exchanges, worthlessness in whole or in part or any other dispositions which create a loss.

Section 304(b) amends section 582 of the 1954 Internal Revenue Code by providing that losses of a Federal mortgage investment company on transactions involving sales or exchange of mortgages will be treated as ordinary rather than capital losses. The purpose of this provision is to correlate the tax treatment of mortgages by Federal mortgage investment companies with that now accorded banks in bond transactions. Thus, under section 582(c) our banks are enabled to treat losses on bonds on an ordinary, rather than a capital, basis and section 582(d), as newly added, would put Federal mortgage investment companies on the same basis.

Section 304(c) (1) is a clerical provision amending the title of part III of subchapter S to include special provisions relative to losses, reserves, mortgage discounts, and payments to holders of shares and obligations of Federal mortgage investment companies.

Section 304(c) (2) of the bill adds three sections to the Internal Revenue Code as follows:

Section 602 provides a deduction from gross income for a Federal mortgage investment company enabling it to deduct from gross income additions to a reserve for "losses" relative to losses on the sale, exchange, or total or partial worthlessness of mortgages held by such companies. The maximum amount of such deduction is 10 percent of the annual taxable income of the Federal mortgage investment company. The purpose of this deduction is to enable the mortgage investment company to set up a continuing reserve against possible losses in its mortgage portfolio account. It is to be noted that the reserve and changes thereto may be made whether or not the loss on the mortgage account is technically a "bad debt" loss. For this purpose, foreclosure of a mortgage by an investment company would constitute an exchange and any losses accompanying such foreclosure would be chargeable against the loss reserve.

In computing the maximum 10 percent deduction for any taxable year, the Federal mortgage investment company will calculate its taxable income before deducting any amounts to the loss reserve and before deducting payments to shareholders or debenture holders as provided in section 601.

Section 603 would exclude from gross income the amount of any discount on a purchased or originated mortgage. The purpose of this provision is to make clear that the investment company will not be required to include in its gross

income for tax purposes the amount of the discount until there has been an economic realization of such discount. This could occur when the mortgage is sold, foreclosed upon or otherwise exchanged. It could also occur in the case of installment mortgages, as payments are made by the mortgagor. It is to be noted that the tax treatment provided in section 603 has no bearing on the book treatment of mortgage discounts which can be treated as provided by regulatory agencies or by the mortgage company itself.

Section 604 authorizes a mortgage investment company to deduct from gross income amounts paid to its shareholders or debenture holders provided certain conditions are met:

1. The mortgage investment company must make distribution of amounts from taxable income. Under section 604 the distribution would be made either to holders of stock, debentures, or other obligations of the mortgage investment company.

2. The amount of the distribution must be at least 90 percent of taxable income. The computation of the 90 percent figure is to be made before calculation of amounts placed in the reserve for losses or the distributions allowable under this section.

In other words, by application of section 604, a Federal mortgage investment company has an alternative to distribute at least 90 percent of its taxable income and "pass" the amounts so distributed to its shareholders or to hold the amounts (except amounts required to be distributed by the terms of a debenture) and pay normal corporate income taxes on amounts so retained.

Senator SPARKMAN. Mr. Robert Tharpe and Mr. Samuel Neel, representing the Mortgage Bankers Association of America.

Will you gentlemen come around? We are glad to have you.

STATEMENT OF ROBERT THARPE, VICE PRESIDENT; ACCOMPANIED BY EVERETT MATTSON, VICE CHAIRMAN, LEGISLATIVE COMMITTEE; AND SAMUEL E. NEEL, GENERAL COUNSEL, MORTGAGE BANKERS ASSOCIATION OF AMERICA

Mr. THARPE. Senator, it is good to be here.

Senator SPARKMAN. Thank you. Glad to have you here. Proceed in your own way.

Mr. THARPE. Mr. Chairman, members of the committee: It is a pleasure to be back here with you again. I have had the honor to be here before and welcome the honor to be back again.

Senator SPARKMAN. We are always glad to have you.

Mr. THARPE. I have with me, as you mentioned, Mr. Samuel Neel, general counsel of the Mortgage Bankers Association of America and Mr. Everett Mattson of the J. Better Co. of Houston, who is also vice chairman of the legislative committee of the Mortgage Bankers Association.

I would like, if I may, Mr. Chairman, as I know the time is running short, to file with you our statement.

Senator SPARKMAN. The statement will be printed in full, and you may summarize it or discuss it as you see fit.

Mr. THARPE. Thank you very much. If I may, I will pass over it.

I would also like to request that the statement of policy on the relationship of Government to real estate financing that was recently published by the Mortgage Bankers Association also be included in the report.

If time permits when we finish, I would like to come back to the prepared statement.

Senator SPARKMAN. That will be received, likewise.

Mr. THARPE. There is one item, one bill, that I would like to direct my attention to now that has been of a great deal of interest to me. A very wonderful study that your committee made on the question of the adequacy of the mortgage credit has been a real challenge, and I have given a great deal of thought, and others in our industry have given a great deal of thought, to that study and the challenges that it offered to the industry.

One of the paragraphs in our statement reads as follows:

We are confident that the flow of savings into the mortgage area could be augmented if, again with appropriate limitations, it were possible for mortgage corporations to issue debentures secured by insured mortgages. To this end, we urge that you consider the reinstatement in the National Housing Act of provisions similar to those in its original title III, which provided for this type of operation. The authority to charter such companies was eliminated 12 years ago because it had never been used. In the light of changes and conditions since 1948, we believe that it would now be effective.

This bill that you and Senator Capelhart sponsored, by request, S. 3541, to a great extent accomplishes this matter. Last February, after accepting the challenge that was offered, I preached somewhat of a sermon to a group of mortgage bankers in southern California, at which time I approached that subject. I would like to, if I may, briefly quote from that talk that I gave.

Incidentally, that talk is included in the statement, and I also would like it to be filed.

Senator SPARKMAN. That will be done. It is attached to your statement?

Mr. THARPE. Yes; it is.

After discussing the challenges facing the mortgage companies, I say, "I believe that mortgage companies should strengthen their organizations and broaden the geographical scope of their operations," and I ask these questions:

"Can today's mortgage company so broaden itself as to become a 'more diversified and independent type of institution?' Can it become an underwriter and dealer in mortgages, somewhat as security investors underwrite and deal in government and corporate obligations, developing an inventory of uncommitted mortgages, and placing them with a wide range of individual and institutional investors? Can it—to carry the idea a step further—also become an underwriter of obligations secured by mortgages which it originates and services?"

I am sure that I do not have a complete answer. I doubt if anyone has today. It will take a lot of serious study and soul searching, but there is an answer. Let us look for it.

I have reviewed the fantastic growth and effectiveness of the commercial banks following the National Banking Act. Within our own time we have witnessed the development of the savings and loan associations following the Home Loan Bank Act. Why, then, not let our own imaginations be stimulated? Why not a Federal Mortgage Banking Act, building from our present framework great new institutions that are worthy of the name mortgage banker, with trust powers such as enjoyed by others; building mortgage banks with capital structures that will permit expansion and growth.

I don't know whether you realize, for example, that today institutions with trust powers can hold for individuals FHA loans which we, as just plain approved mortgagees, are unable to do.

I might inject right now that I believe the record will show that mortgage companies around the country have originated since 1934 almost 50 percent of all the FHA loans that have been made.

Another thing also that has seemed grossly unfair to me is the fact that we cannot, under the present system of tax laws, accept capital just for investment in mortgages and be able to pay a fair rate of return on the investment. Being from Georgia, you might not mind me injecting an example from Georgia. There, for example, if such funds were accepted and invested at 8 percent, the usury rate of our State, there would be less than 3½ percent to pay on the invested capital after paying 52-percent income tax.

Then, I suggest, let us think in terms of following the pattern originally established under title III of the National Housing Act. Let your creativeness go to work and design a whole new locomotive instead of concentrating on repairing an already faulty one. Engineer a new locomotive, one designed to be a true instrument of the private mortgage market. A Federal Mortgage Banking Act? It may seem fantastic, but look at the Small Business Act passed by Congress not too long ago. Financing homes for American families should be far more popular politically, even, than helping small business.

A new such company would have many of the aspects of the secondary market part of FNMA but with important differences. In effect, it would be one of a number, maybe as many as 500, of private FNMA's operating directly in the market rather than through intermediaries. It would originate mortgages, home mortgages, service mortgages, and trade-in mortgages with other investors. It would have a broad base of private capital, supplemented by the issuance of debentures secured by a portfolio of insured and guaranteed mortgages.

Such a company would be able to provide securities in the form of shares or debentures that would appeal to the individual saver who wishes to invest directly. We could have our own magic 5¼'s under today's conditions, debentures that would be backed up by the Government-insured loans, with the added advantage of a fixed rate of monthly payments representing principal and interest. Think of the appeal that these would have to the growing number of retired people. It would be able to give the institutional investor the choice of the debenture secured by mortgages or mortgages themselves and thus broaden the market among the pension funds, endowments, and other trust funds. It would put mortgages into a form these groups now understand.

The triangle within which we operate would disappear. Again, let me remind you we have originated about 50 percent of all real estate loans. We will have the doors open to other sources of funds, both individual and institutional. We would be a stronger servant of the institutions and could help to even the flow of funds into the field of housing by using the real savings of the people and not have to report to the Federal Treasury.

With the aids we already have in our present system of government, what would the opportunities be? It staggers the imagination.

That is the end of the talk that I gave. I think the new bill, S. 3541, meets these challenges that have been offered. The Mortgage Bankers Association, of course, has met with the other trade associations and

cooperated to the *n*th degree in attempting to develop the bill. As you know, it has just recently been introduced. Our board has not had a chance to review it, but we have put it in their hands, and I feel reasonably confident that they are going to support it 100 percent.

If there are any questions, we would be glad to answer them.

Senator SPARKMAN. Thank you, Mr. Tharpe.

I was pleased when I learned of the united front that the three organizations had presented. I knew of the interest of all of you in the general objective, and I hope something can be worked out.

Senator CLARK?

Senator CLARK. No questions.

Senator SPARKMAN. Do either one of you other gentlemen have anything?

Mr. NEEL. May I just say, Senator—

Senator SPARKMAN. We always welcome your saying something.

Senator CLARK. You had better identify yourself for the reporter.

Mr. NEEL. Samuel E. Neel, general counsel of the Mortgage Bankers Association of America.

I just want to say, Senator, it has been very interesting working with these other organizations to see if there was not some common front we could propose which would do what you have so often told us—be constructive and aggressive in attacking some of these problems instead of coming up here time after time, saying that we do not like something somebody else has proposed.

I believe the suggestions in this bill are constructive. It is true that formally our board has not had an opportunity to act upon them, but representatives of the board have considered them in great detail. I feel sure that we can formally send to you our recommendation in addition to this informal statement of our views.

You will find, I believe, in these proposals a lot of ideas generated by your own staff in discussions we have had with Mr. Cash and Mr. Semer and others. I very much hope you will find them sufficiently worthy of your attention to incorporate in whatever legislation you do produce.

Senator SPARKMAN. Thank you.

Senator CLARK. I think we can rely on the fact that if Mr. Neel participated in the draftsmanship, it is legally sound.

Mr. NEEL. Thank you.

Senator SPARKMAN. Thank you very much, gentlemen. We appreciate your appearance.

(The prepared statement of Mr. Tharpe and attachments follow:)

STATEMENT OF ROBERT THARPE, VICE PRESIDENT, MORTGAGE BANKERS
ASSOCIATION OF AMERICA

Mr. Chairman and members of the committee, my name is Robert Tharpe. I am president of Tharpe & Brooks, Inc., of Atlanta, Ga., and I have been engaged in the mortgage banking business in that city for the past 13 years. I appear before you this morning on behalf of the Mortgage Bankers Association of America; I am vice president of that association this year.

The Mortgage Bankers Association of America is composed of institutions that provide for the national distribution of funds for mortgage finance. A part of its membership—life insurance companies, mutual savings banks, and commercial banks—supply the funds and hold the mortgages for investment. The other part of its membership—mortgage companies—originate the loans, arrange for interim financing, handle collections and remittances and all the other numerous responsibilities of servicing mortgage loans until they are paid.

As a group, the members of this association provide the channel through which capital funds accumulated in the older parts of the country are made available throughout the Nation to finance houses, apartments, commercial and industrial structures, and farms. The primary interest of the association, therefore, is to keep that channel flowing as broadly and fully as is consistent with the demand for funds on the one hand and the growth of true savings on the other.

Insofar as actions of the Federal Government have contributed to this objective the association has approved it. We have, for example, long supported FHA for the vital contribution that it has made to home loan borrowers everywhere. By offering a means for pooling the special risks of high percentage loans and of making mortgage loans at a distance, by making it possible to overcome many of the archaic restrictions in State laws, and by creating, through its system of standards and appraisal, a security of recognized quality that could be confidently traded in the secondary market, the FHA has provided a vital element in the national market.

The FHA system is a unique illustration of what can be done—at no cost to the Government—when an economic problem is carefully analyzed and appropriate steps are taken for its solution. As originally conceived and, as on the whole carried out, the FHA approach is that of creating conditions under which the potential of private activity can be more fully realized for the general interest.

This approach is quite different from that of most of the legislation presently before the subcommittee. Instead of showing faith in our private institutions, of seeking to analyze their problems and of looking for ways to broaden their effectiveness as was done back in 1934, most of these bills turn their back to them and would create new Government institutions to displace their functions. Instead of encouraging private savings and better clearing the way for their flow into mortgage finance, most of them to be successful would require long financing thus increasing the present load on the Treasury. Instead of having confidence in the forces of the private market to give the home buying public what it wants, the effect of these bills would be to set up an elaborate structure of Government direction and control to tell builders what and how much they are to build, lenders how and where they ought to lend, and the home buying public what it ought to want and to have.

If the pending bills were to be passed in their present form, we believe they could at best result in little addition to the total amount of homebuilding this year or next. On the contrary, the complex and cumbersome machinery they would set up might well reduce rather than increase the number of dwellings that would otherwise be built. More than this, they would institute changes in our building, our financing, and our political systems, the implications of which go far beyond what can be contemplated within the short time allowed for their considerations.

Rather than embark upon legislative adventures that lead into uncharted ways, we urge the subcommittee to give attention to more practical issues close at hand, the resolutions of which would go far toward attaining the broader housing market that all of us are looking for.

If the flow of mortgage funds is less stable than we should like it to be—and it certainly is—let us look for the causes of instability and remove them. If private savings seem to be inadequate for the job we want to do, let us inquire as to why this is so and take appropriate steps to encourage their accumulation and increase their availability. If investment is lagging in types of property that we consider to be desirable, let us examine these situations, find out what artificial barriers may exist, remove them, and then, if necessary, contemplate such other incentives as may be needed.

In its "Statement of Policy on the Relation of Government to Real Estate Financing," the Mortgage Bankers Association has endeavored to do what I am now suggesting. I shall refer only to the points of the statement that have the most immediate bearing on the subject before you; but I request, Mr. Chairman, that the whole document, which has been carefully restudied in the light of current conditions and which has just been published, be included in the record of these hearings.

From our long experience with home mortgage finance, our integral position in the national home mortgage market, and our intimate acquaintance with the mortgage insurance system over the last 25 years, we are convinced that the most important single step that can be taken at this time is to remove the impediments that have been placed upon the FHA operation.

The FHA mortgage insurance system was conceived to be—and essentially is—an instrument of the free market. As such it must be able to adapt itself promptly and fully to the forces at work in the market. It should be allowed to permit interest rates to rise and fall as competitive conditions dictate. It should be free—at least within broad limits in its discretion—to expand or contract its administrative staff and payroll to meet changes in the demand for its services. It should be allowed and encouraged to vary its insurance premium in accordance with its carefully ascertained measure of the risk involved in the particular type of operation. It should not be subject to arbitrary limitations on the amount of insurance it is authorized to write. Finally, the continuity of its operations should not be made a condition for the approval of unrelated legislation.

If these comparatively simple measures were taken, we would have done much to broaden the scope and assure the continuity of the flow of funds in the national market. We would have provided for insured mortgage financing the same comparative stability that has been the outstanding feature of conventional mortgage financing during the postwar years. We would have created the best possible inducement for mortgage investment by pension funds and other types of savings instrumentalities not now attracted to mortgages. We would have encouraged in FHA itself, and among private investors as well, a willingness to explore new types of activity without the necessity for special-purchase programs, which rarely work and which always complicate the administration of the general FHA program. We would have eliminated the excuse for direct Government lending or such extravagant uses of FNMA financing as are now being considered. We would have eliminated interruption, simplified administration, and reduced the cost of FHA operation, thus creating a valid basis for lowering mortgage insurance premiums.

These proposals are simple. They cost the Government nothing. They promise the public much. They ought to be given a try. There are other ways, aimed at the same objective of building the scope of private mortgage and building activity, to which consideration might be given. Some come within the jurisdiction of this subcommittee, and, while some fall outside it, they are of interest to you in your search for ways to reach our common purpose.

We believe, for example, that it should be possible, under appropriate safeguards, for individuals to invest directly in FHA mortgages or participate therein; and we are working with FHA officials to see if a feasible plan for doing this can be developed. While there are some difficult details to be worked out, no new legislation appears to be needed in this situation.

We are confident that the flow of savings into the mortgage area could be augmented if, again with appropriate limitations, it were possible for mortgage corporations to issue debentures secured by insured mortgages. To this end, we urge that you consider the reinstatement in the National Housing Act of provisions similar to those of its original title III, which provided for this type of operation. The authority to charter such companies was eliminated 12 years ago because it had never been used. In the light of changes and conditions since 1948, we believe that it would now be effective.

Another means not only for making savings available for mortgage investments, but also for relieving the acute shortage of funds for equity investment in rental property, would be the granting to trusts investing in interests in real property the same conduit tax treatment now provided for security investment trusts or regulated investment companies. This proposal is being considered elsewhere in the Congress. I mention it here, because its passage would, among other advantages, contribute greatly to the solution of some of the problems you have before you, such as those of "middle income" housing, "relocation" housing, and the like.

I have given you examples of how we would approach the issue of broadening the availability of funds for home financing. They are not the whole of our program, as a reading of our "Statement of Policy" will reveal. We are working toward the elimination from State laws of the obstacles that they present to a national flow of mortgage funds. We are seeking measures of local law enforcement and taxation that we think will reduce the public cost of urban renewal. We are urging greater freedom for the Treasury in its management of the public debt so as to avoid such direct and unequal impacts on the mortgage market as have occurred under the existing situation.

In all this we are guided by one principle and one faith. The principle is that the free competitive market should prevail, and that every obstacle to its functioning whether arising from the actions of private individuals or groups

or from Government should be eliminated. The faith is that, with the road clear and properly guarded, we can, through the operation of private initiative and dependence upon private effort, reach the objective of good houses in good neighborhoods for all our people with greater assurance and more rapidly than may be accomplished by other means.

MORTGAGE BANKER, TAKE THE OFFENSIVE

(An address by Robert Tharpe, Vice President, Mortgage Bankers Association of America, President, Tharpe & Brooks, Inc., Atlanta, Ga., before Members of the Southern California Mortgage Bankers Association, Feb. 18, 1960)

Southern California, with its phenomenal history of growth, development, and opportunity, is an ideal location for me to attempt to launch a new offensive spirit in the field of mortgage banking. And being vice president of the association allows me a great deal more freedom in my expressions and opinions than would be the case of a president. You in California, more than anyone, know that a vice president can speak more freely.

Like southern California, the mortgage banking business has mushroomed. And like southern California, opportunity abounds, both for the people of this great State and for the mortgage banking profession as a whole. And so it is fitting, I think, that the topic which I want to discuss tonight be broached here in southern California, an area of growth, vitality, and above all, opportunity for those who have vision and a will to do.

I stress the word "opportunity"—for I begin to wonder if the profession as a whole has taken full advantage of these opportunities. I rather think we have not.

We have just entered the threshold of a new decade. We have left what some have described as the "fabulous fifties" and are now in the golden decade of the "spectacular sixties." The past decade was good to the mortgage bankers, but was it not more the result of a situation favorable to us than it was of enterprising genius on our part? From my standpoint, it seems we have just left the "lazy fifties," and if the profession as a whole is to continue to expand and develop, we had best be thinking in terms of entering the "working sixties."

In the easy prosperity of the past 10 years, we have, I believe, lost sight of some important things that have been developing in our industry. In the sixties we must create a new and offensive spirit—or we are going to find ourselves working hard, very hard, just to maintain our present position. I want to see the mortgage bankers as an offensive team, a team with eagerness to face fully the opportunities and challenges ahead. The industry, in my opinion, must get away from its defensive attitudes and accept the challenges with determination.

I have a great interest in college football, and while I hate to say it, the same thing has happened in our industry that has happened to that great sport. Following the war when personnel was a limitation, great coaches busied themselves designing new offenses to take maximum advantage of the material on hand. T-formations came into being. Split T's and wing-T's were developed. And for several years college football was a thrilling, offensive game. Then the great minds of the game turned their thoughts to defensive tactics to stop the new offenses. What happened? Today, even with attendance at a record level, a lot of the attractiveness and appeal of college football is seriously threatened. People just don't admire a good defense the way they cheer a good offense. The pros know this. They are on the offense and are scoring touchdowns.

Mortgage banking has followed the same course. Think back. The great minds in the business, the coaches, following the war designed a new offense to take advantage of the pent-up demand for housing and the needs of savings institutions to find higher yielding investments. New companies came into being. New and better programs were developed. Then, as happened in college football, the business turned its efforts to maintaining a status quo. We moved over to the defense. How long has it been since we designed a new play? How long has it been since we were positively for something new? Review the record. We have been too busy being for or against proposals made by others. I am as guilty as anyone, for on many occasions I have represented the association before Congress and a review of the testimony, much to my sorrow, will show the testimony to have been predominantly defensive.

In saying this, I am not classing myself with the prophets of gloom and doom. On the contrary, I see the new decade as being filled with opportunities as well as challenges. And I like the challenges as much as I like the opportunities. I like the thrill of the offense. I like the end sweep and the forward pass. I get no thrill from hold-the-line tactics. This is what I mean in saying that I want to see a new offensive spirit in the industry, a spirit of awareness, one of imagination, an aggressive spirit which will enable use to sustain our growth and our usefulness. I want to see us design, from the framework we have established, new institutions that can better serve the housing needs of the public.

I want us to face up to and accept the challenges outlined in "The Postwar Rise of Mortgage Companies" by Dr. Saul Klamian. As interested mortgage bankers, you should read this. The issues are well summarized in Raymond Goldsmith's Foreword, a part of which follows:

"Will mortgage companies remain essentially an ancillary institution, an originating and service organization for institutional investors in Government-insured and guaranteed mortgages, using short-term bank credit to carry a temporary inventory of mortgages already spoken for by institutional clients? Or will they, by adding operations characteristic of some companies prior to the days of mortgage insurance, broaden into a more diversified and independent type of institution—a sort of general mortgage dealer and underwriter—handling mortgages of all types, placing them with individual as well as institutional investors, and carrying a general inventory of uncommitted mortgages for sale? Are they likely, as well, by expansion or amalgamation, to increase their general real estate operations blurring further the distinction between mortgage companies and real estate investment, brokerage, and development companies? Finally, will they remain within their generally local spheres of operation, or will they develop, as a few have, into organizations working to a considerable extent through branch offices on a regional or even a nationwide scale?"

These are significant questions—and our future will depend on the answers we give to them. I am sure I do not know what the answers will be, but I do have some ideas about what I would like to have them be.

First, I doubt that the mortgage company can survive forever being "essentially an ancillary institution," as Goldsmith describes it. We certainly cannot expect any great further growth if this is to be the case.

Second, we can diversify our activities—"further blurring," as Goldsmith puts it—"the distinction between mortgage companies and real estate investment, brokerage, and development companies." This is at least one way of protecting ourselves from the present instabilities of mortgage activity, but I am not sure that it is the best road to follow. Too much blurring of this sort may eventually lead to serious conflicts of interest and weaken confidence in the integrity of the mortgage banking operation itself.

Third, I believe that mortgage companies should strengthen their organizations and broaden the geographical scope of their operations.

It is, however, the remaining one of Goldsmith's questions that intrigues me most, and I want to throw it out in a little different form. Can today's mortgage company so broaden itself as to become a "more diversified and independent type of institution?" Can it become an underwriter and dealer in mortgages, somewhat as security investors underwrite and deal in Government and corporate obligations, developing an inventory of uncommitted mortgages, and placing them with a wide range of individual and institutional investors? Can it—to carry the idea a step further—also become an underwriter of obligations secured by mortgages which it originates and services?

Along with these questions, let's reflect on some problems closer home. Mortgage companies are vulnerable from another angle—that of the character of their organizations. As a generality, mortgage companies are small, closely held, and inadequately assured of managerial succession. They are subject to the pressure of increasing competition on the one hand and of mounting operating costs on the other. They are often lacking in the capital that would be needed to meet any major strain. And there are problems of raising capital from the right type of investor.

There are problems of marketing. We are operating inside of a triangle made up of insurance companies, savings banks, and commercial banks. Our growth is limited to their growth and investment patterns. And while their growth is substantial there are other faster growing pools of savings where the mort-

gage investment potential has not been developed. There is the strong belief among some that the savings characteristics of our people are changing and that they are seeking more direct investments. The individual today feels that he knows more about investing his funds than was formerly the case. Look at what happened when the "Magic 5's" came out. Unfortunately, for us, there has been a trend toward the sale of term insurance over the last 20 years. The individual is buying the cheapest form of coverage, getting only life protection, and investing the difference himself. There has been a trend toward pension funds leaving the life insurance area, and these new funds being set up today are growing at a faster pace, percentage-wise, than any other pool of savings.

Read, if you will, the "Study of Mortgage Credit" prepared by the Senate Banking and Currency Subcommittee on Housing. Listen to the talks by students of business. It is agreed that changes must take place if we are to accomplish the job of housing this great country of ours. They indicate that a new facility will be needed, but the dissertation ends here. We are brought to a blank wall, without concrete proposals. Few have dared to think beyond this point.

We need more of the kind of thinking that brought about the advocacy of the central mortgage bank—which, incidentally, does not appeal to me in its present form, for it differs very little, basically, from the present FNMA type of secondary market with entirely too much direct dependence on the U.S. Treasury. It is neither designed for nor by the mortgage banker, who, if you will check the record, has been the go-between in handling a big majority of the insured and guaranteed business; 52 percent, I believe, of all FHA loans. In other words, we—who deserve a large measure of credit for having made these programs work—are the ones best qualified to design any new or supplementary secondary market facility. The mortgage banker, himself, must, therefore, do some offensive thinking and take positive action, or we are going to find ourselves living with one designed by someone else.

I am sure I do not have the answer. I doubt if anyone has it today. It will take a lot of serious study and soul searching. But there is an answer, an answer that is up to us to find. And to find it will require imagination, real imagination, and to find it, we cannot be timid in our thinking or fear ridicule. I have given it thought, and I would like to express my thoughts and suggest a possible solution.

I have reviewed the fantastic growth and effectiveness of the commercial banks following the National Banking Act. Within our own time we have witnessed the development of the savings and loan associations following the Home Loan Bank Act. Why, then, not let our own imaginations be stimulated? Why not a Federal Mortgage Banking Act, building from our present framework great new institutions that are worthy of the name "mortgage banker," with trust powers such as enjoyed by others; building mortgage banks with capital structures that will permit expansion and growth.

I don't know whether you realize, for example, that today institutions with trust powers can hold for individuals FHA loans which we, as just plain approved mortgagees, are unable to do. Another thing, also, that has seemed grossly unfair to me is the fact that we cannot, under the present system of tax laws, accept capital just for investment in mortgages and be able to pay a fair rate of return on the investment. In Georgia, for example, if such funds were accepted and invested at 8 percent, the usury rate of our State, there would be less than 3½ percent to pay on the invested capital after paying 52 percent income tax.

Frankly, unless we can find a way to overcome this tax burden, we will never be able to broaden or strengthen our capital positions. All of these things I suggest would, of course, call for some supervision of our industry, the same as other competing institutions are supervised.

Subject ourselves to supervision? Never—you say. But look around. You are supervised and regulated now, but you are not enjoying the benefits.

Let's think in terms of following the pattern originally established under title III of the Federal Housing Administration Act. But go beyond that. Let your creativeness go to work and design a whole new locomotive instead of concentrating on repairing an already faulty one. Engineer a new locomotive, one designed to be a true instrument of the private mortgage market. A Federal Mortgage Banking Act? It may seem fantastic, but look at the Small Business Act passed by Congress not too long ago. Financing homes for American families should be far more popular politically, even, than helping small business. And

why should we not be entitled to the same tax treatment enjoyed by competing investment institutions?

What would a XYZ Federal Mortgage Corporation be like? It would have many of the aspects of the secondary market part of FNMA, but, with important differences. In effect it would be one of a number, maybe as many as 500, of private FNMA's, operating, however, directly in the market, rather than through intermediaries. It would originate mortgages, hold mortgages, service mortgages, and trade in mortgages with other investors. It would have a broad base of private capital, supplemented by the issuance of debentures secured by a portfolio of insured and guaranteed mortgages. It would have fiduciary powers and responsibilities. It would be a new kind of investment company, similar in many ways to the regulated investment companies in the securities field—and it should have tax treatment comparable to these companies—with special recognition of the need to maintain reserves to assure fulfillment of the obligations it creates.

What would such a mortgage corporation be able to accomplish? It would be able to provide securities in the form of shares or debentures that would appeal to the individual saver who wishes to invest directly. We could have our own "Magic 5½'s" under today's conditions, debentures that would be backed up by Government-insured loans, with the added advantage of a fixed rate of monthly payments representing principal and interest. Think of the appeal these would have to the growing number of retired people. It would be essentially the reverse of a face amount certificate; thus, the saver, after having accumulated his savings, could—instead of buying mutual fund shares for liquidation at uncertain prices after retirement, or in combination with them—buy a mortgage participation certificate for an assured period of good income and gradual return of principal. It would also be able to give the institutional investor the choice of debentures secured by mortgages or the mortgages, themselves, and—thus—broaden the market along the pension funds, endowments, and other trust funds. It would put mortgages into a form these groups now understand.

If you will join with me and allow your imaginations to go far enough, it is even conceivable that these debentures, themselves, could be insured by FHA. Of course, it would be good if a simple way could be found to avoid this Government support. But in this case, as in the case of competing with institutions with a different tax treatment, we will need and are entitled to competitive insurance treatment. To do this would require some changes in FHA, surely, and it might result in a small amount of additional exposures but not nearly as much as might appear on first thought. It would not be anywhere nearly as radical as was the creation of FDIC and other facilities for insuring savings. Rather than suggesting, as some have done, that the cost of FHA insurance be reduced, maybe the insurance premium should remain as it is, and maybe the thinking should be in terms of FHA's accepting the bigger risk. Would this not broaden the market? Making FHA even more attractive to the investor and channeling more funds into the program is the problem. The problem is not the FHA insurance rate. Your regular insurance companies, before reducing the premiums, generally broaden the coverage and then reduce rates if justified.

The triangle within which we operate would disappear. We would still serve our same institutional investors, and we would be better servants of theirs, just as we are better servants to insurance companies today because of having added the mutual savings banks to our operations. We will then have the doors open to other sources of funds, both individual and institutional. We would be, as I have said before, a stronger servant of the institutions and could help to even the flow of funds into the field of housing by using the real savings of the people, and not have to resort to the Federal Treasury.

Before you say it is impossible, look into Canada. On a recent trip to Montreal, for example, I saw several mortgage companies listed on the stock exchange. One had assets of over \$200 million—all capital raised through stock and debentures and without the aid of the Canadian Government—and with a dividend-paying record of nearly 60 years.

With the aids we already have from our system of government, what would the opportunities be? It staggers the imagination. We are today a mature industry, capable of sound thinking. We need to concentrate less on the worries of market conditions and lift our eyes to the opportunities we have created. I have always felt that the best defense is a good offense. Let's rekindle the offensive spirit that made us what we are today.

In conclusion, if I have sounded like Knute Rockne charging his "Four Horsemen," it has been intentional. We have the ability. The only thing lacking is finding the determination, the direction, and, bearing in mind our present and past responsibilities, finding a set of rules by which we can all play the game.

To sum it up, I am reminded of the words of one of our great defensive football coaches who said, "More character is made on the 1-yard line when the other team has the ball than on any other spot in the field." "How true," replied the eager, offensive coach, "But don't forget that more coaches have lost their jobs in the same spot for letting their teams get their backs to the wall."

A STATEMENT OF POLICY ON THE RELATIONSHIP OF GOVERNMENT TO REAL ESTATE FINANCING

(By the Mortgage Bankers Association of America)

FOREWORD

This document is essentially a restatement, in the light of current conditions, of the principles affirmed by the Mortgage Bankers Association of America throughout the period since the end of World War II. Previous embodiments of these principles were in the policy statements issued in 1953, 1956, and 1958.

In the present statement much of the language as well as the substance of the 1958 statement is retained. Revisions and additions have been made only where changing circumstances and impending developments have necessitated a different emphasis or an elaboration or modification of a point of view.

B. B. BASS, *President*.

APRIL 1960.

The Mortgage Bankers Association of America is dedicated to the continued development of the United States of America through private mortgage investment in real property.

The functions of its members are to create channels through which the savings of the people are made available to those who build and develop the homes, factories, offices, farms and ranches that this country requires, and to safeguard the repayment of these savings for the benefit of both the savers and future borrowers.

The association considers that the prerequisites to the efficient performance of these functions are a free money market and a system of State and Federal law that provides appropriately for the protection of savers and borrowers but that puts no avoidable obstacle in the way of the broadest possible distribution of invested savings to the areas of geographic and economic need.

Notwithstanding these principles, the present body of State and Federal law affecting real estate finance is at many points outmoded and badly adapted to the needs of an industrial urban economy. Numerous obstacles prevent or impede the accumulation and flow of funds for the financing of real property. Moreover, Federal measures originally designed to induce a wider distribution of mortgage funds have over the years been amended so as in many ways to become restrictive in their effect.

In order to serve the objectives to which it is dedicated, the association urges action along four main lines:

A. The laws of many of the States need to be revised to reduce the cost and risks of mortgage foreclosure and to encourage a greater inflow of out-of-state mortgage investment.

B. The National Housing Act and other housing legislation, after years of accrued amendments, need to be renovated so as to provide a more efficient and practicable means for insuring mortgages on residential property and for aiding the renewal of urban areas.

C. The institutional framework within which mortgage investment has historically taken place needs to be broadened so as to permit better access to areas of saving from which real estate financing is now virtually excluded.

D. Existing inequities in the Federal tax laws, that inhibit the development of a broader institutional framework, need to be removed.

It is the view of the association that, if the policies set forth in this statement were carried out, the forces of private enterprise would be so well released that the apparent necessity for many forms of positive government intervention would be removed.

1. CREATING A VITAL RESIDENTIAL MORTGAGE CREDIT SYSTEM

The creation and maintenance of an ample supply of good dwelling structures for sale and rent are vital to the Nation's social and economic well-being. An essential instrument for the attainment of these objectives is a sound, efficient, and dependable system of residential mortgage credit, the benefits of which will be available in all parts of the country to families who wish to buy and to those who wish to rent.

The indispensable elements of such a residential mortgage credit system are—

A. A mortgage instrument that provides for complete amortization in regular monthly payments.

B. A means of pooling unusual risks through mortgage insurance.

C. A mortgage interest rate that is responsive to prevailing financial conditions.

D. An institutional framework that will make practicable the access to all areas of private savings, whether by strengthening and broadening existing facilities or the creation of new ones.

The first of these requirements, the fully amortized mortgage, is now universally recognized and accepted. The remaining three have been only partially realized.

The place of mortgage insurance

Although the limitations on loan-to-value ratios imposed on their lending institutions by many of the States might be liberalized with safety, sound policy would still dictate that, beyond a point, the exposure of mortgage institutions should be reduced by pooling risks.

The mortgage insurance system of the Federal Housing Administration was designed to accomplish this purpose. At its inception in 1934, FHIA offered a simple formula for spreading risks, available to all types of lending institutions and accessible to all borrowers with good credit standing and an acceptable dwelling property. Though created and operated by government, its support, after it was fully established, was to be provided by the borrowers who used the system; and any accumulation beyond adequate reserves was to be repaid to them. Since the purpose of the insurance was to broaden the market rather than impose restrictions upon it, it was clearly understood that the interest rate was to be a readily marketable rate.

FHA has long since attained financial self-sufficiency and today imposes only the most remote liability on the Federal Treasury. Nevertheless, it has more and more been treated as if it were a direct Government operation rather than an instrument for the general advantage of the private residential market from which it derives its sole support.

As a consequence of successive amendments, the original concept of a non-discriminatory, impersonal market mechanism has been much clouded, to the impairment of FHA's efficient operation and its potential usefulness. This is true throughout the FHA system. It is especially true of the rental housing operation, where the provisions of law, charter, and regulation have greatly diminished the effectiveness of mortgage insurance in this area.

Nevertheless, the original concept of FHA remains the best basis on which to recreate a sound and practical mortgage insurance system. What is needed is not a new system, nor a supplementary system, but a renovation of a system that, over a generation, has developed operating experience, financial strength, and the confidence of industry and the public generally.

To the end of restoring and revitalizing the original concept of mortgage insurance and eliminating the obstacles, uncertainties, and instability to which its operations have been subjected, the Mortgage Bankers Association of America offers these recommendations:

1. That the Federal Housing Administration be reorganized as a federally chartered mutual insurance corporation administered through a Board of Trustees appointed, with staggered terms, by the President, and officers appointed by the Trustees.

2. That FHA be made accountable for its operations directly to the President and to the Congress.

3. That FHA continue to be required to provide for its administrative expenses and reserves from its income from fees, charges, and premiums, and that it be freed from specific annual fixed budget authorizations and be permitted reasonable flexibility in accommodating its administrative outlays to the varying demands for its services.

4. That mutuality of the mortgage insurance system be retained for mortgages on one- to four-family dwellings; that mutuality be extended to the buyers in cooperative structures; and that information about the benefits of mutuality be more effectively disseminated.

5. That the FHA insurance system be revised to consist of one simplified formula for one- to four-family houses, one for rental housing, and one for cooperative housing, and that FHA be given wide latitude within each formula to meet the broadest possible economic range of demand.

6. That all special forms of mortgage insurance or guarantee be eliminated or be allowed to end without further extension.

7. That FHA be authorized and directed to adjust its mortgage insurance premiums in accordance with its estimate of the risk assumed in the various types of mortgage insurance transactions, taking into consideration the record of its long experience.

8. That specific dollar limits on the FHA insurance authorization be removed.

9. That FHA underwriting procedures be greatly simplified by placing greater responsibility upon mortgage originators through the wider application of the certified agency plan or another method embodying similar principles.

10. That the statutory and administrative requirements of the insurance of mortgages for rental and cooperative housing be completely overhauled with the view to restricting management only to the extent needed to protect the position of the insurer; and that the requirements and limitations relating to the payment of construction wages, the certification of construction costs, the character of the capital structure, the exercise of managerial judgment, and the setting of rents be substantially reduced or eliminated.

11. That the regulation of interest rates on FHA loans be discontinued.

The accomplishment of these reforms should provide a mortgage insurance system of broad usefulness and great flexibility, readily adaptable to the changes in the demand for housing and in the supply of funds, and capable of meeting the challenge imposed by the rapid growth and changing characteristics of our cities.

The veterans' home loan guarantee program

The association is of the view that the considerations that prompted the institution of the home loan guarantee program of the Administrator of Veterans' Affairs no longer prevail, and that, in the interest of creating a simple, self-sustaining home mortgage credit system, this special operation should not be maintained. Moreover, the terms for FHA-insured mortgages have now been sufficiently liberalized to offer an adequate means for meeting the mortgage needs of those who have not yet exercised their privileges under the Servicemen's Readjustment Act.

The association therefore recommends—

12. That the VA home loan guarantee program not be extended for veterans of World War II or of the Korean war beyond their present termination dates.

13. That no further authorizations be made for direct Government loans on veterans mortgages and that no new Government-sponsored facilities be created especially for financing housing for veterans.

14. That, during the period prior to termination, the regulation of interest rates on guaranteed loans be discontinued.

15. That no extension of the home loan guarantee program be made for persons who entered the service subsequent to 1955.

A special means for broadening the home mortgage market

Remoteness from the centers of mortgage activity has always created difficulty in providing adequate mortgage funds for home buyers in small towns and cities. Difficulty has also frequently attended the efforts of members of minority racial groups, even in larger places, to obtain the consideration generally available to other classes of borrowers.

The voluntary home mortgage credit program, which was created in 1955 at the instance of the mortgage investing institutions of the country, offers a practicable method for overcoming these difficulties, if yields to investors are allowed to be competitive.

In the interest of the broadest possible service to the prospective home buyers throughout the country, the association recommends:

16. That the voluntary home mortgage credit program be continued as a permanent feature of the nation's home mortgage system, with full recognition that, to be successful, the program must be operated so as to reflect the conditions prevailing in the private mortgage market.

The need for modernizing state legislation

Supplementary to the establishment of an effective mortgage insurance system, and important to minimizing the risk and cost of the mortgage operation and widening its geographic and economic scope, the association urges that, where they have not already done so, the States modify their laws in accordance with the following recommendations:

17. That less costly mortgage foreclosure procedures be achieved, by (a) the reduction of advertising costs, (b) the simplification of court procedures now involving costly legal expense, and (c) the elimination or reduction of redemption periods for forfeited urban property.

18. That, for fully amortized conventional mortgage loans, higher loan-to-value ratios be authorized than the customary 66 $\frac{2}{3}$ percent to which State-supervised institutions have been customarily limited.

19. That mortgage investment by out-of-State financial institutions, including pension funds and trusts, be facilitated by providing that the making of mortgage loans, the pursuit of remedies under foreclosure proceedings, and the holding, or selling of property as the result of foreclosure, do not constitute doing business in the State under the meaning of statutes relating to foreign corporations.

20. That limitations now imposed by a number of the States on the period of time during which a financial institution may hold urban properties acquired through foreclosure of mortgages be eliminated.

2. BROADENING THE ACCESS TO SAVINGS FOR REAL ESTATE FINANCE

Today all but 12 to 15 percent of mortgage investment is made by four classes of institutions: Life insurance companies, savings and loan associations, mutual savings banks, and commercial banks. Of these, only the savings and loan group may confidently look forward to a rate of growth in assets available for mortgage finance comparable to that experienced during the preceding decade. Yet it is the other groups that have mainly provided, through mortgage companies, the principal means for creating a national market for home mortgages and even more generally the market for loans on rental property. Savings accumulated in pension funds and savings of the type that are attracted to mutual investment companies have not as yet to any substantial degree been attracted to mortgage investment. The continued expansion of building activity at the rate needed to accommodate the expected growth of the economy requires a broader base for mortgage credit.

The means for attracting savings into the equity side of investment in rental property have been equally as restricted as those for mortgage investment. At the present time these means are mainly confined to life insurance companies and certain other types of savings institutions (on an extremely limited basis), to a few benefit and pension funds (mostly of labor unions), and to individuals and partnerships, all of which are able to escape the full impact of the corporate income tax. The unbalanced relationship in the production of dwellings for sale and for rent, the difficulties that have beset the FHA rental housing insurance operation, and the slowness with which urban redevelopment is taking place are all in large measure attributable to the present unattractiveness of equity investment in income-producing property. Nothing could be more helpful in reducing the pressure for unsound mortgage insurance programs and in eliminating the excuse for direct governmental lending for housing purposes than an increase in the availability of true equity investment in rental property.

Improving the facilities for real estate equity investment

The cause of the lack of equity funds for rental housing is the relatively low potential yield to be obtained under present circumstances from a rental housing investment—especially one in a moderate rental category. At best, a rental property of this character is not likely to throw off a greater return after depreciation (by the straight-line method—and it will rarely earn enough to make any other depreciation formula applicable) than 6 to 7 percent. Unless the property

is owned directly by an individual or a partnership, the income will be subject to a tax of up to 52 percent, which may reduce the maximum yield to less than 3 percent. This is true whether the ownership is in the form of a corporation or an investment trust. Ownership by individuals or a partnership is not often practical where a large undertaking is involved.

By contrast, the income from capital pooled in security investment trusts is not subject to an income tax to the trust entity. These trusts, which have had a phenomenal growth during the past 20 years, are able to obtain capital at rates of return well within the earning capacity of moderate rental apartment property. If security investment trusts are so successful in attracting savings, it may be expected that trusts invested in income-producing real property could prove similarly attractive at a comparable rate of return.

However, the Internal Revenue Act discriminates against real estate investment trusts by refusing to allow the same conduit tax treatment permitted to security investment trusts. Instead, it subjects them to the full corporate income tax. Consequently the trust, as a means of pooling the funds needed for equity capital, becomes no more effective than the corporation.

As the most promising means for removing a serious obstacle to equity investment in rental housing and other types of income-producing property, the Association recommends—

21. That the Internal Revenue Act be amended to provide that real estate investment trusts be permitted to pass through to their beneficiaries income received from real estate equities or mortgages in a manner similar to that by which security investment trusts and regulated investment companies may pass through income from stocks and bonds.

Broadening the area of mortgage investment

While the problem of equity financing has been emphasized in the foregoing, the real estate investment trust as here described could, with equal effectiveness, provide a practicable and convenient method for pooling the savings of individuals for investment in mortgages and hence offer an appropriate medium for expanding the mortgage market. Consequently the desirability of the recommended enabling legislation should be considered from this point of view as well as from that previously stated.

Other possible means should be explored. Under reasonable safeguards as to custody and servicing, mortgage companies and banks might be permitted to offer insured mortgages as investments for individuals. Means by which private institutions might make available participations in, or debentures secured by, a pool of mortgages should also be considered, bearing in mind that, in order to accumulate reserves required to protect the public interest, certain modifications in the Internal Revenue Act would be necessary. In this connection, the concept of private national mortgage associations as embodied in the National Housing Act prior to 1948 should be reviewed, although an exploration of new devices may develop even more suitable instrumentalities.

3. PROVIDING FOR SOUND RESERVE CREDIT FACILITIES

From time to time the Federal Government has found it advisable to provide facilities for the control, expansion, and direct provision of credit. Beginning with the creation of the Federal Reserve System in 1914, the growth in the number, variety, and influence of these agencies has become progressively great. In the field of mortgage credit, the most prominent of these facilities are the Federal land bank system, the Federal Home Loan Bank System, and the Federal National Mortgage Association.

The land bank system provides funds for farm mortgages, mainly through issuing debentures to the public. The Home Loan Bank System provides for its members, which are largely savings and loan associations, a source of reserve credit, the funds for this purpose being obtained in the private financial market. The Federal National Mortgage Association, with funds obtained partly from the financial market directly and partly from the Treasury, provides a supplemental facility for the purchase of insured and guaranteed mortgages originated by private agencies.

As a general policy, the Mortgage Bankers Association holds that appropriate functions of Government in respect to credit are those of regulation and supervision of private institutions and the provision of limited reserve facilities for such institutions. It recognizes that there may be circumstances in which the creation of various types of lending institutions may be desirable and their initial

governmental stimulus called for, but it would distinguish between the function of making provision for and that of actually financing the organization and operation of such institutions, which ordinarily will be best left in private hands; and it would further urge that the provision or expansion of governmentally sponsored institutions be made only after making the most searching analysis of the adequacy and potentialities of existing institutions and of the effects of the proposed institutions upon them.

The Federal land bank system

In view of this policy, the association expresses concern at the recent changes in the Federal Farm Loan Act which eliminate the requirement of regular amortization as well as the maximum limitations on land bank loans. These changes carry the system far from its original purposes into an area which can fully be served by the institutions already in the field. The association specifically recommends—

22. That all land bank loans be required to be fully amortized by maturity and that the total of loans to a single borrower not exceed an amount of \$200,000.

The Association observes that the obvious governmental domination of the system creates the impression of governmental backing of its investments and obligations. Actually, the former Government capital in the system has been repaid, all Federal support of the system has technically been withdrawn, and the investments of the land banks are subject only to a limited guarantee of the local Federal land bank associations which initiate and service the loans. The public should be made fully aware that there is no Federal guarantee of either the obligations of the banks or of the mortgages held by them.

In view of the maturity of the land bank system, and the continued broadening scope of its activities, an excuse from complete tax exemption of its earnings is no longer present. Under present circumstances the special advantages that such tax exemption provides not only eliminates a source of Federal revenue but also creates a competitive advantage that threatens to deprive farmers of alternative sources of borrowed funds. Therefore, the Association recommends—

23. That the income of the land banks beyond that required for the maintenance of legal reserves be subject to taxation in a manner comparable to that presently imposed on mutual savings and the savings and loan associations.

As a matter of operating policy, the Association urges that the Federal land banks and other instrumentalities that perform similar functions avoid the risks of financing long-term investments through the issuance of short-term obligations and, instead, maintain a close relationship between the maturities of the investments they acquire and those of the debentures they issue.

Secondary facilities for the home mortgage market

The financial difficulties of the early 1930's made clear the need for reserve sources of liquidity for savings and loan associations, and the Federal home loan banks were established to meet this need as well as to assist in improving the regional and seasonal distribution of mortgage funds. The reserve credit system thus established has contributed substantially to the spectacular growth of savings and loan associations over the past quarter century.

The provisions of the statute were such as to make membership in the Home Loan Bank System impractical for other types of savings and mortgage investing institutions. Moreover, at the time, these other institutions saw little need on their part for such a reserve facility. Subsequent developments, however, have created new problems. The establishment of the federally sponsored systems of mortgage guaranty and insurance, the growth of independent mortgage companies, the resulting broadening of the mortgage market and rise of a true home-building industry, the need of the industry for advance financing commitments, the deepening influence of the general money market on the mortgage market, all these are among the reasons why a need has been felt for a means for stabilizing the flow of funds beyond those provided by the Federal Home Loan Bank System. The need has been greatly aggravated by the violent swings in activity caused by the rigid controls placed on the interest rates on insured and guaranteed mortgages.

The Mortgage Bankers Association of America is convinced that if the preceding recommendations in this statement were put into effect, the existing institutions

in the private market might confidently be expected to meet the requirements for mortgage credit in a broader and more continuous manner than is now possible.

With these objectives accomplished, the demand for special facilities to support the mortgage market would be much diminished, but the need might still persist for an instrumentality that, by buying, selling, or lending on the security of mortgages, could help to even out the seasonal and cyclical variations in the availability of mortgage funds, with particular reference to areas remote from the main centers of capital supply. If operated with restraint and with charges high enough to discourage its misuse, a secondary market facility can be an appropriate means for relieving private lending instrumentalities from extreme financial losses and for preventing building activity from suffering a sudden withdrawal of credit. Such a facility, however, should not be looked upon as a primary source of funds nor as a means for nullifying the objectives of monetary policy.

The association accepts the principles that: (a) a secondary market agency should always exact some penalty in order to prevent its misuse and overuse, (b) it should not be used to support an artificially low level of mortgage interest rates or inherently unmarketable mortgage programs, and (c) it should involve no continuing Treasury investment but should provide for its support and ultimate ownership by those who make use of it.

In line with these principles, the association asserts its conviction that the first prerequisite to a sound secondary market instrumentality is the achievement of a sound mortgage insurance system operating freely in the financial market. The association further recommends—

24. That, to assure the independence of its operation from the mortgage insuring agency and the appropriate relationship of its operation to the fiscal and credit policies of the Federal Government, the Federal National Mortgage Association be reconstituted as an independent corporate body under the management of a specially appointed board of directors who shall hold no other public office.

25. That the operation of the Federal National Mortgage Association be carried on wholly within the purview of its secondary market function, and that it not be restricted by statute in establishing the prices at which it will conduct its transactions.

26. That the standby character of the instrumentality be maintained by its purchase of mortgages only at a discount and by requiring that its stock be acquired by all who sell mortgages to it.

27. That the financing for FNMA's operations be obtained wholly from the sale of stock and the issuance of debentures in the private market, and that direct borrowing from the Treasury be discontinued.

28. That consideration of further structural or operational changes in FNMA or of the creation of another type of secondary market or reserve facility be deferred pending the completion of studies of these matters now underway at the University of California at Los Angeles.

4. ADVANCING THE RENEWAL OF OUR CITIES

Drastic modifications in the patterns of urban real estate investment are being brought about by changing modes of living, new techniques in the manufacture and distribution of goods, and the increasing dominance of motor vehicular transportation. In order to assure the growth and development of healthy cities and sound metropolitan areas, the Mortgage Bankers Association of America is convinced of the essentiality of large scale urban replanning and renewal. It also believes that the pace of urban renewal activities must be greatly increased if the rapidly mounting problems of our urban communities are to be mastered.

The association further recognizes that the development of an effective program of urban renewal is an appropriate concern of all levels of government and must have the support and guidance of an alert citizenry. For the long view, however, it urges that equitable means be sought for diminishing rather than increasing the role of the national government in local affairs. Consequently, in respect to urban renewal, the association's recommendations have a twofold objective. First, they are aimed at increasing the efficiency of the existing governmental activities related to urban renewal. Second, they seek practical means of coping with the problems of our urban areas through an increase in the responsibility and competence of local government.

In this, as in other areas of the public interest, the association stresses the importance of adequate incentives to private investment and fuller reliance on

market forces as essential to a successful operation. The earlier recommendations in this statement are as pertinent here as in the context first stated. Only when the obstacles now existing to real estate investment are removed and the mechanisms for investment improved so as to release the forces of private initiative will it be possible to contemplate real progress toward the objectives of urban renewal.

Aside from these underlying issues, the urban renewal program to date has been characterized by an overconcentration on costly and spectacular projects requiring total land acquisition and clearance, a corresponding lack of attention to the wider potentialities of restoration and rehabilitation of existing neighborhoods, an overconfidence in the efficiency of Federal agency planning, and by an underconfidence in the imagination, ingenuity, and competence of local agencies and private entrepreneurs. It has been weighted down by intricate requirements and involved procedures that delay action, increase cost, and discourage participation. It cannot cope with growing demands without a reorientation of attitude and a simplification of process.

Especially vital to the success of the program is the literal interpretation and vigorous enforcement of the provisions of the 1954 statute requiring that as a prerequisite to Federal aid, communities have instituted "workable programs" for slum elimination. There is no justification for Federal assistance in any phase of urban renewal unless and until a city is ready to adopt ordinances and tax policies that will discourage the speculation in and exploitation of slum property and to take such other measures as may be needed to preserve or restore true values in existing neighborhoods.

If anything, the "workable program" idea should be expanded to cover citywide planning for such features as throughways and arterial street systems, public transportation, geographical definition of neighborhoods—residential, industrial, and commercial—adequate housing codes and zoning laws. Too many isolated projects are consuming Federal money without enough progress being made by cities in coming to grips with the total job. This job involves rerouting traffic, enforcing adequate housing codes and zoning ordinances, eliminating incompatible uses, upgrading services, providing better schools and recreation facilities, and enlisting all the energies of the community, both in and out of government, to concentrate on getting the job done.

The association offers the following proposals for strengthening the urban renewal program—

29. That, before the Federal agency enters into contracts for loans and grants for any phase of urban renewal, including public housing, highways, and community facilities, it have received appropriate evidence of compliance with the "workable program" provisions of the 1954 statute.

30. That, through strict code enforcement and tax policies, local governments eliminate exploitative values in slum property.

31. That, where conditions require large scale land acquisition and clearance, the Federal agency, having been assured of the compatibility of the particular project with the total community program and having approved the general concept of the project plan, then cease to involve itself with the details of the new uses of the affected area, leaving these solely to the joint concern of local authorities and private entrepreneurs.

32. That, notwithstanding the frequent desirability of completely clearing, replanning, and rebuilding blighted urban areas, greater consideration be given to the attainment of urban renewal objectives through the restoration of existing structures and neighborhoods in the interests of economy and of the minimization of social disruption.

5. HOUSING FOR LOW-INCOME FAMILIES

Dissatisfaction with the results of the Federal public housing program continues to mount. The massiveness and monotony of the projects, the social segregation they involve, and the political apprehensions they arouse have caused the public housing operation to be viewed in community after community with increasing apathy or outright hostility. The time for a complete reconsideration of the program is long overdue.

The association believes that the characteristics and volume of current residential building, taken along with the upward trend in family income, are such as over the next decade to produce a surplus of low-priced dwellings. It further believes that, with firm enforcement of ordinances on occupancy and maintenance, it will be possible to assure a sufficient supply of safe and sanitary housing

for the needs of low-income families without continuing to use Government funds for the building of new structures. Where a gap between income and economic rent or price continues to exist, it will be more efficient and more broadly beneficial to make rent assistance payments directly to necessitous families than to subsidize the cost of Government construction.

The association recommends—

33. That no further authorization be made for the purpose of erection of governmentally owned housing under the provisions of the U.S. Housing Act of 1937, as amended.

34. That a system of rental assistance payments for needy families be established within existing Federal, State, and local welfare agencies to be available only in connection with housing conforming to code requirements for health, sanitation, and safety.

35. That the system of direct assistance be used as a means for encouraging improvement in the requirements and enforcement of housing codes and for stimulating on a voluntary or, if need be, a compulsory basis the rehabilitation and maintenance of existing structures.

6. SUPPORTING A SOUND FISCAL AND MONETARY POLICY

The Mortgage Bankers Association of America believes that an effective system of mortgage finance can exist only in the environment of public policies that aim at the maintenance of the value of the dollar. It is convinced that the exercise of fiscal and monetary management constitutes the most appropriate means by which the central government may intervene to maintain the balance of a free economy and the dependability of fixed-dollar obligations of which mortgage loans constitute so large a part. The previous recommendations of this statement have been made in the light of this principle.

As applied to the operations of its members, the association recognizes that well-timed and well-administered fiscal and monetary measures will result in varying degrees of stimulus and restriction; and it accepts these variations in the supply of mortgage funds as necessary and reasonable. At the same time, it opposes Government actions which peculiarly overrestrict, overstimulate, or result in disadvantageous competition in the private mortgage market; and it opposes all forms of selective credit controls. It will continue to direct its effort to the creation of conditions that will promote a free mortgage market within a financial market all elements of which are as equally as possible exposed to the impersonal impact of fiscal and monetary policy.

Representing a sector of the economy that has experienced the distortive efforts of attempts to control interest rates, the association readily recognizes the dangers to the stability of the financial markets that are inherent in the limitations now imposed on the Treasury in the exercise of debt management. No part of the market can function with the confidence in longrun stability so long as the Treasury is denied the freedom to maintain a balance between short- and long-term obligations.

In the furtherance of the objectives of fiscal responsibility the association considers undesirable legislation that commits future administrations and Congresses to payments which are distant in time and beyond review or modification to conform to the changed needs or attitudes of a later time. Examples of this type of legislation are those authorizing contracts for public housing and urban renewal.

A common means of defeating the aims of fiscal and monetary policy is the establishment of programs of indirect or direct governmental lending that are removed from the influences brought to bear on the private financial market, but that, instead, act to interfere with and complete with the flow of funds for private investment purposes, especially in a time of stringent credit. These programs are numerous, and the tendency with each session of Congress is to add new ones and expand old ones. A specific example was the 1958 instruction to FNMA to provide funds for FHA and VA financing at submarket interest. Others are the programs of direct Government loans for veterans' housing and college housing. Both of these have been expanded each year since their inception. While the purposes of these programs may be laudable, their claim on the Treasury is no greater than could be demonstrated for numerous other social needs. Each expansion argues for a further expansion as well as for the extension of the idea to other areas. Whenever money is made available at rates of interest below the market rate, there is no practical end of the demand that will be created.

The association recommends—

36. That the Employment Act of 1946 be amended so as to make the objective of price stability equally important as that of maximum employment as a goal of national economic policy.

37. That the statutory limitation on the interest rate that the Treasury may pay on long-term obligations be removed.

38. That authorizations to make direct Government loans or contracts for the payment of grants and subsidies be subject to the approval of the Appropriations Committees as well as the legislative committees of the Congress, and that such authorizations be subject to annual review by the Appropriations Committees.

39. That the Federal Government pursue a policy of avoiding the creation or expansion of direct lending and of seeking means of drawing private investment into the areas for which public funds are sought.

That, so long as direct lending programs are continued, they bear rates of interest which fully reflect the cost of money to the Treasury and the administrative expense incurred by the Treasury.

7. MEETING THE NEED FOR BETTER DATA

In a complex economy, effective planning by both business and government requires an adequate flow of information on economic conditions. Notwithstanding the vital role that they play in economic and legislative policy, the areas of construction and real estate finance have been badly neglected. Believing that the collection and dissemination of such information, for the benefit of the legislative and executive branches of Government and the interested public, is an appropriate function of the Federal Government, the Association recommends—

41. That Congress continue in the Bureau of the Census the expansion of the scope of construction statistics which it instituted in 1959, and that it also provide for the collection of dependable data on mortgage lending activity and sources of investment funds.

Senator SPARKMAN. Next is Mr. Robert R. Nathan, consulting economist, vice chairman, Americans for Democratic Action.

Mr. Nathan, we have always been glad to have you with us, and we are glad to have you again.

STATEMENT OF ROBERT R. NATHAN, VICE CHAIRMAN, AMERICANS FOR DEMOCRATIC ACTION

Mr. NATHAN. Thank you, sir.

Senator SPARKMAN. Please proceed in your own way.

Mr. NATHAN. I have a statement I would like to submit.

Senator SPARKMAN. It will be printed in full. Summarize it your own inimitable way.

Mr. NATHAN. Thank you, Senator Sparkman.

Just briefly, we in ADA feel that the subject of adequate housing for the American people is one of the most important and one of the most critical that faces this country, especially in terms of the problem of allocation of our resources. We feel very strongly that an economy which has the capacity to produce \$500 billion worth of goods and services a year, which has available to it all the benefits of modern technology and the increasing productivity of automation should be an economy in which it would be possible to so guide and direct our resources as to bring about the objectives which were set in the 1949 Housing Act of a decent home in a decent environment.

We are particularly concerned about meeting this objective because almost every social scientist has concluded that the problems we face in our society, derive not entirely, but in substantial measure, from

substandard housing and poor living conditions. It is our feeling that the 1.6 million annual average of housing units that the committee's study on mortgage credit indicates will be required in the next decade is probably an understatement and certainly, not in any degree, an overstatement. This is indicated in the committee report itself.

There are many questions about what is substandard and what is happening to population migration. It is our feeling that a figure of the magnitude of 2 million a year average over the next decade would more properly fulfill the needs and begin to catch up with the backlog of substandard and overcrowded housing.

Senator SPARKMAN. You realize we set that 16 million as the minimum?

Mr. NATHAN. I understand, sir, and I think it is truly a minimum. In reality, we should seek a higher goal.

Basically, as we see it, the problem on housing is one in which, allowing the forces of competition in our economy to function—and we favor very strongly a free enterprise and competitive economy—we do not get the amount of housing needed for low-income and low-middle-income families. The trickle-down approach, whereby people with higher incomes move into better housing facilities and then what they leave is available for those at the next stages, of course, does function and provides a substantial opportunity, as new housing is built, for people to move up and upgrade their housing requirements.

But it is clear, and I think it is generally accepted, that this does not begin to fulfill the needs of the low-income or low-middle-income families. So, in essence, the principal of Government participation has been adopted and is very much needed.

We strongly support the provision for public housing in S. 3509. Here, I think, again, one must put the magnitudes in perspective. It was a decade ago when we set an 810,000-unit public housing program for a period of 5 years. At the rate we are now going, I suspect we will finally accomplish that in about 15 years. I think we should complete and reinstate the authorization for 100,000 more units, and get public housing moving.

Senator CLARK. Mr. Nathan, I would like your comments on the position of the agency that we do not need a single additional unit authorized because they do not have the applications.

Mr. NATHAN. From the reports we have gotten from our Americans for Democratic Action chapters around the country and from my own personal observations, it is my conviction that the regulations and the lack of enthusiastic support in the execution of the program is what really precludes a substantial number of applications to move ahead. This is a serious statement to make, but I believe it is true.

The needs are certainly there, and one has merely to look at any large city in the United States and the income distribution that we have in the United States to recognize the needs for these public housing units.

Senator CLARK. I do not want to detain you any more than momentarily on this subject, but it is important. Mayor Dilworth testified yesterday that in his judgment two administrative regulations had successfully dried up applications for public housing.

First, the limitation of \$17,000 per unit which the Agency has within its powers, but certainly is not required by law, applied to

include land values. Secondly, the present requirement for the prior approval by city councils of the applications for public housing before they ever come to Washington.

Mr. Davern, in one terse word, gave his reason as being integration. I wonder if you would make, at least, a brief comment on those three reasons by quite different sources as to why we do not have applications for public housing and whether anything feasible can be done about it.

Mr. NATHAN. Unfortunately, on the third point, in our society we still fail to practice in full measure democratic principles and the rights of equality of all citizens.

Senator CLARK. I hasten to point out he said this was more of a problem in the North than it was in the South.

Mr. NATHAN. Yes, quite true. We have made very little progress toward solving this problem and making the goal of open occupancy housing a reality. Until there is a very aggressive and positive leadership at the Federal level in terms of the whole problem of civil rights, I suspect we will continue to have blockages in the various communities. Take the District of Columbia: If, at the present time, we had a determination to move ahead here by local government, I suspect there would be tremendous conflict on this particular issue.

I believe that we all need very positively to seek to bring about the understanding the public attitude and the environment which will permit us to have open occupancy in a very effective way. But there is still tremendous prejudice which blocks it.

With respect to the other procedures, of course, the cost of land has risen very substantially, and I think that an agency can set a price or value limit which, in relation to existing circumstances, can preclude any project from going forward. One could do this even in terms of the techniques, of valuation of Federal mortgage guarantee provisions. If one were to set ratios as a relationship to values which precluded the possibility of making loans, you could literally dry up the whole guarantee situation.

I myself feel, Senator Clark, that at the present time, there is in the national administration an antagonism toward public housing which precludes the possibility of getting sufficient applications and having them processed.

Senator CLARK. I think this is true, but I am beginning to suspect that there is not the educational effort being made at the local level to bombard the national agency with applications which would justify the Congress in increasing the authorization.

Mr. NATHAN. I think that is quite true. Undoubtedly subjects such as these before this committee for consideration bring very little response from the public. Of course, you have local political-sociological problems, too, in the sense that in many communities there is a great concern about slums and a great concern about the horrible circumstances under which some people live. But, then, there are others who do not see very well beyond the immediate days ahead and are concerned about low-cost housing being built elsewhere than in the existing slum areas. They somehow do not associate the horrible substandard housing of the present low-income families with the improvement that would occur by building low-cost housing. Their

desire for slum clearance is offset by the fact that they do not like to see this low-cost housing constructed in their own neighborhoods. They would prefer to see high-priced and very beautiful structures.

Senator CLARK. Mayor Dilworth pointed out almost everybody is in favor of public housing as long as it does not move in next door to them.

Mr. NATHAN. That is the real problem, and I do think, Senator Clark, we do have a real educational job to do. Basically, we do feel very strongly effort must be made to reinstate the public housing program at a higher level.

With respect to an issue that has already been discussed here this morning—lower middle income housing—we strongly support your bill, Senator Clark. Some very positive, unusual, distinctive measures will have to be enacted in an effort to reduce the carrying charges for the lower and middle-income families if we are going to provide housing for them.

Senator CLARK. Do you have any expertise with respect to the New York experiment on which Senator Javits' bill and mine is based? The Senator felt this has been quite a success up there. Do you have any information on that?

Mr. NATHAN. No, unfortunately, Senator Clark. I have not studied the New York experiment, but I do feel very strongly that what is at issue here, in essence, is some kind of mechanism which will make available funds at lower interest charges to certain income categories. As I say in the statement here, if this entails a subsidy, then we must have a subsidy.

Fundamentally, we are not going to get the housing for low-income and low-middle-income groups without some kind of a special effort on the part of the public, and this comes back to this interest rate problem. If we are going to allow housing to compete in the money market openly and directly with all other demands, then, I believe that we will not fulfill our housing objectives.

In a sense, this problem was recognized historically when the whole housing program was initiated. What are FHA and FNMA and other procedures, organizations, and techniques except mechanisms designed to provide some kind of a benefit, or added protection to the housing market in its access to the money market? I feel that high interest rates and the tight money policy had had many adverse consequences, and I think we have had high interest rates without price stability.

There are many, many measures that the Federal Reserve could have undertaken and many policies by which debt management by the Treasury could have been far improved. But, basically, I do think the fundamental problem relates to the need to provide some kind of special protection or special assistance, for the housing area in order to insulate it from these extreme fluctuations in interest rates and in some degree, from the tight money policy, in order to have adequate housing.

Senator CLARK. You are going to have to let education in under the tent, are you not?

Mr. NATHAN. I think that housing, by no means, is the only situation. I would include housing and education, and health, too. Fundamentally, in our society, we all believe in a free enterprise system,

and I certainly do. But there are deviations. For instance, one system of progressive taxation itself assesses taxes on the basis of ability to pay. Public education, schools, are another deviation from allowing certain services to be provided on a purely competitive basis.

Senator CLARK. Hospitals.

Mr. NATHAN. That is right, and I think there are certain essential areas where one must deviate in some measure from allowing the open competitive market to determine where our resources flow. Basically, I would urge that we ought to now taken even more—

Senator CLARK. Let me interrupt you to highlight that. I wish you would say that again because I thought that sentence really summed it up better than any I have heard. Please say it again.

Mr. NATHAN. Basically, what I am saying is that in order to get the allocation of our tremendous resources to certain very essential services such as health, education, and housing, it is necessary for the Government to take certain steps to insulate them from the harsh realities of the competitive money and resource market.

Senator CLARK. And to give them a priority.

Mr. NATHAN. Give them some order of priority or some sort of a differential which then permits them to compete.

Senator CLARK. This is even more important than the problems of more consumer goods, is it not?

Mr. NATHAN. Of course, I think, frankly, Senator Clark, we can increase our production quite substantially in the aggregate. Many of us who are very much concerned about economic growth are distressed by our rate of growth in recent years. I myself, for instance, find it very distressing to realize that in the 1952-53 boom, we had an average unemployment of about $1\frac{3}{4}$ million. In the 1956-57 prosperity, we had an average unemployment of $2\frac{3}{4}$ million. In the peak of the present prosperity, it looks as though we are going to have something like $3\frac{1}{2}$ million or maybe even more average unemployment.

By the way, one can take a look at the studies of idle plant capacity in a fairly conservative publishing organization such as the McGraw Hill's in Business Week. We have fantastic idle plant capacity in the steel industry. Today, steel is a 70-percent operation; 30 percent of productive capacity is literally going down the drain. Automobile production has tremendous idle capacity. There are many areas that we can step up, I am convinced, by a constructive, positive, economic program; not by Government ownership and regimentation, but by a more vigorous and dynamic fiscal monetary credit policy on the part of Government. If we do we will have more production of consumer goods as well as housing and capital formation.

Senator CLARK. In all this, the Federal Government must take the lead, must it not?

Mr. NATHAN. There is no doubt the Federal Government must take the lead. This does not mean Federal Government ownership or Federal Government production. In the housing area, we do not need Federal Government to build. What we need, and I think the only argument is about degree, are instruments, mechanisms, procedures, and assistance, which will make possible the kind of private functioning in these areas which will achieve the objectives we seek.

Senator CLARK. It is pretty clear to you, it is not, that the resources of the cities and States are inadequate to meet this challenge?

Mr. NATHAN. This is a problem I mentioned briefly in my testimony, too, Senator Clark. Most cities and States get their revenues from sales and property taxes. Sales and property taxes fall very heavily on the low-income groups, and they are not responsive to a growing economy. When prosperity comes and business rises and the national income increases, our Federal revenue rises disproportionately more than the increase in national income percentage-wise, but State and local revenue do not.

These are very sluggish in their response, and I feel that while one cannot rely on States and local governments, even if you help them fiscally to do the full job, nevertheless, we ought to try to do something to help them raise the revenues. I testified before the House Ways and Means Committee recently and made a proposal which I hope will be seriously considered and which I think makes a great deal of sense. That is to allow a credit against the Federal income tax for State income taxes. This would not be a deduction, but a credit. It would not be an unlimited credit because, then, the States could take away all the Federal revenue. It would allow a credit against the Federal income tax for State or local income taxes, up to a certain amount per taxpayer or a certain percentage of his Federal revenue.

I think this would do a great deal to help give to States and localities the opportunities to grab some of this revenue which is based on ability to pay and is responsive to boom and bust. This would give them more revenue to do the kind of job they need to do in health, housing, and education.

This, Mr. Chairman, and members of the committee, pretty well covers the general statements we wanted to make. I did not want to go into the specifics of any of the bills, but rather magnitude of the need, the fact we have the capacity to do the job, and I think with a considerable amount of added imagination and effort in the fiscal area of taxation and especially in the credit area, we can achieve the goals which this committee set and, I think, the higher goals which need to be set.

Senator SPARKMAN. Thank you very much. We always are glad to have you.

Mr. NATHAN. Thank you for the opportunity.

(The prepared statement of Robert R. Nathan follows:)

STATEMENT OF ROBERT R. NATHAN, VICE CHAIRMAN, AMERICANS FOR DEMOCRATIC ACTION

Mr. Chairman and members of the subcommittee, my name is Robert R. Nathan and I appear today on behalf of ADA, as vice chairman of that organization. I appreciate the opportunity to testify before your subcommittee to present ADA's views on housing and urban renewal.

From its inception, ADA has been deeply concerned with the problems of housing and urban development. Our concern has deepened as the problems have become more acute: the population has grown, the existing housing supply has deteriorated, the slums have spread. We seem to make no progress toward fulfilling the goals set by Congress itself.

You have had the benefit of considerable testimony from individuals and organizations who have concerned themselves specifically with housing problems for many years. We would associate ourselves in most instances with the specific proposals of the spokesmen for the National Housing Conference. Rather

than repeat many of the particular recommendations included in that testimony, I would like to deal more generally with the very serious problems facing the country in this crucial area.

No serious-minded and responsible leader or citizen can help but conclude that measured against our tremendous production resources, we are failing, by a substantial margin, to meet the needs for decent housing of our people. We glory in having reached a gross national product of \$500 billion. True, prices have risen and \$500 billion worth of goods and services in present-day dollars is substantially less than 500 billion in 1950 or 1940 dollars. Nonetheless, the level of actual output on a total and a per capita basis is certainly high enough not only to justify but absolutely to require that we take major steps to eliminate our slums, to replace all substandard housing and to formulate a program which will assure decent housing for our rapidly growing population.

Individuals with foresight have been talking for many years about the need for 2 million new housing units annually. This level was tossed aside as visionary by some, but the blatant facts now clearly demonstrate that we need at least—and I emphasize at least—2 million housing units a year if we are going to use our resources intelligently and constructively in relation both to our capacity to produce and to the needs of our population.

There will be some 30 to 40 million more people in the United States 10 years from now. We need over a million units a year for the net addition in families. Beyond that, we need at least a million units a year if we are to replace less than 2 percent per year of our existing housing facilities. Such a rate of replacement assumes an average utilization of housing of 50 years. In terms of our present productive capacity, we ought to envisage a program based on a 50-year life of housing units. Actually, this would not be achieved because there are so many millions of truly substandard units today that we could not possibly replace all of these and most houses over 50 years old.

I emphasize these figures principally because of the fact that we have never truly established realistic goals. These goals are desperately needed if we are going to have a program which is both ambitious and feasible. The time is long past due for candidly assessing the values of decent housing against those of the added gadgets and luxuries which our growing productivity has brought for a limited but growing proportion of our population. Almost every study dealing with sociological problems today emphasizes the fact that decent housing is an essential prerequisite to orderly, and peaceful, and healthful existence.

The old principle of "trickle-down" of course does have some meaningful application in the area of housing. As families move up in the income scale and are financially able to afford higher priced housing, facilities are made available for those at lower income levels to improve their living arrangements. However, it has been demonstrated convincingly that for practically all of our citizens in the truly low income category and for most of those in the lower middle income category, this trickle-down approach is hopelessly inappropriate. It cannot possibly serve to meet the needs of these millions of families.

The principle of Government participation in seeking to provide adequate housing for our people has been established for many years. What is most regrettable is the fact that the application of this principle has been so seriously lacking in imagination, in magnitude, and in implementation. Unless and until realistic goals are set and sufficient appropriations are made available, we will continue to have slums and we will continue to suffer all of the consequences—social, political, and economic—which derive from widespread substandard housing.

In essence what we need is a much enlarged public housing program. The proposal in S. 3509 to reinstate the low-cost public housing authorization of the 1949 act is the bare minimum which this committee and this Congress should legislate. The public housing program ought to be geared to needs not to some predetermined budgetary limitation which bears no realistic relationship to what our capacity to produce can support.

Public housing of course is by no means the only answer. This program is geared only to those at the really low income levels; we need new approaches for those in the low-middle income levels who are not served by public housing or by private builders. For this reason, we strongly urge your favorable consideration of S. 1342, introduced by Senators Javits and Clark. Unless low interest rate financing is available for these families, we will never make significant progress toward providing them with the housing which our economy can well afford.

Perhaps most dramatic of all is the desperate need to move forward far more aggressively in the whole area of urban renewal. Here in the Nation's Capital, which is in reality the world's capital, we offer to foreign visitors and our own visiting citizens a picture of widespread slums more appropriately characteristic of truly underdeveloped countries than of a nation which is enjoying the benefits of modern mechanization and automation. Slums will never be eradicated through private activities alone. Nor will they be eradicated through half measures which provide inadequate funds and which are implemented with hesitation and redtape seemingly designed to restrict rather than to expand.

We favor the enactment of an authorization for the urban renewal program of \$600 million as provided in S. 3509. The survey conducted by the American Municipal Association and the Conference of Mayors of urban renewal needs for the next 10 years seems amply to justify an authorization of this amount annually. The visual evidences of shocking urban blight are added proof that this authorization is the minimum that ought to be approved by this committee.

The requirements of an adequate urban renewal program of course go far beyond the need for adequate authorizations for slum clearance. As Senator Clark has pointed out, the rate of slum clearance is for practical purposes limited by the scarcity of housing for displaced families. Thus, we welcome the sections of S. 3509 which are designed to provide more equitable treatment for families displaced by urban renewal. We favor, too, the emphasis given in S. 3509 to the rehabilitation phase of the urban renewal program, including capital grants for pilot rehabilitation projects.

But if the basic prerequisite of a successful urban renewal program is assurance of an adequate supply of housing, the need for a bold new undertaking to provide adequate homes for middle income families, not merely those who must be relocated, but the inhabitants of substandard and overcrowded dwellings as well, must be underscored again. Within urban renewal projects too, the emphasis should be upon meeting the need for an adequate supply of housing.

There are two additional points concerning interest rates and State and local fiscal policies, which I should like to emphasize.

The rise in interest charges has had a tremendous impact on the cost of housing. At the present time, mortgage loans are being financed generally at around 6 percent and in some areas at even 7 percent and more. As a result, large numbers of families have been priced out of the market. We must, to the extent necessary, develop techniques and procedures which will make funds available for housing at rates which the majority of our people who need housing can afford to pay. If this requires subsidies then we should have subsidies. Housing is too essential a need for our middle and low income families to be subject to the wide fluctuations of our financial markets.

Many of our housing needs could be met more fully by assistance from State and local governments if these governmental units had adequate revenues. Unfortunately, most State and local revenues come from property and sales taxes which fall most heavily on the low and middle income groups and which are not very responsive to our rising prosperity. As a result, these governments have gone deeper and deeper into debt while failing increasingly to meet the essential requirements of our citizens.

Steps must be taken, principally by the Federal Government, to achieve better coordination between the fiscal policies of the Federal Government and of lesser jurisdictions, toward the end that States and localities may have adequate revenues to fulfill the essential requirements of our urban citizens. Unless such coordination is achieved, the Federal Government will be compelled to assume increasingly the responsibility for these services or will have to make larger grants for more and more services.

Proposals which have come before your committee to provide both for planning and for organization to better meet these housing needs have our enthusiastic support. We urge the development of long-range plans in this entire area, and we support S. 3292 providing for the establishment of a Department of Housing and Metropolitan Affairs. Only through adequate planning and by establishing an agency truly responsible for housing and urban redevelopment will we achieve those goals which, we are sure, the overwhelming proportion of American citizens seek and expect.

Senator SPARKMAN. The last witness is Mr. Donald A. Hoffman, president of the United States National Student Association.

Mr. Hoffman, will you come around? We are glad to have you with us.

**STATEMENT OF DONALD A. HOFFMAN, PRESIDENT, THE U.S.
NATIONAL STUDENT ASSOCIATION**

Mr. HOFFMAN. I am going to confine my remarks this morning to the area of college housing, an area of our particular interest and because of our constitutional limitations on the areas on which we can discuss issues that are before the Congress of the United States.

Senator CLARK. Mr. Hoffman, would you mind identifying your home base for the record?

Mr. HOFFMAN. I am a law student at the University of Wisconsin, taking a leave of absence to serve as the president of the National Student Association.

Senator CLARK. Where is your home?

Mr. HOFFMAN. Milwaukee, Wis.

Senator SPARKMAN. Where is the headquarters of the National Student Association?

Mr. HOFFMAN. Its headquarters are in Philadelphia.

Senator SPARKMAN. Philadelphia?

Mr. HOFFMAN. That is right.

Senator SPARKMAN. I was certain it had some Pennsylvania connection.

That question brought it out.

Senator CLARK. Thank you, Senator Sparkman.

Senator SPARKMAN. All right, Mr. Hoffman.

Mr. HOFFMAN. I have a short statement to present, and I will just pick the high spots.

Senator SPARKMAN. The statement will be printed in its entirety. You may read it or discuss it or summarize it.

Mr. HOFFMAN. Thank you.

Housing is an area which has been of great interest to our association for some time. Recently USNSA appointed a group of college and university students to serve as a student advisory board for U.S. Housing Administrator Norman P. Mason to counsel him regarding student convictions about the city and suburbs of the future. One of the major areas of agreement among the students in attendance at that meeting was the necessity for Federal leadership and Federal responsibility in solving the vital needs of our country for adequate facilities for its citizenry.

The association is a confederation of student bodies of over 380 colleges and universities. They comprise a total enrollment exceeding 1,300,000 students in 45 States, the District of Columbia, and the State of Hawaii. We represent a majority of the undergraduates registered at 4-year institutions. Our policy is developed each summer at a national student congress and, in the interim period, by representatives of member schools meeting as a national executive committee. The policy is administered by officers of the association who are elected by the delegates to our Congress.

Last summer, at the 12th National Student Congress held at the University of Illinois, the delegates expressed the necessity for Fed-

eral aid to education. The resolution which was passed at that meeting states:

The cost of higher education has greatly increased, and as a result the charges to students have increased, and will of necessity continue to increase since educational institutions find themselves in financial difficulties. American education faces a real crisis. Many superior high school students do not attend college because they are financially unable. Many others leave college because of insufficient funds. Enrollment is expected to double within the next decade, resulting in overcrowding and strain upon already inadequate facilities and the insufficient number of teachers, a number which threatens to remain proportionately low due to the lack of financial incentive.

Then, the delegates went on to endorse some principles. The ones which apply to college housing, I have noted here.

That education is the keystone of a free and democratic society; that private and State aid are inadequate to meet these problems and that the Federal Government must use its full resources to meet the crisis in American education for the general welfare of the American people and the national security; that the Federal Government maintain an extensive low-interest loan and direct subsidy program for educational institutions.

(a) That such a loan and subsidy program be unrestricted and should be used as the institution sees fit to meet the need for additional classroom, library, laboratory, and dormitory facilities and faculty salaries, and once granted such loans must be free of all Federal control.

So we have several criteria that are set up on which we base our discussion here today on college housing. It is that aid be adequate enough to meet the need and that it be left up to the institution and that it be free from Federal control. It is clear that there is a great need for aid to institutions of higher learning to meet the needs for additional construction. A study on "Needed Expansion of Facilities for Higher Education—1958-70" was prepared for the American Council on Education by Messrs. Long and Black in 1958. The report represents estimates of the amount of funds needed by colleges and universities in the United States to develop a physical plant of minimum adequacy to accommodate all the qualified students who seek admission in 1970.

Assuming that the college age population attending colleges and universities will increase, this ACE study sets the projected enrollment for 1970 at 5,878,000. This increase exceeds our country's 1957 enrollment by 94 percent, according to the ACE. So this is just about equated with what our Congress stated that the enrollment would probably double in the next 10 years.

Colleges will require more classroom space, more dormitories, more laboratories, more library facilities, and more service facilities if they are to meet the physical demands of increasing college population. New structures suitable for dwelling use are needed. According to the ACE study cited previously \$4.4 billion of residential construction will be needed by the year 1970.

I have a statement in here which, in effect, states we support Senator Clark's bill on academic facilities. But, as you stated earlier in the morning, this is before the Committee on Labor and Public Welfare, so I will not discuss that. But I will discuss the residential facilities at this time.

The dormitory shortage is one that is most acute at the present time. Our concern is that more buildings are constructed to fulfill the needs of the present and future college population. Loans of \$1.1 billion

have been made under the present college housing loan program. The program has made a substantial contribution in providing funds to meet our critical college housing needs. In some years 80 percent of the college and university dormitories were constructed under this program. Despite the existence of the loan program, however, Congress failed to appropriate an adequate amount to fulfill the needs of colleges and universities, that is, to meet all existing applications for construction loans.

The concern of USNSA, as I stated previously, is with increasing educational opportunities in all phases of university life. We feel that dormitory living contributes to a student's education. The college housing loan program, as I have stated, has made a contribution in this area but the appropriations of the program must be expanded to meet existing needs. To meet these needs, we favor a continuation of the college housing loan program with appropriations of \$250 million per year to meet probable applications for loans and \$150 million to take care of the backlog of applications which exist. This is because of the loss in fiscal 1959, failure to appropriate the amount for the applications.

My association strongly urges that the present college housing loan program be continued instead of substituting any alternatives that have been suggested.

Probably the most important alternative is the one that has been suggested that the institution borrow from private sources with the Government guaranteeing the loans. Under present conditions, it is very difficult for any institution to borrow money at an interest rate under 5 percent. Under the plan suggested by the Department of Health, Education, and Welfare the Federal Government would give the institution one and one-quarter percent of the construction cost each year as a grant to offset the difference between the rate the colleges now pay, $3\frac{1}{8}$ percent, I believe, and the rate which they would pay in the private market. If, as the universities and colleges estimate, they cannot borrow for less than 5 percent, they would have to pay six-tenths of 1 percent. That is a change from what we have in our statement. That is six-tenths of 1 percent more than they now pay for interest and, multiplied by the size of some of the loans, the additional expense would be considerable.

Earlier this morning, I spent a few minutes at the subcommittee hearings over in the House, and a gentleman was testifying on behalf of the small colleges, one of the association of small colleges, and stated to the same effect that it is extremely difficult for them to borrow in the private market. They very definitely favor a continuation of the college housing loan program, and our association supports this.

It appears likely that the colleges and universities are correct since even the Federal Government finds it difficult to borrow for appreciably less than $4\frac{1}{2}$ percent, according to recent financial page figures in the Washington Post. It is highly unlikely that a private institution would be able to borrow at a more favorable rate than the Federal Government, I feel. Smaller colleges who find it more difficult to borrow and have to pay higher rates of interest will be considerably hurt.

The colleges that need help the most would obtain the least help under the suggested alternative. Eighty percent of the colleges and

universities now enrolled in the program, in effect, would like to see the college housing loan program continued rather than the new alternative that has been proposed.

I would like to ask if you in this committee are concerned with service facilities, other educational facilities. I understand that Senator Javits has a bill in which it is proposed to increase the amount from \$125 million to \$150 million, and this is a matter that we would greatly favor because we see a great need for increased facilities, cafeterias, dining halls, student unions, infirmaries, and other facilities on the campuses. We urge that the additional \$25 million be appropriated for these purposes.

This is the end of my statement.

Senator SPARKMAN. Thank you, Mr. Hoffman. It is a very good statement, a very clear statement, and one that will be helpful to us.

You may have heard me say earlier this morning that I was very proud of the college housing program. It has been, I think, one of the best that we have had, and I certainly believe that we ought to continue until we find something better.

Thank you very much for presenting your views and those of your association to us.

Mr. HOFFMAN. Thank you, sir.

(The prepared statement of Mr. Hoffman follows:)

STATEMENT OF DONALD A. HOFFMAN, PRESIDENT, THE U.S. NATIONAL STUDENT ASSOCIATION

The U.S. National Student Association is happy to have this opportunity to express its views on the subject of college housing. Housing is an area which has been of great interest to our association for some time. Recently USNSA appointed a group of college and university students to serve as a student advisory board for U.S. Housing Administrator Norman P. Mason to counsel him regarding student convictions about the city and suburbs of the future. The students in attendance at that meeting stressed the necessity for Federal leadership and Federal responsibility in solving the vital needs of our country for adequate facilities for its citizenry.

The U.S. National Student Association is a confederation of the student bodies of over 380 colleges and universities. They comprise a total enrollment exceeding 1,300,000 students in 45 States, the District of Columbia, and the State of Hawaii. We represent a majority of the undergraduates registered at 4-year institutions. Association policy is determined by delegates of the member campuses meeting at the annual National Student Congress and, in the interim period, by the elected regional representatives of the member schools meeting as the national executive committee of the association. Policy is administered by the officers elected by delegates at the National Student Congress.

Last summer at the 12th National Student Congress held at the University of Illinois the delegates expressed the necessity for Federal aid to education.

"The cost of higher education has greatly increased, and as a result the charges to students have increased, and will of necessity continue to increase since educational institutions find themselves in financial difficulties. American education faces a real crisis. Many superior high school students do not attend college because they are financially unable. Many others leave college because of insufficient funds. Enrollment is expected to double within the next decade, resulting in overcrowding and strain upon already inadequate facilities and the insufficient number of teachers, a number which threatens to remain proportionately low due to the lack of financial incentive."

The delegates went on to endorse the following principles:

"That education is the keystone of a free and democratic society;

"That private and State aid are inadequate to meet these problems and that the Federal Government must use its full resources to meet the crisis in American education for the general welfare of the American people and the national security;

"That the Federal Government maintain an extensive low-interest loan and direct subsidy program for educational institutions :

"(a) That such a loan and subsidy program be unrestricted and should be used as the institution sees fit to meet the need for additional classroom, library, laboratory, and dormitory facilities and faculty salaries, and once granted such loans must be free of all Federal control."

It is clear that there is a great need for aid to institutions of higher learning to meet the needs for additional construction. A study on "Needed Expansion of Facilities for Higher Education—1958-70" was prepared for the American Council on Education (ACE) by Long and Black in 1958. The report presents estimates of the amount of funds needed by colleges and universities in the United States to develop a physical plant of minimum adequacy to accommodate all the qualified students who seek admission in 1970.

Assuming that the college age population attending colleges and universities will increase, this ACE study sets the projected enrollment for 1970 at 5,878,000. This increase exceeds our country's 1957 enrollment by 94 percent.

Colleges will require more classroom space, more dormitories, more laboratories, more library facilities, and more service facilities if they are to meet the physical demands of increasing college population. New structures suitable for dwelling use are needed. According to the ACE study cited previously \$4,400 million of residential construction will be needed by the year 1970.

The dormitory shortage is one that is most acute at the present time. Our concern is that more buildings are constructed to fulfill the needs of the present and future college population. Loans of \$1,100 million have been made under the present college housing loan program. The program has made a substantial contribution in providing funds to meet our critical college housing needs. In some years 80 percent of the college and university dormitories were constructed under this program. Despite the existence of the loan program, however, Congress failed to appropriate an adequate amount to fulfill the needs of colleges and universities that is to meet all existing applications for construction loans.

The concern of USNSA as I stated previously is with increasing educational opportunities in all phases of university life. We feel that dormitory living contributes to a student's education. The college housing loan program as I have stated has made a contribution in this area but the appropriations of the program must be expanded to meet existing needs. USNSA urges a continuation of the college housing loan program with appropriations of \$250 million per year to meet probable applications for loans and \$150 million to take care of the backlog of applications which exist.

USNSA strongly urges that the present college housing loan program be continued instead of substituting any alternatives that have been suggested.

One alternative that has been suggested is to have the institution borrow from private sources with the Government guaranteeing the loans. Under present conditions it is very difficult for any institution to borrow money at an interest rate under 5 percent. Under the plan suggested by the Department of Health, Education, and Welfare the Federal Government would give the institution 1¼ percent of the construction cost each year as a grant to offset the difference between the rate the colleges now pay (3½ percent) and the rate which they would pay in the private market. If, as the universities and colleges estimate, they cannot borrow for less than 5 percent they would have to pay 6 percent more than they now pay for interest and, multiplied by the size of some of the loans, the additional expense would be considerable.

It appears likely that the colleges and universities are correct, since even the Federal Government finds it difficult to borrow for appreciably less than 4½ percent—according to recent financial-page figures in the Washington Post. It is highly unlikely that a private institution would be able to borrow at a more favorable rate than the Federal Government. I feel smaller colleges who find it more difficult to borrow and have to pay higher rates of interest will be considerably hurt. The colleges that need help the most would obtain the least help under the suggested alternative. In addition USNSA would like to point out that 80 percent of the colleges and universities now in the program desire that it continue. We believe it is most advantageous that the Federal Government in aiding the colleges and universities continue the fine college housing loan program which has the backing of the great majority of colleges and universities.

Academic facilities: The study by the ACE indicates that \$10,820 million will be needed by 1970 to fulfill student needs for classrooms, laboratories, libraries, and related facilities (including initial equipment, machinery, and utilities) for instructions, research, and administration. USNSA urges the appropriation of \$125 million as an initial amount to begin to fulfill academic facility needs. In this area colleges and universities favor direct grants from the Federal Government as against a loan program. There is no direct financial return to the institution as there is in the case of dormitories. On the other hand the college loan program has been a successful one and thus perhaps loans should be the form in which aid is given to institutions for academic facilities. USNSA would like to offer two alternatives. We suggest that either (a) the college or university is allowed to borrow all the funds needed for such construction from the Federal Government at an interest rate of 3½ percent or (b) the college or university is allowed to obtain a direct grant of 25 percent of the total cost of the construction of academic facilities to be paid by the Federal Government upon completion of the construction. In connection with either alternative we urge that the Department of Health, Education, and Welfare is the proper agency of the Federal Government to allocate the funds for the program.

Other educational facilities: USNSA notes the great need on many college campuses for new structures suitable for use as cafeterias, dining halls, student unions, infirmaries, and other essential service facilities and for the improvement of existing structures to fulfill these needs. We urge that an additional \$25 million be appropriated for the separate educational facilities.

Senator SPARKMAN. The committee stands in recess until 10 o'clock tomorrow.

(Whereupon, at 12:40 p.m., the committee recessed, to reconvene at 10 a.m., on Thursday, May 19, 1960.)

HOUSING LEGISLATION OF 1960

THURSDAY, MAY 19, 1960

U.S. SENATE,
COMMITTEE ON BANKING AND CURRENCY,
SUBCOMMITTEE ON HOUSING,
Washington, D.C.

The subcommittee met, pursuant to recess, in room 5302, New Senate Office Building, at 10:06 a.m., Senator John Sparkman (chairman of the subcommittee) presiding.

Present: Senators Sparkman, Clark, and Bush.

Also present: Senator Lusk.

Senator SPARKMAN. Let the subcommittee come to order.

Senator Lusk, will you come around, please. We are glad to have you with us.

STATEMENT OF HALL S. LUSK, A U.S. SENATOR FROM THE STATE OF OREGON

Senator Lusk. Thank you, Mr. Chairman.

I asked permission to appear before the committee this morning to bring to the committee's attention a letter which I have received from Rev. Howard J. Kenna, C.S.C., president of the University at Portland, Oreg. Father Kenna in his letter calls attention to the tremendous benefits which the University of Portland and other educational institutions in the country have received as a result of the college housing loan program, and strongly endorses the bill S. 2911 which was introduced by Senator Javits for the purpose, as I understand it, of continuing with that program.

Father Kenna also says in his letter that the administration proposal of federally guaranteed private loans and Federal grants payable over 20 years equal to 25 percent of the principal is simply unworkable.

I may say, Mr. Chairman, that for many years I have been a member of the associate board of trustees of the University of Portland and served for a time as chairman. I am personally in complete sympathy with the purport of Father Kenna's letter, and if it be proper I should like to have this letter made a part of the record.

Senator SPARKMAN. That will be done, and we are glad to have your comments on it.

(The letter referred to follows:)

UNIVERSITY OF PORTLAND,
Portland, Oreg., April 15, 1960.

HON. HALL S. LUSK,
*Senator from Oregon, Senate Office Building,
Washington, D.C.*

DEAR SENATOR LUSK: After having known you as judge for so many years, it is difficult for me to address you as Senator, but it is in that capacity that I am writing you.

I know that you have probably been overwhelmed with letters, requests, and suggestions concerning legislation. It must be a difficult thing to adjust so rapidly to such a new situation. And I am adding to your burdens with another suggestion.

The college housing loan program which was carried on under the housing bill of several years back has been of tremendous benefit to the institutions of higher education of the country, among them the University of Portland. We have, with their assistance, constructed the three buildings which, under other conditions, we would not have been able to do. Many other institutions have taken advantage of this splendid program. This program is now in abeyance owing to the failure of the Congress to appropriate the necessary funds for its continuance this year. And it is in danger of being abandoned altogether owing to the opposition of the administration to it. All of the institutions of higher education and their various organizations have urged its continuance and have expressed their opinion that the alternatives suggested by the administration do not replace it adequately. The administration suggestion that federally guaranteed private loans and Federal grants payable over 20 years equal to 25 percent of the principal is simply unworkable. This would prevent institutions such as ours which have religious affiliations from participating in the program at all.

I urge therefore to continue the present college housing program. I suggest and urge that the following bills, S. 2911, introduced by Senator Javits, providing funds for the continuation of the program this year and the further bill for carrying it on in the next fiscal year, be approved by the Senate.

This would be of benefit to many institutions throughout the country and without passage of these bills, the net increase of college facilities for the care of the vastly increased number of applicants will be impossible. I have a very personal interest in it as a loan for additional housing facilities at the University of Portland has been processed up to the point of approval and is now waiting for this Senate action.

I hope that you will be able to give this matter your attention and your support. In the hope of seeing you at the University of Portland soon, I remain,

Yours sincerely,

REV. HOWARD J. KENNA, C.S.C.,
President, University of Portland.

Senator SPARKMAN. I may say, Senator Lusk, that I note the reference to S. 2911, introduced by Senator Javits. I introduced S. 2950 a little later. My bill carries twice as much as Senator Javits' bill carries because of the backlog that has been built up. Senator Fulbright joined with me in introduction of S. 2950. I am not sure the president is aware of the fact that there is a tremendous backlog. We offered one bill that would provide \$250 million to become available immediately to take care of the backlog and an additional \$250 million to be available for the next fiscal year. I might also call his attention to the fact that that probably is a more satisfactory bill.

Senator LUSK. I was not aware of your bill, Mr. Chairman. I dare say that Father Kenna was not aware of it either or he would have endorsed that in addition to Senator Javits' bill.

He states in his letter that there is at the present time a loan being processed under the former legislation which would not be completely granted unless this new legislation is enacted.

Senator SPARKMAN. That is true, and that is the reason we provided for two separate funds. One to be made available just as soon as pos-

sible, in order to accomplish these loans that are in the shape that his loan is in; and the other additional funds for the next fiscal year.

Senator Lusk. Thank you very much.

Senator SPARKMAN. Thank you, Senator Lusk. We are glad to have had you.

Mr. Popejoy, president of the University of New Mexico, Albuquerque; Mr. Clarence B. Hillberry, president, Wayne State University of Detroit; Mr. Clarence Scheps, vice president and comptroller, Tulane University; and Mr. Hurst R. Anderson, president, American University, Washington, D.C., for the American Council on Education.

If you gentlemen will come around, we shall be glad to have you form a panel at the table. It is very good to see all of you. Some of you we have seen here before. Gentlemen, if you will take charge of the situation and present your views as you have planned, I would appreciate it.

STATEMENT OF TOM L. POPEJOY, PRESIDENT, UNIVERSITY OF NEW MEXICO, THE AMERICAN COUNCIL ON EDUCATION

Dr. POPEJOY. Mr. Chairman and gentlemen of the committee, I am Tom L. Popejoy, president of the University of New Mexico. On this occasion I represent the American Council on Education. The council membership includes 140 educational organizations and 1,055 institutions, among them nearly all the accredited colleges, universities, and junior colleges in the United States. I am associated here today with a number of representatives of other college and university organizations who also will present testimony concerning the college housing loan program.

Our concern, Mr. Chairman, is that this program, so vital to the future of higher education in this country, shall be provided with the additional funds necessary for its effective continuance. An overwhelming majority of leaders in the colleges and universities are convinced that among the legislative issues directly affecting them before this 2d session of the 86th Congress the college housing program is second to none.

This conviction is readily understood in the light of the facts.

PROBLEM FACING THE COLLEGES

As you already know, and as officials of the Department of Health, Education, and Welfare have testified in recent weeks, college facilities are now overcrowded. Yet the institutions are faced with official predictions that the present total of 3,400,000 students will have increased by 1 million in 1964, and that by 1970 there will be more than 6 million students knocking at the doors of our colleges. Such an expansion in student demand emphasizes for all of us that this decade of the 1960's will make an unprecedented call on the colleges for expanded facilities of all kinds—dormitories, dining halls, classrooms, libraries, and laboratories—estimated to cost about \$20 billion. Commissioner Derthick has said that if the 6 million youths expected in college by 1970 are to have as good dormitory and related facilities as are provided today an expenditure of \$4.5 billion will be necessary for new dormitories, and an additional \$1.2 billion will be needed for

replacements. This total of nearly \$6 billion for 10 years would mean the annual expenditure of almost \$600 million for dormitories, dining halls, and related facilities alone, an amount which is far beyond the present and prospective resources of the institutions.

Senator CLARK. Dr. Popejoy, do you have any comparable figures for the needs for academic facilities—classrooms, laboratories, libraries, and the like?

Dr. POPEJOY. Senator Clark, I do not have this information at present. I could make an estimate and I have a feeling on that, which I will discuss later if you would like to raise the question.

Senator CLARK. Thank you.

Dr. POPEJOY. As current evidence of the need for college housing loans, the Housing and Home Finance Agency had on hand, as of April 30, 185 applications for loans from the colleges and universities for a total of more than \$223 million. Applications are continuing even though funds have been exhausted now for about 6 months. With your permission, Mr. Chairman, I should like to offer for the record the list of 185 applications that were pending at the end of last month. This list will indicate to you not only the continuing need but the broad representation of types of institutions and of geographical areas. Applications come from public and private institutions, and from 42 States and the District of Columbia.

Senator SPARKMAN. That will be printed as a part of your statement. (The material referred to follows:)

Pending applications, college housing program, as of Apr. 30, 1960

	<i>Federal funds</i>
Alabama :	
Athens College.....	\$175, 000
The Alabama Polytechnic Institute.....	1, 725, 000
Troy State College.....	180, 000
Walker Junior College.....	196, 000
Sacred Heart College.....	400, 000
Arkansas :	
Arkansas State College.....	1, 500, 000
Arkansas Polytechnic College.....	669, 527
Arkansas State College.....	1, 200, 000
Agricultural, Mechanical & Normal College.....	2, 991, 000
California :	
California Western University.....	1, 123, 000
University of California (Davis Campus).....	2, 000, 000
University of California (Los Angeles Campus).....	2, 500, 000
Loyola University of Los Angeles.....	900, 000
University of California.....	1, 500, 000
Colorado :	
Adams State College.....	1, 934, 000
Colorado State College.....	2, 125, 000
Colorado State University.....	3, 734, 540
University of Denver.....	3, 686, 420
Colorado School of Mines.....	2, 380, 000
Loretto Heights College.....	1, 200, 000
Connecticut : University of Bridgeport.....	900, 000
Delaware : Wesley College.....	317, 000
District of Columbia : The American University.....	1, 750, 000
Florida :	
Florida State University.....	3, 000, 000
University of Miami.....	1, 500, 000
University of Florida.....	500, 000
John B. Stetson University.....	480, 000
University of Florida.....	500, 000

Pending applications, college housing program, as of Apr. 30, 1960—Continued

Georgia :	
Abraham Baldwin Agricultural College.....	\$360, 000
Albany State College.....	435, 000
Georgia Institute of Technology.....	475, 000
Georgia Teachers College.....	900, 000
Middle Georgia College.....	450, 000
West Georgia College.....	540, 000
The University of Georgia.....	3, 620, 000
Tift College.....	200, 000
Hawaii: Chaminade College of Honolulu.....	165, 000
Idaho :	
Northwest Nazarene College.....	285, 000
University of Idaho.....	1, 363, 000
Illinois :	
Northern Illinois University.....	1, 750, 000
Mundelein College.....	1, 000, 000
Lake Forest College.....	500, 000
University of Illinois.....	2, 150, 000
North Central College.....	200, 000
North Park College and Theological Seminary.....	470, 000
Eureka College.....	440, 000
Greenville College.....	550, 000
Indiana :	
Ball State Teachers College.....	4, 235, 000
Indiana State Teachers College.....	1, 500, 000
St. Francis College.....	687, 000
Indiana State Teachers College.....	1, 650, 000
Indiana University.....	3, 750, 000
Iowa :	
William Penn College.....	360, 000
University of Dubuque.....	632, 000
Simpson College.....	330, 000
Buena Vista College.....	128, 000
Kansas :	
Kansas State Teachers College.....	1, 000, 000
Do.....	500, 000
Kansas State University of Agriculture and Applied Science.....	750, 000
The University of Kansas.....	1, 300, 000
Kansas State College of Pittsburg.....	650, 000
Saint Mary of the Plains College.....	902, 000
University of Kansas.....	600, 000
Baker University.....	400, 000
Bethany College.....	320, 000
Kentucky :	
Morehead State College.....	725, 000
University of Louisville.....	1, 600, 000
Do.....	500, 000
Do.....	885, 000
Union College.....	200, 000
Western Kentucky State College.....	675, 000
Do.....	675, 000
University of Kentucky.....	1, 350, 000
Kentucky State College.....	730, 000
Eastern Kentucky State College.....	1, 500, 000
Georgetown College.....	360, 000
Union College.....	85, 000
Louisiana :	
McNeese State College.....	250, 000
Tulane University.....	2, 500, 000
Louisiana State University and A. & M. College.....	2, 775, 000
Northwestern State College.....	1, 150, 000
Maryland :	
Mount Saint Agnes College.....	620, 000
Goucher College.....	600, 000
Morgan State College.....	952, 000

Pending applications, college housing program, as of Apr. 30, 1960—Continued

Massachusetts:		
College of the Holy Cross-----	\$2, 500, 000	
Brandeis University-----	1, 125, 000	
Mount Holyoke College-----	900, 000	
Michigan:		
Calvin College-----	2, 000, 000	
Western Michigan University-----	1, 408, 000	
Wayne State University-----	3, 000, 000	
Northwestern Michigan College-----	531, 396	
Aquinas College-----	550, 000	
Emmanuel Missionary College-----	750, 000	
Kalamazoo College-----	200, 000	
Minnesota:		
College of Saint Teresa-----	1, 000, 000	
University of Minnesota-----	1, 250, 000	
Hamline University-----	500, 000	
Mississippi:		
Mississippi State College of Agriculture & Appliance Science--	2, 288, 000	
The University of Mississippi-----	780, 000	
Missouri:		
St. Louis University-----	1, 600, 000	
The Washington University-----	2, 350, 000	
Culver-Stockton College-----	338, 000	
Central Missouri State College-----	1, 500, 000	
Montana: Western Montana College of Education-----		80, 000
New Jersey: Rutgers University (College of Nursing)-----		450, 000
New York:		
Albany Law School and Albany Medical Center-----	1, 080, 000	
Syracuse University-----	2, 982, 000	
Cazenovia Junior College-----	120, 000	
Do-----	500, 000	
Juilliard School of Music-----	1, 000, 000	
Keuka College-----	903, 000	
Columbia University-----	3, 000, 000	
New York University-----	4, 000, 000	
Adelphi College-----	680, 000	
Dormitory Authority of the State of New York-----	7, 400, 000	
C. W. Post College of Long Island University-----	920, 000	
North Carolina:		
North Carolina State College of A. & E.-----	2, 000, 000	
Western Carolina College-----	750, 000	
Johnson C. Smith University-----	740, 000	
East Carolina College-----	625, 000	
Methodist College-----	1, 300, 000	
Louisburg College-----	290, 000	
North Dakota:		
State Teachers College (Valley City)-----	275, 000	
University of North Dakota-----	570, 000	
Do-----	1, 066, 800	
State Teachers College (Valley City)-----	300, 000	
Ohio:		
The Ohio State University-----	400, 000	
The Notre Dame College-----	500, 000	
University of Dayton-----	3, 500, 000	
Ohio University-----	4, 400, 000	
Rio Grande College-----	320, 000	
Hiram College-----	225, 000	
Fenn College-----	1, 650, 000	
Mount Union College-----	500, 000	
John Carroll College-----	1, 875, 000	
University of Cincinnati-----	5, 475, 900	
Oklahoma:		
Southeastern State College-----	626, 600	
Central Christian College-----	450, 000	
Northwestern State College-----	550, 000	

Pending applications, college housing program, as of Apr. 30, 1960—Continued

Oregon:	
University of Portland.....	\$180,000
George Fox College.....	496,000
Pennsylvania:	
St. Vincent College.....	1,400,000
LaSalle College.....	500,000
Susquehanna University.....	120,000
University of Pittsburgh.....	2,600,000
St. Francis College.....	1,000,000
Muhlenberg College.....	550,000
Duquesne University.....	2,250,000
Harcum Junior College.....	250,000
South Carolina:	
Voorhees Junior College.....	300,000
College of Charleston.....	100,000
South Dakota:	
Sioux Falls College.....	399,000
State University of South Dakota.....	500,000
Do.....	2,200,000
South Dakota School of Mines and Technology.....	750,000
Tennessee:	
Cumberland University.....	194,259
Knoxville College.....	500,000
Tennessee Wesleyan College.....	800,000
Texas:	
Texas Woman's College.....	1,000,000
Southwest Texas State College.....	1,879,000
Do.....	400,000
Howard Payne College.....	450,000
Texas College of Arts and Industries.....	900,000
Jarvis Christian College.....	750,000
Trinity University.....	1,520,000
St. Edwards University.....	800,000
Sam Houston State Teachers College.....	1,931,319
East Texas State College.....	675,000
Utah:	
University of Utah.....	3,000,000
Westminster College.....	425,000
Snow College.....	300,000
Vermont: Windham College.....	
	216,000
Washington:	
University of Washington.....	4,500,000
Seattle University.....	2,000,000
University of Puget Sound.....	700,000
Pacific Lutheran College.....	1,030,000
Eastern Washington College of Education.....	2,272,500
Gonzaga University.....	1,533,550
Whitman College.....	550,000
Western Washington College of Education.....	1,800,000
West Virginia:	
Morris Harvey College.....	300,000
Do.....	450,000
Davis and Elkins College.....	512,000
Wisconsin: Wisconsin State Colleges.....	
	6,960,000
Wyoming: Casper College.....	
	600,000
Total (185).....	
	223,364,561

Dr. POPEJOY. This list also, we believe, speaks eloquently of the successful history of the college housing loan program, which was inaugurated by the Congress on a bipartisan basis and which has consistently held the majority support of Congress during the last decade. Since the program's inception, loans totaling some \$1,175 million have been granted to 1,200 college and university projects.

These projects have provided housing accommodations totaling 285,000 at colleges, universities, and hospitals, and in addition have made possible nearly a hundred related facilities such as dining halls, cafeterias, and student unions. These figures explain better than any words I can say, Mr. Chairman, why the colleges of this Nation believe in the college housing loan program. Any termination of it would truly be a heavy blow.

LOAN PROGRAM IS ESSENTIAL

The program is essential for this reason: It provides loans to the colleges at interest rates and for long terms not available in the private market, which are necessary if the colleges are to amortize the loans out of student rentals at rates which students are able to pay. This conclusion was supported by a careful study made in 1957 at the School of Business, Indiana University, and sponsored by the American Council on Education, entitled "Financing of College and University Permanent Housing." Copies are available today to the members of this subcommittee who may desire them.

Senator SPARKMAN. Dr. Popejoy, right there I want to ask you something regarding the first paragraph. You say since the program's inception loans totaling \$1,175 million have been granted to 1,200 college and university projects. Do you by any chance know how many different colleges and schools shared in that program, and how many States have been represented?

Dr. POPEJOY. Not precisely.

Senator SPARKMAN. I think that would be interesting, if it would not be too difficult to prepare such a list for inclusion.

Dr. POPEJOY. A list of the colleges and universities participating in this program since its inception?

Senator SPARKMAN. Yes. To me it would be interesting to know how many different colleges and schools have participated and how widely spread they have been over the Nation. I think it would be helpful.

Dr. POPEJOY. If it meets with the chairman's wishes, I will see that this list is made available and placed in the record.

Senator SPARKMAN. If it is not too much trouble.

Dr. POPEJOY. I am sure it is not too much trouble.

Senator SPARKMAN. We would have to have it by a week from Friday.

Dr. POPEJOY. We can supply this list.

(The list referred to follows:)

COLLEGE HOUSING PROGRAM (April 30, 1960)
APPROVED LOANS

<u>Institution</u>	<u>Amount of Loan</u>	<u>Housing Accommodations</u>	<u>Other Facilities</u>
<u>ALABAMA</u>			
The Marion Institute	\$ 150,000	100 men	
Spring Hill College	586,000	168 men; 6 faculty	
The Alabama Polytechnic Institute	614,000	182 men; 100 women	
Howard College	2,150,000	321 men; 342 women	
Tuskegee Institute	2,000,000	897 men; 154 women	
St. Bernard College	273,000	104 men; 2 faculty	
Jacksonville State Teachers College	280,000	176 men	
Alabama A&M College	250,000		Student center
Troy State College	367,000	214 men	
The Alabama Polytechnic Institute	1,979,000	240 student families	
Marion Institute	265,000	116 men	Dining (500)
Florence State College	1,365,000	226 men; 60 women	Student Union- dining (600)
Troy State College	235,000	144 men	
Birmingham Southern College	278,000	32 student families	
Howard College	110,000	16 student families	
University of Alabama-Medical	1,555,000	64 student families	
		64 faculty	
Huntingdon College	225,000		Student center
<u>ALASKA</u>			
University of Alaska	1,170,000	102 men; 39 women; 12 student families; 12 faculty	
<u>ARIZONA</u>			
Arizona State College (Tempe)	400,000	144 men	Dining
University of Arizona	400,000	152 women	
Arizona State College (Flagstaff)	500,000	168 men	
University of Arizona	2,199,000	364 men; 356 women	
Arizona State College (Tempe)	2,493,000	300 men; 450 women	Dining
Arizona State College (Flagstaff)	427,000	168 men	
University of Arizona	1,108,000	350 men	
Arizona State College (Tempe)	896,000	150 men; 144 women	Dining (294)
Arizona State College (Flagstaff)	475,000	62 student families	
<u>ARKANSAS</u>			
Ouachita Baptist College	75,000	48 men	
State AM&N School	581,000	128 men; 124 women	
Henderson State Teachers College	347,000	30 student families; 10 faculty	
Hendrix College	265,000	102 men	
Ouachita Baptist College	294,000	100 men	
University of Arkansas	2,917,000	404 women; 100 student families	Dining (1450)
Hendrix College	325,000	100 women	
Arkansas State Teachers College	350,000		Student center
Henderson State Teachers College	252,000		Student union

<u>Institution</u>	<u>Amount of Loan</u>	<u>Housing Accommodations</u>	<u>Other Facilities</u>
ARKANSAS (Continued)			
University of Arkansas-Medical	\$2,316,000	195 men; 120 women; 95 student families; 2 faculty	
Arkansas State College	577,000	264 men	
Harding College	500,000	60 student families	
Arkansas State Teachers College	325,000	116 men	
Arkansas Polytechnic College	550,000	13 student families	Student union- dining
Little Rock University	322,000		Student union- dining
Ouachita Baptist College	200,000		Dining (400)
Philander Smith College	800,000	100 men; 120 women; 6 faculty	Student union- dining
University of Arkansas	878,000	100 student families	
Arkansas Polytechnic College	286,000	102 men	
Arkansas Polytechnic College	350,000	100 women	
John Brown University	400,000	136 men	
Arkansas Agr'l & Mech College	925,000	268 men; 128 women; 30 student families	
Ouachita Baptist College	625,000	100 men; 76 women	
Arkansas State Teachers College	765,000	126 men; 124 women	
Henderson State Teachers College	1,136,000	152 men; 152 women	
University of Arkansas	1,672,000	432 men	
CALIFORNIA			
Menlo College	520,000	128 men; 8 faculty	
University of San Francisco	1,478,000	374 men	Dining
Whittier College	350,000	90 women	
LaVerne College	200,000	50 women	
University of Santa Clara	375,000	150 men; 3 faculty	
University of Southern California	660,000	304 men; 52 student families	
University of Southern California	2,150,000	226 men; 227 women	Dining
Occidental College	1,308,000	107 men; 136 women	Dining (350)
College of the Pacific	1,522,000	400 women	Dining (400)
University of Redlands	350,000	96 men	
Whittier College	500,000		Student union- dining (500)
Mount St. Mary's College	850,000	160 women	Dining
Loyola University of Los Angeles	718,000	180 men	
College of the Holy Names	1,209,000	166 women; 64 faculty	Commons (600)
University of San Francisco	948,000	96 faculty	Dining (120)
Menlo College	500,000	100 men; 6 faculty	Student center
College of Notre Dame	435,000	100 women	Dining (250)
LaVerne College	367,000	66 women	Dining (256)
University of California	18,000,000	3968 men; 2086 women; 151 student families	Dining
California Western University	230,000	64 men; 64 women	
Westmont College	975,000	144 women	Dining (234)
California State Colleges	14,173,000	4200 men; 3400 women; 114 faculty	

<u>Institution</u>	<u>Amount of Loan</u>	<u>Housing Accommodations</u>	<u>Other Facilities</u>
<u>CALIFORNIA (continued)</u>			
Pasadena College	\$ 600,000	70 men; 75 women	Commons; dining (500)
University of California (Berkeley)	3,700,000		Student union- dining (1000)
University of California (Los Angeles)	2,750,000		Student union- dining
Chapman College	839,000	133 men; 133 women	
California College of Arts & Crafts	290,000	39 men; 39 women	Dining
Stanford University	2,900,000	225 student families; 25 faculty	
University of Redlands	400,000	96 men	
Occidental College	960,000	101 men; 78 women	
Los Angeles College of Optometry	82,000	32 men	
Whittier College	450,000	83 women	
St. Mary's College of California	350,000	100 men	
University of San Francisco	786,000	218 men	
California Western University	556,000	188 men	Dining (188)
San Francisco College for Women	1,900,000	210 women; 30 faculty	Dining (318)
College of the Pacific	154,000	44 women	
College of the Holy Names	395,000	92 women	
University of Santa Clara	2,500,000	314 men	Student center- dining (842)
University of California (Berkeley)	3,000,000	300 student families	
<u>COLORADO</u>			
Colorado School of Mines	200,000	84 men	
University of Colorado	350,000	36 faculty	
Colorado A&M College	1,320,000	400 women; 4 faculty	Dining
Colorado College	576,000	155 men; 5 faculty	
University of Colorado	2,200,000	900 men	Dining
Colorado A&M College	1,320,000	408 men; 4 faculty	Dining
Western State College	394,000	174 women	
The Colorado College	1,152,000	258 women	Dining
Loretto Heights College	1,090,000	254 women	Dining
Colorado State College of Education	2,600,000	558 women	Dining (900)
Regis College	909,000	214 men	Student Center- dining (400)
Colorado A&M College	1,250,000	412 men	Dining
Colorado A&M College	1,250,000	412 men	Dining
Colorado Women's College	335,000	122 women	
Fort Lewis A&M College	806,000	124 men; 60 women;	Student center- dining
		20 student families	
University of Colorado	1,009,000	116 student families	
Western State College	631,000	120 men; 132 women	
Colorado School of Mines	259,000	84 men	
Colorado A&M College	1,350,000	412 women	Dining
Adams State College	587,000	100 men; 66 women	
University of Denver	1,690,000	216 men; 216 women	Dining (346)
The Colorado College	750,000	89 men	Student union- dining

<u>Institution</u>	<u>Amount of Loan</u>	<u>Housing Accommodations</u>	<u>Other Facilities</u>
<u>COLORADO (continued)</u>			
Colorado State University	\$2,000,000		Student union-dining
Adams State College	465,000	52 student families	
Pueblo County Junior College	600,000		Student union-dining
Colorado State University	1,450,000	150 student families	
The Colorado State College	435,000	150 men	
Adams State College	1,160,000	100 men; 88 women; 28 student families	Dining (600)
Western State College	1,600,000	452 women	Dining (440)
Fort Lewis A&M College	514,000	120 men; 12 student families	Student union
The Colorado College	308,000	105 men	
<u>CONNECTICUT</u>			
University of Bridgeport	1,496,000	300 women; 12 faculty	Dining (700)
Yale University	1,080,000	205 women; 1 faculty	
University of Bridgeport	1,600,000	412 men	
Albertus Magnus College	900,000	150 women	Dining (150)
<u>DELAWARE</u>			
University of Delaware	1,854,000	298 men; 263 women	Student union-dining
University of Delaware	360,000	48 student families	
Wesley College	665,000	130 men; 86 women	
<u>DISTRICT OF COLUMBIA</u>			
Georgetown University	1,249,000	178 women; 37 faculty	Dining
The American University	394,000	55 men; 55 women	
The American University	634,000	148 men	
Georgetown University	1,192,000	200 men	
Trinity College	1,400,000	195 women; 4 faculty	Student union-dining
Catholic University of America	1,350,000	200 men	Dining-Student center
Georgetown University	2,800,000	400 men	Dining (1000)
The American University	1,500,000	300 women	
George Washington University	1,250,000	138 men; 196 women	
Dunbarton College	848,000	124 women; 8 faculty	Dining (132)
<u>FLORIDA</u>			
University of Florida	1,776,000	632 women	Dining
Florida A&M College	810,000	570 men; 197 women	
University of Miami	1,381,000	400 women	Dining
University of Florida	1,000,000	160 men; 240 women	Dining
John B. Stetson University	536,000	250 men	
Florida Southern College	750,000	273 women	
John B. Stetson University	420,000	118 women; 3 faculty	
Bethune-Cookman College	287,000	154 women; 5 faculty	
University of Florida	3,279,000	652 men; 358 women	Student union-dining (196)

<u>Institution</u>	<u>Amount of Loan</u>	<u>Housing Accommodations</u>	<u>Other Facilities</u>
<u>FLORIDA (continued)</u>			
Florida State University	\$2,300,000	570 men; 272 women	
John B. Stetson University	894,000		Student union-dining
Rollins College	900,000	136 women	Dining (520)
University of Florida	1,925,000	296 student families	
University of Miami	2,695,000	722 women	
John B. Stetson University	423,000	158 men	
University of Tampa	440,000	83 men; 55 women	
Florida State University	1,925,000	288 student families	
University of Florida	3,500,000	800 men; 485 women	Dining
University of South Florida	1,200,000	414 women	
University of Miami	85,000	24 men	
<u>GEORGIA</u>			
Emory University	627,000	299 women	
Emory University	990,000	408 men	
Mercer University	750,000	46 men; 100 women; 6 faculty	Student center-dining
Morris Brown College	200,000	78 men	
Clark College	450,000	118 men; 7 faculty	
Emory University	4,000,000	336 women; 100 student families	Student center-dining
Georgia Military College	258,000	150 men	Dining (275)
Wesleyan College	450,000	102 women	Infirmery(16-bed)
University of Georgia	3,000,000	495 men; 487 women	
Georgia Teachers College	462,000	160 women	
Georgia Institute of Technology	2,025,000	770 men	
North Georgia College	390,000	148 men	
Tift College	200,000	52 women	
Morehouse College	350,000	268 men	Dining
Gordon Military College	337,000	126 men	
<u>HAWAII</u>			
University of Hawaii	640,000	48 faculty	
University of Hawaii	437,000	116 men	
<u>IDAHO</u>			
University of Idaho	755,000	272 men	Dining
The College of Idaho	430,000	150 men	Dining
The College of Idaho	150,000		Student center-dining
The College of Idaho	120,000	68 men	
Northwest Nazarene College	370,000	120 women	
North Idaho Junior College	110,000		Student union-dining (500)
<u>ILLINOIS</u>			
Knox College	426,000	96 men; 1 faculty	
Illinois Institute of Technology	1,045,000	96 faculty	
Illinois Institute of Technology	2,280,000	88 student families; 56 faculty	
Southern Illinois University	1,100,000	422 women	Dining

<u>Institution</u>	<u>Amount of Loan</u>	<u>Housing Accommodations</u>	<u>Other Facilities</u>
<u>ILLINOIS (Continued)</u>			
Illinois College	\$ 200,000	105 men	
North Central College	350,000	144 men	
Loyola University	1,192,000	366 men	Dining
Knox College	500,000	144 men; 1 faculty	
North Park College & Theol. Sem.	550,000	208 men	
Lake Forest College	400,000	146 women	
Lincoln College	175,000	78 men	
Quincy College & Seminary	600,000	200 men; 2 faculty	
Bradley University	450,000	150 women	Dining
Southern Illinois University	3,251,000	732 men	Dining
University of Illinois	1,065,000	450 men	
University of Illinois	2,570,000	669 women	Dining
Illinois College	200,000	67 women	
North Central College	250,000	80 men	Dining
Aurora College	200,000	66 men	
The University of Chicago	2,000,000	516 women	Dining
Bradley University	400,000		Student ctr-dining
Barat College of the Sacred Heart	650,000	152 women; 4 faculty	Dining (300)
The University of Chicago	850,000	10 men; 10 women; 60 student families	
University of Illinois	3,000,000	1485 men	Dining (1200)
Greenville College	275,000	51 women	Dining
Shimer College	350,000	94 men	
Southern Illinois University	3,000,000	236 men; 188 women; 128 student families	Dining
Illinois State Normal University	700,000	96 student families	
National College of Education	400,000	188 women	Dining
Western Illinois University	206,000	32 student families	
Northern Illinois University	3,000,000	528 men; 528 women	Dining (1056)
Eastern Illinois University	500,000	60 student families	
MacMurray College	516,000	106 men	Dining (240)
Milliken University	740,000	171 men	Student ctr-dining; 3-bed infirmary
Augustana College	395,000		Student union-dining
Saint Xavier College	650,000	152 women	Infirmary
Illinois Institute of Technology	1,000,000	288 men	Dining (394)
The Monmouth College	400,000	100 men	
The University of Chicago	1,300,000	332 men	Dining (336)
Lincoln College	250,000	82 men	
Illinois Institute of Technology	1,200,000		Student union
University of Illinois	1,525,000		Food Service Bldg.
Southern Illinois University	2,300,000		Student union-dining
Bradley University	517,000	142 men	
University of Illinois	1,530,000	157 men; 150 women	
Knox College	500,000		Student union-dining
University of Illinois	3,450,000	1569 men	Dining (1569)
MacMurray College	550,000	105 men	Dining (210)
Rosary College	949,000	172 women	
Milliken University	546,000	158 women	
Elmhurst College	450,000	126 men	4-bed infirmary
Illinois Institute of Technology	1,000,000	245 men	Dining (350)
St. Procopius College	700,000	160 men	Dining

<u>Institution</u>	<u>Amount of Loan</u>	<u>Housing Accommodations</u>	<u>Other Facilities</u>
<u>MICHIGAN (continued)</u>			
University of Michigan	\$3,500,000	1194 women	Dining
University of Michigan	1,697,000	288 student families	
Marygrove College	556,000	142 women	
Michigan State Univ. of Agr & AppSc.	3,680,000	800 student families	
University of Detroit	1,460,000	440 men; 4 faculty	
Central Michigan College	826,000	296 men	
Hope College	1,000,000	160 women	Dining (450)
Michigan College of Mining & Tech.	1,400,000	150 student families	
<u>MINNESOTA</u>			
Gustavus Adolphus College	552,000	200 men	
Concordia College	650,000	228 women	
Augsburg College & Theol. Sem.	360,000	148 women; 1 faculty	
Bethel College & Seminary	348,000	80 men; 50 women	
St. Olaf College	1,000,000	168 men; 160 women	
Macalester College	800,000	132 men; 160 women	Dining
Hamline University	250,000	112 women	Dining (426)
University of Minnesota (St. Paul)	1,985,000	155 men; 152 women; 100 student families	
University of Minnesota (Mpls.)	3,029,000	550 men; 264 women	
University of Minnesota (Duluth)	345,000	117 women	
St. Mary's College	713,000	120 men; 46 faculty	Dining
Carleton College	800,000	144 men; 96 women	
St. John's University	1,361,000	410 men; 4 faculty	
University of Minnesota (St. Paul) (Mpls.)	2,803,000	564 men; 120 student families	Dining
College of St. Thomas	1,200,000	300 men	
St. Olaf College	700,000		Student ctr.
Hamline University	450,000	122 men	Dining
Gustavus Adolphus College	250,000		Dining (570)
College of St. Thomas	1,300,000		Student union-dining
St. Olaf College	1,635,000	200 men; 210 women	
<u>MISSISSIPPI</u>			
University of Mississippi	2,600,000	254 men; 158 women; 200 student families	Dining (120)
University of Mississippi	754,000	80 student families	
Mississippi State College	3,184,000	1426 men	Dining (140)
Mississippi Southern College	1,500,000	402 men; 198 women	
Millsaps College	802,000	135 men; 100 women	
Mississippi State College for Women	622,000	198 women; 2 faculty	
Mississippi State College for Women	622,000	198 women; 2 faculty	
Millsaps College	264,000		Student union-dining
Mississippi State College for Women	320,000	24 faculty	
Mississippi Southern College	1,465,000	224 student families; 16 faculty	Service Bldg.
Mississippi State College	720,000	52 faculty	
University of Mississippi	1,672,000	220 men; 80 student families; 26 faculty	
Mississippi State College for Women	650,000		Student Activity bldg.

<u>Institution</u>	<u>Amount of Loan</u>	<u>Housing Accommodations</u>	<u>Other Facilities</u>
<u>MISSISSIPPI (continued)</u>			
Delta State College	\$ 925,000	128 men; 128 women; 30 student families	
Mississippi College	575,000		Student union-dining
Alcorn A&M College	385,000	52 faculty	
Jackson State College	350,000	32 faculty	
The University of Mississippi	750,000	250 women	
Mississippi College	365,000	114 men	
<u>MISSOURI</u>			
University of Kansas City	1,000,000	294 men	
St. Louis University	712,000	216 men; 4 faculty	
Central Mo. State College	900,000	95 men; 150 women	Dining (400)
St. Louis University	875,000	294 women; 7 faculty	Dining
Central Mo. State College	600,000	224 women	
Drury College	195,000	60 women	
Rockhurst University	683,000	214 men	
University of Missouri	1,520,000	512 men	Dining (275)
School of Mines (Univ. of Mo.)	1,585,000	316 men	Dining (300 seats)
Park College	300,000	96 women	
William Jewell College	950,000	123 women	Student union-dining
Westminster College	500,000	108 men	Dining (200)
Northwest Mo. State College	1,085,000	138 men; 196 women	
Webster College	665,000	116 women	Dining (360)
University of Missouri	3,770,000	1044 women	Dining (1044)
William Woods College	686,000	192 women	
Southwest Mo. State College	965,000	230 men; 214 women	
The University of Kansas City	935,000		Student union-dining
The Tarkio College	370,000	100 women	
Northeast Mo. State Teachers College	575,000	124 men; 30 student families	Dining
William Jewell College	454,000	124 men	
School of Mines (Univ. of Mo.)	540,000		Student union-dining
Central Mo. State College	630,000	120 men; 192 women	Dining
Southeast Mo. State College	1,515,000	408 women	Dining
University of Missouri	1,650,000	192 student families	
School of Mines (Univ. of Mo.)	415,000	48 student families	
Wentworth Military Academy	495,000	122 men	Dining (664)
Westminster College	368,000	108 men	
The Washington University	3,411,000	296 men; 294 women	Dining
Cottey Junior College	863,000	152 women	Dining (500)
Washington University	1,528,000	264 men; 31 women	
Stephens College	1,000,000	215 women	
Christian College	759,000	156 women	
Drury College	250,000	100 men	
Westminster College	175,000	50 men	Dining
Northwest Mo. State College	300,000		Student union-dining
St. Louis University (Parks College)	1,149,000	242 men; 3 faculty	Dining (420)
Kirkville College of Osteop & Surgery	571,000	44 student families	
Central Mo. State College	1,215,000	284 men; 96 women	Dining (330)
Northeast Mo. State Teachers College	1,593,000	484 men	Dining (100)
Central Mo. State College	695,000		Student union-dining
Maryville College of the Sacred Heart	986,000	226 women	6-bed infirmary

<u>Institution</u>	<u>Amount of Loan</u>	<u>Housing Accommodations</u>	<u>Other Facilities</u>
<u>MONTANA</u>			
Montana State University	\$ 729,000	214 men	
Montana State University	331,000	118 men	Dining (528)
Northern Montana College	485,000	114 men	Dining (155)
Eastern Montana College of Education	319,000	100 men	
Western Montana College of Education	596,000	51 men; 16 student families	Student union
Montana State College	1,400,000	308 women	Dining
Western Montana College of Education	315,000	90 men	
Montana School of Mines	250,000		Student union
Northern Montana College	460,000	68 men; 18 student families	
Northern Montana College	250,000		Student union
Montana State College	1,500,000	408 men	
Carroll College	1,040,000	154 women; 6 faculty	Dining (600)
<u>NEBRASKA</u>			
Nebraska Wesleyan University	232,000	96 men	
The Creighton University	750,000	198 men	Dining (400)
Nebraska Wesleyan University	350,000		Student union-dining
McCook College	240,000	20 men; 40 women	Dining (160)
Hastings College	330,000	122 men; 2 faculty	
Dana College	336,000	132 women	
Midland College	450,000	77 men	Dining (450)
The Creighton University	750,000	210 women; 4 faculty	
Hastings College	425,000		Student union-dining
<u>NEVADA</u>			
University of Nevada	1,382,000	160 men; 32 student families; 8 faculty	Dining (450)
<u>NEW HAMPSHIRE</u>			
Dartmouth College	1,500,000	300 men; 2 faculty	Student union
Rivier College	750,000	172 women	
St. Anselm's College	842,000	240 men	
Dartmouth College	1,700,000	327 men	
<u>NEW JERSEY</u>			
Fairleigh-Dickinson College	325,000	80 women	
Westminster Choir College	382,000	124 men	
Upsala College	2,070,000	282 men; 252 women	Student union-dining
Institute for Advanced Study	1,150,000	32 men; 74 student families	
Fairleigh-Dickinson College	507,000		Dining - Commons
Rutgers University	2,430,000	480 women	Dining (480)
Fairleigh-Dickinson College	387,000		Student union
Drew University	925,000	104 men; 126 women	
Rider College	930,000	204 men; 96 women	
Drew University	478,000		Student union-dining
Bloomfield College & Seminary	200,000	28 men; 28 women	Dining (200)
Georgian Court College	803,000	144 women	
Drew University	575,000	129 women	
Stevens Institute of Technology	1,260,000	370 men	

<u>Institution</u>	<u>Amount of Loan</u>	<u>Housing Accommodations</u>	<u>Other Facilities</u>
<u>NEW MEXICO</u>			
New Mexico School of Mines	\$ 435,000	92 men	Dining (300)
New Mexico Highlands University	200,000	100 men	
New Mexico College Of A&M Arts	1,375,000	200 student families	
New Mexico Western College	357,000	102 men	
University of New Mexico	1,875,000		Student union-dining
University of New Mexico	1,583,000	435 men	
New Mexico Normal University	255,000	32 student families	
New Mexico Western College	257,000	32 student families	
College of St. Joseph on the Rio Grande	434,000	92 women; 12 faculty	
New Mexico Normal University	170,000	56 women	
University of New Mexico	925,000	100 student families	
<u>NEW YORK</u>			
Rensselaer Polytechnic Institute	2,868,000	636 men	Dining (424)
Syracuse University	2,484,000	665 men	Dining (432)
St. Lawrence University	796,000	204 men	
Clarkson College of Technology	1,150,000	306 men; 16 faculty	Dining
St. Bonaventure University	1,184,000	500 men	
Alfred University	590,000	160 men	Dining
New York University	820,000	225 men	
Briarcliff Junior College	340,000	72 women	
Syracuse University	2,021,000	540 women; 8 faculty	
Alfred University	420,000	80 women	Dining (300)
Cazenovia Junior College	101,000	32 women	
Yeshiva University	1,225,000	288 men; 2 faculty	Dining
Yeshiva University	1,500,000	263 men; 28 women; 10 faculty	
New York University - Bellevue	2,310,000	322 men; 74 women	Dining (200)
Manhattan College	865,000	180 men	
Iona College	650,000	97 men; 8 faculty	Dining
Russell Sage College	800,000	199 women	
Adelphi College	982,000	78 men; 78 women	Student union
Wagner Lutheran College	1,216,000	206 men	Dining (578)
Clarkson College of Technology	1,044,000	304 men	Dining
Colgate University	847,000	183 men	Dining
Syracuse University	3,361,000	474 women	Dining (1025)
New York University	2,000,000		Student union-dining
Fordham University	1,800,000		Student union
University of Rochester	635,000	170 men; 1 faculty	
Elmira College	639,000	158 women	
Hamilton College	1,569,000	244 men	Dining
Hartwick College	275,000	110 men	
Keuka College	260,000	60 women	
Rensselaer Polytechnic Institute	1,219,000	271 men	
Bard College	525,000	90 women; 1 faculty	
Skidmore College	1,327,000	160 women	Dining (400)
Vassar College	934,000	156 women	Dining
The St. Lawrence University	1,445,000	186 women	Dining
Houghton College	390,000	126 women	
Columbia University	3,000,000	605 men	
Clarkson College of Technology	1,253,000	300 men	Dining (300)

<u>Institution</u>	<u>Amount of Loan</u>	<u>Housing Accommodations</u>	<u>Other Facilities</u>
<u>NEW YORK (continued)</u>			
Syracuse University	\$3,000,000	507 men	Dining (800)
St. Bernardine of Siena College	1,400,000	250 men	Dining (530)
The University of Buffalo	2,300,000	456 men	Infirmary
Manhattan College	1,750,000		Dining
College of New Rochelle	735,000	134 women	Student Ctr-dining
New York University	840,000	260 men; 16 student families; 6 faculty	Dining (500)
Nazareth College of Rochester	745,000	132 women; 2 faculty	Dining (279)
Manhattanville College of the Sacred Heart	1,000,000	331 women	
The University of Rochester	1,380,000	338 men; 2 faculty	
Rochester Institute of Technology	1,003,000	444 men	
D'Youville College	900,000	126 women	Student union-dining
The College of St. Rose	867,000	172 women; 10 faculty	Infirmary
Hobart College	625,000	116 men	
New York University	3,446,000	406 men; 200 women; 1 faculty	Dining (606)
Adelphi College	432,000	100 women	Infirmary
Alfred University	350,000		Student union-dining
Elmira College	539,000	122 women	
Long Island University	2,640,000	294 men; 42 women; 56 student families; 35 faculty	Dining (1600)
Cazenovia Junior College	653,000	112 women; 2 faculty	Dining (112)
Union College	560,000	124 men	
Hamilton College	260,000	12 faculty	
Russell Sage College	948,000	185 women	Dining (519)
New York State Dormitory Authority	7,800,000	150 men; 2393 women	Dining (450)
Iona College	1,060,000		Student union-dining
C. W. Post College (Long Island U.)	2,235,000	312 men; 2 faculty	Dining (350)
Fordham University	1,000,000	100 faculty	Dining (140)
Sarah Lawrence College	880,000	161 women	
Columbia University	750,000	81 student families	
Syracuse University	2,921,000	482 men	
Houghton College	500,000	124 men	
Elmira College	630,000	122 women	
University of Buffalo	3,000,000	504 women	Dining (629)
New York University	3,000,000	553 women	Dining
Barnard College	850,000	141 women	
Brooklyn College Student Svs Corp	1,125,000		Student union-dining
Syracuse University (Utica College)	950,000		Student union-dining
Rosary Hill College	946,000	151 women	Dining (156)

<u>Institution</u>	<u>Amount of Loan</u>	<u>Housing Accommodations</u>	<u>Other Facilities</u>
NORTH CAROLINA			
Elon College	\$ 675,000	126 men; 140 women	Dining
Campbell College	192,000	72 women	
Campbell College	205,000	96 men	
St. Mary's Junior College	190,000	56 women; 1 faculty	
East Carolina College	1,425,000	512 men	Dining
North Carolina State College of A&E	2,000,000	808 men	
University of North Carolina	2,000,000	652 men; 75 women	
Wingate Junior College	225,000	144 women	
Western Carolina College	445,000	200 men; 1 faculty	
Pfeiffer College	246,000	98 men; 6 faculty	Dining (100)
Appalachian State Teachers College	525,000	184 women	
Elon College	250,000	123 men	
Lenoir Rhyne College	510,000	176 men	
Louisburg College	179,000		Student union-dining
Women's College of U. of N. C.	950,000	352 women	
University of North Carolina	2,000,000	222 student families	
East Carolina College	1,250,000	520 men	
Atlantic Christian College	400,000	144 men	
Campbell College	465,000	102 men; 48 women; 24 student families	
Queens College	570,000	140 women	
Agricultural & Technical College	500,000	200 women	
N. C. State College of A&E	2,200,000	300 student families	
North Carolina College at Durham	463,000	200 women	
Pfeiffer College	565,000	98 men; 96 women; 6 student families; 6 faculty	
Livingstone College	300,000		Dining (402)
University of North Carolina	2,000,000	752 men; 83 women	
Bennett College	350,000	106 women	
Chowan College	235,000	116 men	
NORTH DAKOTA			
Jamestown College	600,000	210 women	
Mayville State Teachers College	300,000	78 women; 6 student families	
State Teachers College (Dickinson)	345,000	112 men	
University of North Dakota	650,000	257 men	
State Teachers College (Minot)	900,000	148 men; 148 women	
Jamestown College	380,000		Student ctr-dining
North Dakota Agricultural College	1,200,000	256 men; 180 women	
OHIO			
University of Dayton	1,147,000	428 men; 10 faculty	
Antioch College	389,000	111 men	
Xavier University	600,000	300 men	
Ohio Wesleyan University	478,000	117 men	
Findlay College	157,000	122 men	
Baldwin-Wallace College	620,000	180 women	Dining
Heidelberg College	195,000	176 men	
Ashland College	450,000	145 men	Dining
John Carroll College	647,000	234 men; 3 faculty	

<u>Institution</u>	<u>Amount of Loan</u>	<u>Housing Accommodations</u>	<u>Other Facilities</u>
<u>OHIO (continued)</u>			
Oberlin College	\$1,160,000	195 men; 195 women	Dining (408)
Muskingum College	750,000	228 women	Dining
Case Institute of Technology	825,000	306 men	
Ohio Wesleyan University	500,000	140 men	
Wittenberg College	675,000	107 men; 112 women	Dining
Miami University	941,000	108 student families	
Marietta College	550,000	52 women	Student union-dining
University of Akron	549,000		Student union-dining
Hiram College	350,000	100 men	
John Carroll University	900,000		Student union-dining
Central State College	470,000	206 men; 2 faculty	
The Ohio State University	5,717,000	1482 men	Dining
College of Mount St. Joseph	500,000	88 women; 8 faculty	
Muskingum College	308,000	98 men	
The Defiance College	377,000		Student union-dining
University of Toledo	900,000		Student union-dining
Ohio Northern University	940,000	162 men; 84 women	
Wittenberg College	235,000	85 women	
Antioch College	400,000	92 men	
University of Cincinnati	1,525,000	400 men	
Baldwin-Wallace College	500,000	122 women	Dining
Lake Erie College	540,000		Student union-dining
Ashland College	295,000	142 women	
Ohio University	480,000	48 student families	
Kent State University	2,350,000	375 men; 375 women	Dining
The Muskingum College	225,000		Student ctr-dining
Findlay College	390,000	100 women	
Wittenberg College	650,000	181 women	
Marietta College	200,000	70 women	
Denison University	1,370,000	305 women	Dining (700)
University of Akron	290,000	98 men	
Ohio State University	2,030,000	473 men; 200 student families	
Bowling Green State University	2,500,000	704 men	Dining (704)
Muskingum College	822,000	150 men; 129 women	Dining (150)
Miami University	4,025,000	249 men; 913 women	Dining (2190)
Mount Union College	225,000	120 men; 1 faculty	
Heidelberg College	550,000	125 women	Dining (248)
The Defiance College	340,000	96 women	
Kent State University	2,500,000	750 men	Dining (800)
Western Reserve University	2,000,000	460 women	Dining
Marietta College	600,000	216 men	
Findlay College	300,000		Student union-dining
Antioch College	150,000	16 student families	
The College of Wooster	553,000	114 women	
Baldwin-Wallace College	900,000	216 men; 2 faculty	

<u>Institution</u>	<u>Amount of Loan</u>	<u>Housing Accommodations</u>	<u>Other Facilities</u>
<u>OKLAHOMA</u>			
Oklahoma Baptist University	\$ 598,000	198 women	Dining
Oklahoma A&M College	2,250,000	240 student families	
Oklahoma City University	1,428,000	248 men; 160 women	Student union
Oklahoma Baptist University	700,000	210 men	Dining
University of Oklahoma	700,000	200 women	
Phillips University	378,000	62 men; 54 women	
Southwestern State College	225,000	32 student families	
Central Christian College	600,000	80 men; 80 women	Student union-dining
Northeastern Oklahoma A&M College	765,000	164 men	Student union-dining
Northeastern State College	1,448,000	120 men; 120 women; 22 student families; 22 faculty	Dining (275)
Bethany Nazarene College	400,000	120 women	
Central State College	280,000	16 student families; 8 faculty	
Eastern Oklahoma A&M College	760,000	41 men; 126 women; 18 student families; 6 faculty	Student union-dining
Cameron State Agricultural College	175,000		Student union
<u>OREGON</u>			
Lewis & Clark College	465,000	128 men	
Reed College	223,000	72 women	
Reed College	334,000	101 men	
University of Portland	440,000	104 women	
Lewis & Clark College	590,000	72 women	Dining (500)
Linfield College	202,000	77 men	
Pacific University	630,000	150 women; 2 faculty	Dining (126)
Linfield College	75,000	8 student families	
Eastern Oregon College and Southern Oregon College of Education	1,100,000	140 men; 174 women	Dining (506)
Reed College	300,000	100 men	
University of Portland	1,432,000	218 men	Dining (900)
Linfield College	825,000	76 men; 88 women	Commons
Lewis & Clark College	225,000	90 men	
Mount Angel College	660,000	120 women	Student union-dining
<u>PENNSYLVANIA</u>			
LaSalle College	400,000	136 men; 8 faculty	
Philadelphia Textile Institute	587,000	150 men	
Villanova College	1,105,000	416 men; 4 faculty	
Duquesne University	845,000	235 women; 1 faculty	Dining
Allegheny College	336,000	133 men	
Juniata College	389,000	131 men	
Elizabethtown College	582,000	130 women; 2 faculty	Dining (300)
Moore Institute of Appl Sc & Ind.	954,000	116 women	Dining (300)
St. Francis College	450,000	152 men; 4 faculty	Recreation bldg. dining
Beaver College	210,000	62 women	
Dickinson College	580,000	156 men; 6 faculty	Dining
Temple University	1,221,000	289 women; 7 faculty	Dining

Institution	Amount of Loan	Housing Accommodations	Other Facilities
PENNSYLVANIA (continued)			
Lincoln University	\$ 345,000	124 men; 2 faculty	
Thiel College	305,000	74 men	
Franklin & Marshall College	616,000	216 men; 4 faculty	
LaSalle College	500,000	126 men; 12 faculty	
Lebanon Valley College	330,000	92 women	
Westminster College	803,000	173 women; 3 faculty	Dining (500)
Wilson College	770,000	210 women; 4 faculty	
Lycoming College	404,000	144 men	
University of Pennsylvania	600,000	166 men	Dining (140)
Juniata College	575,000	120 women	Dining (200) Dispensary
Saint Francis College	550,000	200 women; 4 faculty	4-bed infirmary
The Waynesburg College	455,000	128 men	
Gettysburg College	1,035,000	256 men; 105 women	Dining (700)
Gannon College	627,000	238 men; 6 faculty	
Seton Hill College	500,000	104 women; 5 faculty	
Pennsylvania Military College	482,000	120 men	
Carnegie Institute of Tech.	600,000	52 student families	
LaSalle College	1,600,000		Student union-dining
Lebanon Valley College	200,000		Dining (500)
University of Scranton	600,000	200 men; 8 faculty	
Eastern Baptist College	219,000	60 women	
Gettysburg College	1,300,000	144 men; 260 women	
Lycoming College	400,000		Student union-dining
Franklin & Marshall College	735,000	196 men	Dining (200) Infirmary
Saint Joseph's College	300,000	28 faculty	Dining
Gettysburg College	919,000		Student ctr.
Philadelphia Textile Institute	450,000	1 faculty	Student union-dining
Saint Joseph's College	530,000		Student ctr-dining
Carnegie Institute of Technology	400,000	90 men	
Mercyhurst College	540,000	147 women	4-bed infirmary
Thiel College	775,000	76 men; 124 women	
National Agricultural College	456,000	124 men; 4 faculty	
Moravian College	635,000	130 men	
Drexel Institute of Technology	900,000		Student union-dining
Chatham College	452,000	66 women; 2 faculty	
Pennsylvania State University	8,500,000	978 men; 2094 women; 216 student families	Dining (3800)
Pennsylvania Military College	310,000	96 men	
Carnegie Institute of Technology	700,000	171 men	
Westminster College	700,000	126 men; 158 women	
University of Pennsylvania	3,180,000	658 women; 8 faculty	Dining (340)
Elizabethtown College	645,000	232 men	Infirmary
Temple University	2,787,000	450 men; 10 faculty	Dining (450)
Muhlenberg College	250,000	84 women	
University of Pennsylvania	500,000	200 women	Recreation facs.
University of Scranton	700,000		Student union-dining
Allegheny College	980,000	150 women	Dining (400)
Pennsylvania Military College	375,000	96 men	
Temple University	2,900,000	464 women	
Susquehanna University	990,000	150 men; 150 women	
Moravian College	530,000		Student union-dining

<u>Institution</u>	<u>Amount of Loan</u>	<u>Housing Accommodations</u>	<u>Other Facilities</u>
<u>PUERTO RICO</u>			
Catholic University of Puerto Rico	\$ 250,000	70 faculty	Dining
Polytechnic Institute of Puerto Rico	932,000	189 men; 114 women; 12 faculty	
University of Puerto Rico	5,040,000	380 men; 348 women	Student union-dining
Catholic University of Puerto Rico	500,000	200 men	Student union-dining
University of Puerto Rico	400,000	132 men; 132 women; 55 faculty	
<u>RHODE ISLAND</u>			
University of Rhode Island	1,123,000	232 women; 4 faculty	Dining (347)
University of Rhode Island	676,000	200 men	
University of Rhode Island	1,100,000	32 student families; 32 faculty	
Rhode Island School of Design	1,500,000	257 women	
University of Rhode Island	1,000,000	262 women	
Bryant University	808,000	178 men	
Brown University	1,200,000	162 women; 2 faculty	20-bed infirmary
Rhode Island College of Education	610,000	114 women	
University of Rhode Island	1,175,000	308 men	Dining (400)
<u>SOUTH CAROLINA</u>			
Medical College of South Carolina	1,000,000	255 men	Dining
Allen University	121,000	150 women	
Wofford College	587,000	120 men	Dining (445)
The Columbia College	539,000	96 women	Dining (600)
Newberry College	375,000	82 men	Student union-dining
Furman University	2,680,000	390 men; 24 student families	Dining (1000)
Converse College	492,000	120 women	
Presbyterian College	232,000		Student center
Erskine College	600,000	108 men; 50 women	Dining (550)
Lander College	175,000		Student ctr-dining
Converse College	740,000		Student union-dining
Benedict College	235,000	110 men	
Furman University	2,300,000	115 women	
<u>SOUTH DAKOTA</u>			
Augustana College	675,000	220 men	
Dakota Wesleyan University	250,000	102 women	
Southern State Teachers College	206,000	102 men	
South Dakota School of Mines & Tech.	440,000	204 men	
Black Hills Teachers College	249,000	50 men; 50 women	
South Dakota State College of A&MA	348,000		Student union-dining
University of South Dakota	1,050,000	386 men; 40 student families	Dining
Northern State Teachers College	256,000	150 women; 1 faculty	
South Dakota State College of A&MA	2,050,000	112 men; 276 women; 48 student families	
Gen. Beadle State Teachers College	175,000	70 men	
Augustana College	500,000		Student union-dining
Northern State Teachers College	250,000		Student union-dining

<u>Institution</u>	<u>Amount of Loan</u>	<u>Housing Accommodations</u>	<u>Other Facilities</u>
<u>SOUTH DAKOTA - Continued</u>			
State University of South Dakota	\$ 745,000	182 women; 40 student families; 1 faculty	
Sioux Falls College	150,000	84 men	
Northern State Teachers College	280,000	124 men	
Huron College	300,000	100 men	
Southern State Teachers College	500,000	74 men; 74 women; 20 student families	
<u>TENNESSEE</u>			
Memphis State College	325,000	154 men; 164 women	
The Vanderbilt University	2,000,000	600 men	
Tennessee A & I State University	450,000	220 men; 192 women	
University of Tennessee - Martin Camp	175,000	236 women	
The Tennessee Wesleyan College	299,000	100 men	
Carson-Newman College	269,000	196 men	
East Tennessee State College	150,000	88 women	
Tennessee Polytechnic Institute	525,000	400 women	
Christian Brothers College	525,000	200 men; 3 faculty	
The Fisk University	1,000,000	148 men; 3 faculty	Student ctr-dining
George Peabody Coll. for Teachers	1,200,000	44 student families	Student U - dining
Maryville College	450,000	248 men, 226 women	
Knoxville College	652,000	90 men; 118 women; 2 faculty	
Middle Tennessee State College	250,000	208 men	
Tennessee Polytechnic Institute	150,000	150 men	
Lambuth College	569,000	34 men; 66 women	Dining (400)
Siena College	220,000	50 women	
Carson-Newman College	200,000	90 women	
University of Tennessee	1,800,000	622 women	
Bethel College	385,000	90 women	Dining (200)
Middle Tennessee State College	225,000	230 women	
East Tennessee State College	479,000	160 men; 88 women	
The University of Tennessee	2,000,000	1,048 men	
Southwestern at Memphis	600,000	105 men; 66 women	
Tennessee Polytechnic Institute	350,000	159 men; 159 women	
<u>TEXAS</u>			
St. Mary's University	398,000	188 men; 3 faculty	
Baylor University	1,250,000	366 women	Dining
Howard Payne College	899,000	254 women	Dining
Baylor University	669,000	340 men	Dining
Trinity University	658,000	156 men; 46 women	
Hardin-Simmons University	1,312,000	118 men; 140 women	
Lamar State Coll. of Technology	400,000	204 men	
Lamar State Coll. of Technology	750,000	204 women	Dining
Huston-Tillotson College	425,000	103 men; 149 women	
University of Texas	4,071,000	776 women	Dining
Abilene Christian College	1,716,000	312 men; 210 women	Dining
McCurry College	546,000	144 men	
Sam Houston State Teachers Coll.	2,330,000	552 men; 144 women; 80 student families	Dining
Baylor University	320,000	48 student families	
Southern Methodist University	1,900,000	302 men; 245 women	

<u>Institution</u>	<u>Amount of Loan</u>	<u>Housing Accommodations</u>	<u>Other Facilities</u>
<u>TEXAS - Continued</u>			
Lamar State College of Tech.	\$ 311,000	35 student families	
North Texas State College	800,000	300 men	Dining
Baylor University	1,805,000	595 women	Dining
West Texas State College	1,600,000	264 men; 172 women	Dining
Texas Wesleyan College	1,250,000	99 men; 99 women	Dining (282)
Texas Christian University	1,800,000	316 men; 302 women	
Austin College	1,000,000	158 men; 142 women	
Texas Technological College	4,610,000	718 men; 376 women	Dining (1078)
Texas Western College- U. of Texas	580,000		Student U addn.
Texasarkana College	475,000		Student U-Dining
Lamar State College of Technology	450,000	204 men	
University of Corpus Christi	270,000	100 men	
Saint Edward's University	250,000	100 men	
Texas Technological College	2,726,000	718 men	Dining
Texas Woman's University (Texas State Coll. for Women)	450,000	240 women	Dining
Sam Houston State Teachers Coll.	1,503,000	248 men; 264 women	
University of St. Thomas	302,000		Commons (250 & 50 faculty)
Wharton County Jr. College	65,000	60 men	
Tyler Junior College	200,000	48 men; 48 women	
Tarleton State College	515,000	240 men	
Our Lady of the Lake College	400,000	126 women; 4 faculty	
Southwest Tex. State Teachers Coll.	939,000	168 men; 64 women; 48 student families	
Agr'l. & Mech. College of Texas	2,160,000	252 student families	
Incarinate Word College	600,000	64 women; 4 faculty	Student Center, Dining
San Angelo College	1,165,000	45 men; 100 women; 12 student families; 6 faculty	Student Union; Dining Facs.
Lamar State College of Technology	1,120,000	120 men; 70 student families	Dining (408)
Texas Coll. of Arts & Industries	448,000	40 student families	
Texas Christian University	1,790,000	240 men; 350 women	
The University of Texas - Main	1,220,000		Student Union; Dining addn.
St. Mary's Univ. of San Antonio	785,000	128 men; 59 faculty	Dining
Texas College	150,000		Student U-Dining
Texas Coll. of Arts & Industries	1,200,000	290 men	Dining
Pan American College	274,000		Student U-Dining
Southern Methodist University	2,825,000	303 men; 155 women; 67 student families	Dining (303 men)
Howard County Jr. College	556,000	104 men; 52 women	
Sacred Heart Dominican College	743,000	58 women; 11 faculty	Student U-Dining
Trinity University	850,000	158 women	Dining (300)
Sam Houston State Teachers College	1,307,000	108 men; 200 women; 50 student families	
University of Dallas	546,000	65 men; 65 women	
Baylor University	1,725,000	558 men	Dining (534)
Lamar State College of Technology	820,000	315 men	
East Texas State College	1,500,000	400 men; 52 student families	

<u>Institution</u>	<u>Amount of Loan</u>	<u>Housing Accommodations</u>	<u>Other Facilities</u>
<u>TEXAS - Continued</u>			
Stephen F. Austin State College	\$ 650,000	108 men; 100 women	
South Plains College	420,000	104 men; 52 women	Student Ctr. addn.
Blinn College	78,000	50 men	
Del Mar College	300,000	60 men; 62 women	
West Texas State College	1,369,000	176 men; 174 women	Student Ctr. addn.
St. Edward's University	400,000	150 men; 3 faculty	
Sam Houston State Teachers College	1,401,000	240 men; 286 women	
Sul Ross State College	200,000	108 men	
Abilene Christian College	1,193,000	352 women	2 infirmary rooms
Texas Technological College	910,000		Student Union & Dining addns.
North Texas State College	2,126,000	600 women	Dining
<u>UTAH</u>			
University of Utah	927,000	303 men	Dining
Southern College of Utah	250,000	200 men	
Carbon College	134,000	64 men	
Snow College	189,000	72 women	
Utah State Agricultural College	1,700,000	504 men; 216 women	Kitchen Facs.
Dixie College	350,000	96 men	Dining (125)
University of Utah	3,160,000	299 student families	
Westminster College	500,000	120 women	Dining (200)
College of Southern Utah	300,000		Student Center; Dining addn.
Weber College	765,000		Student Union; Dining (660)
University of Utah	2,285,000	150 men; 258 women	Student Union; Dining (132)
College of Southern Utah	285,000	100 women	
<u>VERMONT</u>			
Norwich University	340,000	136 men	
Norwich University	468,000	174 men	
Vermont Junior College	730,000	129 women; 3 faculty	Dining (276) Infirmary
Middlebury College	525,000	152 men; 1 faculty	
Trinity College	550,000	150 women	Dining (200)
Norwich University	410,000	140 men	
Middlebury College	390,000	139 men	
St. Michael's College	685,000	215 men; 2 faculty	
Middlebury College	680,000		Student Union; Dining (375)
St. Michael's College	850,000		Student Union; Dining (1140)
University of Vermont	2,455,000	402 men; 130 women	Dining (350)
Norwich University	500,000	140 men	

<u>Institution</u>	<u>Amount of Loan</u>	<u>Housing Accommodations</u>	<u>Other Facilities</u>
<u>VIRGINIA</u>			
Hampton Institute	\$ 775,000	257 men	
Hampton Institute	565,000	142 women	
Medical College of Virginia	1,113,000	378 men	
Emory & Henry College	525,000	130 women	
Emory & Henry College	200,000		Student U-Dining
Clinch Valley Coll. (U. of Va.)	150,000	10 faculty	
Roanoke College	387,000	44 men; 74 women	
Bridgewater College	450,000	140 men; 3 faculty	
Virginia Union University	400,000	97 women	Student Union
Mary Baldwin College	650,000	134 women	
Ferrum Jr. College	612,000	126 men	Student Union; Dining (220)
<u>WASHINGTON</u>			
University of Washington	1,500,000	607 men	Dining
College of Puget Sound	300,000	145 women	Dining
Seattle University	1,298,000	310 women	Dining
Whitworth College	385,000	124 women	
Gonzaga University	872,000	152 men	Dining
Seattle Pacific College	400,000	124 men	
Pacific Lutheran College	1,000,000	115 men; 131 women	
Seattle University	1,190,000	206 men; 64 faculty	Dining
Pacific Lutheran College	500,000	130 women	
The University of Washington	2,410,000	679 men	Dining
College of Puget Sound	600,000	78 men; 78 women	
St. Martin's College	450,000	144 men; 3 faculty	
Seattle Pacific College	670,000	170 women; 10 student families	Dining
State College of Washington	1,893,000	284 women; 99 student families	Dining
Whitworth College	263,000		Student Center
Gonzaga University	745,000	150 men	
Whitworth College	584,000	153 men	
Western Washington Coll. of Ed.	475,000		Student Union
College of Puget Sound	672,000		Student Center; Dining Facs.
Seattle Pacific College	500,000		Student Union; Health Center
St. Martin's College	550,000	65 faculty	
Central Washington Coll. of Ed.	1,446,000	232 men; 42 student families	
The University of Washington	2,050,000	300 women; 20 student families; 19 faculty	Commons-Dining (600)
Washington State University	6,550,000	648 men; 614 women	Dining (1676)
Western Washington Coll. of Ed.	1,950,000	140 men; 216 women	Dining (655)
<u>WEST VIRGINIA</u>			
Davis and Elkins College	300,000	120 men	
Morris Harvey College	300,000	110 women	Infirmary
Bethany College	318,000	99 men; 1 faculty	
Potomac State College	364,000	91 men; 3 faculty	Dining
Concord College	126,000	24 student families	
West Virginia Wesleyan College	536,000	156 men; 3 faculty	Dining (250 & 30 faculty)

<u>Institution</u>	<u>Amount of Loan</u>	<u>Housing Accommodations</u>	<u>Other Facilities</u>
<u>WEST VIRGINIA - Continued</u>			
Alderson-Broadus College	\$ 443,000	150 women	
Wheeling College	740,000	156 men	Infirmary
Fairmont State College	675,000	132 men; 40 women; 4 faculty	
West Liberty State College	820,000	196 women	Dining
W. Va. Wesleyan College	703,000	156 women	Dining (300)
West Liberty State College	184,000		Student U-Dining
West Virginia University	1,137,000	242 men; 1 faculty	
Davis and Elkins College	380,000	118 women	
Fairmont State College	300,000		Student Union
Morris Harvey College	350,000	108 men	
Wheeling College	720,000	148 women; 9 faculty	
Bethany College	275,000	66 women	
Shepherd College	845,000	150 women	Dining (150 seats)
Concord College	1,648,000	198 men; 211 women; 24 student families	
W. Va. Wesleyan College	800,000	216 men	
Alderson-Broadus College	350,000	130 men	
<u>WISCONSIN</u>			
Marquette University	1,000,000	351 women	Dining
St. Norbert College	504,000	180 men	
Carroll College	525,000	150 men	
Viterbo College	396,000	100 women; 5 faculty	Dining
Marquette University	2,890,000	591 men; 1 faculty	Dining
University of Wisconsin	2,966,000	668 women	Dining (832 women)
University of Wisconsin	814,000	100 student families	
Wisconsin State Colleges (9)	5,204,000	1686 men; 202 women	
Beloit College	700,000	116 women	Dining (625)
Ripon College	800,000	188 men	
University of Wisconsin	2,000,000	252 men; 250 women	Dining
Wisconsin State Colleges (9)	5,400,000		Student U-Dining
University of Wisconsin	850,000	100 student families	
University of Wisconsin	2,420,000	288 student families	
Carroll College	600,000	152 women	
Wisconsin State Colleges (5)	2,700,000	618 men; 416 women	
Milton College	192,000	56 women	Dining (80)
Lawrence College	800,000	167 men	
Totals (1035)	\$1,010,830,000	138,549 men; 95,020 women; 12,054 student families; 2,413 faculty	

COLLEGE HOUSING PROGRAM (April 30, 1960)
Reservations of Funds (Funds Available)

<u>Institution</u>	<u>Amount of Loan</u>	<u>Housing Accommodations</u>	<u>Other Facilities</u>
<u>ALABAMA</u>			
University of Alabama	\$ 665,000	115 men; 61 women	Dining (176)
Spring Hill College	435,000	100 women	Dining (200)
University of Alabama	2,945,000	500 men; 200 women	Dining (1,125)
Miles College	355,000	30 men; 40 women 5 faculty	Dining; student union
Alabama College	850,000	200 men	Dining (1,100)
<u>ALASKA</u>			
University of Alaska	750,000	150 men	
<u>ARIZONA</u>			
University of Arizona	2,500,000	600 men; 400 women	Dining
Arizona State College (Flagstaff)	1,000,000	168 men; 84 women	Dining
Arizona State College (Tempe)	2,500,000	400 men; 200 women	Dining
<u>ARKANSAS</u>			
Harding College	475,000	200 women	
<u>CALIFORNIA</u>			
Leland Stanford Jr. University	1,800,000	200 men; 250 women	Dining
University of California	1,000,000	100 student families	
Stanford University	750,000		Student Union
Menlo College	563,000	32 men; 4 faculty	Dining & Infirmary
University of California	2,000,000	200 student families	
College of the Pacific	1,850,000	250 men; 150 women	Dining (500)
University of California (Davis)	2,750,000	275 student families	
<u>CONNECTICUT</u>			
Connecticut College	3,000,000	500 women	Dining (500)
University of Connecticut	2,400,000	1012 men; 368 women	Dining
St. Joseph College	1,000,000	80 women; 39 faculty	Dining; student union
<u>DELAWARE</u>			
University of Delaware	1,191,000	500 men	
<u>GEORGIA</u>			
Young Harris College	500,000	160 women; 3 faculty	
<u>IDAHO</u>			
College of Idaho	220,000	62 women	
Boise Junior College	379,000	80 student families	
<u>ILLINOIS</u>			
University of Illinois	2,750,000		Union - dining
Loyola University	1,000,000		Union - dining
Southern Illinois University	3,900,000	552 men; 338 women; 144 student families	Dining (377)
Northern Illinois University	3,000,000	500 men; 500 women	Dining
Monmouth College	375,000		Union - dining
<u>IOWA</u>			
Loras College	750,000	300 men; 4 faculty	
Waldorf College	275,000	70 men	
Drake University	1,825,000	325 men; 50 student families	

COLLEGE HOUSING PROGRAM
Reservations of Funds

<u>Institution</u>	<u>Amount of Loan</u>	<u>Housing Accommodations</u>	<u>Other Facilities</u>
<u>KANSAS</u>			
Municipal University of Wichita	\$ 385,000	140 men	
<u>KENTUCKY</u>			
University of Kentucky	1,225,000	136 women	Dining (1,100)
Centre College of Kentucky	1,694,000	144 men; 176 women	Dining (550)
Brescia College	400,000	100 women; 40 faculty	
Murray State College	800,000	275 men	
Nazareth College at Louisville	450,000	93 women; 2 faculty	
Western Kentucky State College	675,000	200 men	
University of Kentucky	300,000	96 men	
Morehead State College	675,000	200 men	
<u>LOUISIANA</u>			
Loyola University	2,594,000	400 men; 30 faculty	Student Center; Dining
Northwestern State College	600,000	175 women	
<u>MASSACHUSETTS</u>			
Boston University	2,700,000		Union - dining
Wheelock College	1,100,000	240 women	
Eastern Nazarene College	500,000	120 women	
Springfield College	425,000	120 women	
<u>MICHIGAN</u>			
University of Detroit	710,000	50 faculty	Dining (94 faculty)
<u>MINNESOTA</u>			
St. Mary's College	350,000	58 men; 8 faculty	Dining (66)
Carleton College	1,800,000	144 men; 124 women	Dining (700)
The College of St. Catherine	1,000,000	192 women	
<u>MISSISSIPPI</u>			
Tougaloo Southern Christian College	290,000		Student Union; Dining facs.
Mississippi Southern College	550,000	202 women	
<u>MONTANA</u>			
Rocky Mountain College	692,000	125 women	Student Center; Dining (300)
Eastern Montana College of Education	2,500,000	300 women	Student Union; Dining (1,350)
Northern Montana College	350,000	102 men	
<u>NEVADA</u>			
University of Nevada	630,000	195 women	
<u>NEW JERSEY</u>			
Rutgers - The State University	750,000	100 student families	
Rutgers - The State University	2,000,000	100 men; 100 women	Dining (2,700)
Fairleigh Dickinson University	775,000	40 men; 80 women	Dining (130)
Rutgers - The State University	2,420,000	1000 men	
Rutgers - The State University	1,730,000	500 women	Dining (500)
Rider College	900,000	210 men; 122 women	

COLLEGE HOUSING PROGRAM
Reservations of Funds

<u>Institution</u>	<u>Amount of Loan</u>	<u>Housing Accommodations</u>	<u>Other Facilities</u>
<u>NEW YORK</u>			
Fashion Inst. of Tech. Dorm. Corp.	\$1,770,000	56 men; 180 women; 18 faculty	
Dormitory Authority of New York	3,000,000	738 men; 2251 women	
College of Mount St. Vincent	1,360,000	182 women; 8 faculty	Dining (400)
Ithaca College	2,878,000	342 men; 220 women	Student Union Dining (650)
<u>NORTH CAROLINA</u>			
Consolidated Presbyterian College	1,215,000	288 men; 288 women	Dining (800)
N. C. State College of Agr. & Eng.	1,800,000	500 men	
Appalachian State Teachers College	375,000	300 women	
<u>OHIO</u>			
Ohio State University	2,550,000	415 women; 248 student families	
The College of Steubenville	900,000	100 men; 100 women	Dining (200)
Otterbein College	500,000	132 women	
<u>OREGON</u>			
Willamette University	950,000	250 men	Dining (250)
<u>PENNSYLVANIA</u>			
University of Pittsburgh	6,500,000	910 men; 610 women	Dining (1,520)
Geneva College	655,000	76 men; 80 women	Dining addition
Lebanon Valley College	498,000	131 women	16-bed infirmary
University of Pennsylvania	600,000	130 men	
Gannon College	495,000		Student Union; Dining Facs.
Waynesburg College	600,000	130 women	
Villa Maria College	1,228,000	206 women	Dining (210)
Mount Mercy College	1,512,000	310 women	Infirmary
Beaver College	2,322,000	400 women	Dining (300); cafeteria
University of Scranton	375,000	100 men; 4 faculty	
Juniata College	425,000	120 men	
Philadelphia Museum College of Art	200,000	40 men; 50 women	
Chestnut Hill College	660,000	114 women	
<u>PUERTO RICO</u>			
Inter-American University	800,000	30 faculty	Student Center; Dining Facs.
<u>RHODE ISLAND</u>			
Providence-Barrington Bible College	700,000	80 men; 80 women	
<u>SOUTH CAROLINA</u>			
College of Charleston	240,000	60 men	Student Union; Dining Facs.
Clafin College	325,000	128 men	
Converse College	225,000	48 women	
Columbia College	200,000		Student Union

COLLEGE HOUSING PROGRAM
Reservations of Funds

<u>Institution</u>	<u>Amount of Loan</u>	<u>Housing Accommodations</u>	<u>Other Facilities</u>
<u>SOUTH DAKOTA</u>			
South Dakota State College	\$1,975,000	402 men; 32 student families	Dining (1,062)
<u>TENNESSEE</u>			
Union University	300,000	100 men	
Vanderbilt University	3,000,000	500 women	Dining
George Peabody College for Teachers	650,000	50 student families	
<u>TEXAS</u>			
Wiley College	600,000	125 women; 3 faculty	Dining
<u>UTAH</u>			
Utah State University of Agr. & App. Science	690,000	70 student families	
<u>VERMONT</u>			
St. Michael's College	700,000	215 men; 2 faculty	
<u>VIRGINIA</u>			
Shenandoah College	713,000	100 men; 60 women	Dining (160); Infirmery
<u>WASHINGTON</u>			
Central Washington College of Education	300,000		Student Union
Central Washington College of Education	500,000	100 women	
<u>WEST VIRGINIA</u>			
Marshall College	1,150,000	244 men	Dining (244 seats)
Glenville State College	415,000	200 women	
Concord College	1,400,000		Student Union; Dining (840)
W. Va. Institute of Technology	200,000	112 women; 5 faculty	
West Virginia State College	475,000		Student Union
Salem College	566,000	118 men; 58 women	Dining (150)
<u>WISCONSIN</u>			
St. Norbert College	400,000		Student Union Dining (500 seats)
<u>MARYLAND</u>			
Washington College	770,000	128 men; 59 women	
Totals (111)	\$128,385,000	14,298 men; 13,834 women; 1349 student families; 257 faculty	

COLLEGE HOUSING PROGRAM (April 30, 1960)
 Pending Applications (No Funds Available)

<u>Institution</u>	<u>Amount of Loan</u>	<u>Housing Accommodations</u>	<u>Other Facilities</u>
<u>ALABAMA</u>			
Athens College	\$ 175,000	50 women	
The Alabama Polytechnic Inst.	1,725,000	125 men; 300 women	Dining (425)
Troy State College	180,000	100 women	
Walker Junior College	196,000	40 men; 30 women	
Sacred Heart College	400,000	120 women	Dining
<u>ARKANSAS</u>			
Arkansas Polytechnic College	669,528	100 men; 100 women;	2 faculty
Arkansas State College	1,500,000		Student Union; Dining Facs.
Arkansas State College	1,200,000	232 women	
Agricultural, Mech. & Normal Coll.	2,991,000	300 men; 300 women	
<u>CALIFORNIA</u>			
California Western University	1,123,000	188 men; 188 women	Dining
University of California (Davis)	2,000,000	200 student families	
Univ. of California (Los Angeles)	2,500,000	400 men; 400 women	Dining
Loyola University of Los Angeles	900,000	216 men	
University of California (Goleta)	1,500,000	150 student families	
<u>COLORADO</u>			
Adams State College	1,934,000	200 men, 88 women; 72 student families	
Colorado State College	2,125,000	250 men; 250 women	Dining (800)
Colorado State University	3,734,510	476 men; 476 women	Dining
University of Denver	3,686,120	380 men; 380 women	Dining
Colorado School of Mines	2,380,000	320 men; 75 student families	Student Union; Dining Facs.
Loretto Heights College	1,200,000	250 women	
<u>CONNECTICUT</u>			
University of Bridgeport	900,000		Student Union
<u>DELAWARE</u>			
Wesley College	317,000		Dining-Kitchen
<u>DISTRICT OF COLUMBIA</u>			
The American University	1,750,000	320 women	
<u>FLORIDA</u>			
Florida State University	3,000,000	500 men	Student Union addn.
University of Miami	1,500,000		Student Union addn.
University of Florida	500,000	35 women; 206 men	Dining
John B. Stetson University	480,000	150 men	
University of Florida	500,000	64 student families	
<u>GEORGIA</u>			
Abraham Baldwin Agr'l College	360,000	120 men	
Albany State College	435,000	55 men; 90 women	
Georgia Inst. of Technology	475,000		Dining Facilities addition & Rehab.
Georgia Teachers College	900,000	150 men; 150 women	
Middle Georgia College	450,000	50 men; 100 women	

<u>Institution</u>	<u>Amount of Loan</u>	<u>Housing Accommodations</u>	<u>Other Facilities</u>
<u>GEORGIA - Continued</u>			
West Georgia College	\$ 540,000	180 men	
The University of Georgia	3,620,000	500 men; 500 women	Dining
Tift College	200,000	142 women	
<u>HAWAII</u>			
Chaminade College of Honolulu	165,000	50 men; 2 faculty	
<u>IDAHO</u>			
University of Idaho	1,363,000		Student Union addition
Northwest Nazarene College	285,000		Student Union; Dining Facs.
<u>ILLINOIS</u>			
Mundelein College	1,000,000	200 women	5-bed Infirmary
Lake Forest College	500,000		Student Union; Dining Facs.
University of Illinois	2,150,000	117 men; 117 women; 250 student families	
North Central College	200,000		Student Union; Dining Facs.
North Park Coll. & Theol. Seminary	470,000	100 women	Dining addition
Northern Illinois University	1,750,000		Student Union; Dining Facs.
Eureka College	440,000	60 men; 50 women	Dining
Greenville College	550,000	125 men	Student Union; Dining Facs.
<u>INDIANA</u>			
Ball State Teachers College	4,235,000	450 men; 450 women	Dining
Indiana State Teachers College	1,500,000	300 women	Dining
Saint Francis College	687,000	100 women; 30 faculty	
Indiana State Teachers College	1,650,000	300 men	Dining
Indiana University	3,750,000	252 student families	
<u>IOWA</u>			
William Penn College	360,000	80 men	
University of Dubuque	632,000	158 women	
Simpson College	330,750	126 men	Dining
Buena Vista College	128,000	32 student families	
<u>KANSAS</u>			
Kansas State Teachers College	1,000,000	96 student families	
Kansas State Teachers College	500,000		Student Union Rehab. & Addn. Dining Facs.
Kansas State University of Liberal Arts Sc.	750,000	300 women	
The University of Kansas	1,300,000	432 women	
Kansas State Coll. at Pittsburg	650,000		Student Union; Dining Facs.
St. Mary of the Plains College	902,000	138 men; 138 women; 8 faculty	
The University of Kansas	600,000	60 student families	
Baker University	400,000	100 women	Dining
Bethany College	320,000	85 women	

<u>Institution</u>	<u>Amount of Loan</u>	<u>Housing Accommodations</u>	<u>Other Facilities</u>
<u>KENTUCKY</u>			
Morehead State College	\$ 725,000	200 women	
University of Louisville	1,600,000	50 men; 100 student families	
University of Louisville	500,000	100 women	
University of Louisville	885,000	200 men	
Union College	200,000	48 women	
Western Kentucky State College	675,000	200 men	
Western Kentucky State College	675,000	200 women	
University of Kentucky	1,350,000		Student Union; Dining Facs.
Kentucky State College	730,000	100 men; 125 women	
Eastern Kentucky State College	1,500,000	200 men; 200 women	Snack bars
Georgetown College	360,000	170 men	
Union College	85,000	9 faculty	
<u>LOUISIANA</u>			
McNeese State College	250,000	25 student families	
Tulane University	2,500,000	166 student families; 25 faculty	
Louisiana State Univ. & A&M Coll.	2,775,000	390 women; 104 student families	Dining Facs.
Northwestern State College	1,150,000	350 men	
<u>MARYLAND</u>			
Mount Saint Agnes College	620,000	150 women; 4 faculty	
Goucher College	600,000	65 women	Infirmary
Morgan State College	952,000	200 men	
<u>MASSACHUSETTS</u>			
College of the Holy Cross	2,500,000		Student Union
Brandeis University	1,125,000	100 men; 100 women	
Mount Holyoke College	900,000	120 women	Dining (120)
<u>MICHIGAN</u>			
Calvin College	2,000,000	250 men; 250 women	Dining (500)
Western Michigan University	1,408,000	435 men	
Wayne State University	3,000,000	240 men; 240 women; 67 student families	Dining (1,200)
Northwestern Michigan College	531,396	64 men; 64 women	Dining Facs.
Aquinas College	550,000	150 women	
Emmanuel Missionary College	750,000	300 men	
Kalamazoo College	200,000	20 student families	
<u>MINNESOTA</u>			
College of Saint Teresa	1,000,000	200 women	
University of Minnesota	1,250,000	142 student families	
Hamline University	500,000		Student Union; Dining Facs.
<u>MISSISSIPPI</u>			
Mississippi State Coll. of Agric. & Applied Science	2,288,000	249 student families	
The University of Mississippi	780,000	106 men; 167 women	Dining Facs.

<u>Institution</u>	<u>Amount of Loan</u>	<u>Housing Accommodations</u>	<u>Other Facilities</u>
<u>MISSOURI</u>			
St. Louis University	\$1,600,000	280 women	
The Washington University	2,350,000	294 men; 294 women	
Culver-Stockton College	338,000	110 men	
Central Missouri State College	1,500,000	260 men; 250 women	Dining Facs.
<u>MONTANA</u>			
Western Montana College of Ed.	80,000		Dining Expansion
<u>NEW JERSEY</u>			
Rutgers Univ. - College of Nursing	450,000	100 women	Dining Facs.
<u>NEW YORK</u>			
Syracuse University	2,982,000	477 men	Dining (400)
Cazenovia Junior College	500,000	112 women	
Albany Law School & Albany Med. Coll.	1,080,000	170 men; 30 student families	Dining (200)
Juilliard School of Music	1,000,000	100 men; 100 women	
Keuka College	903,000	150 women	Dining (367)
Columbia University	3,000,000	660 men	Student Union; Dining (1,200)
New York University	4,000,000	287 student fam; 144 fac.	Dining (300)
Adelphi College	680,000	100 women	Dining (300 seats)
Dorm. Authority of State of New York	7,400,000	600 men; 1556 women	
C. W. Post College (Long Island Univ.)	920,000	156 women	Dining (300 seats)
Cazenovia Junior College	120,000		Student Union
<u>NORTH CAROLINA</u>			
N. C. State Coll. of A&E (Univ. of N.C.)	2,000,000	750 men	
Western Carolina College	750,000	400 women; 30 student families	
Johnson C. Smith College	740,000	70 men; 200 women	Student Union; Dining Facs.
East Carolina College	625,000	500 men	
Methodist College	1,300,000	160 men; 150 women	
Louisburg College	290,000	96 men	
<u>NORTH DAKOTA</u>			
State Teachers College	275,000	100 men	
University of North Dakota	570,000	168 men	
University of North Dakota	1,066,800	254 women	
State Teachers College	300,000		Student Union; Cafeteria
<u>OHIO</u>			
The Ohio State University	400,000	350 men	
The Notre Dame College	500,000	80 women	
University of Dayton	3,500,000	600 men; 375 women	Dining Facs.
Ohio University	4,400,000	800 men	Dining Facs.
Rio Grande College	320,000	78 men	
Hiram College	225,000	65 men	
Fenn College	1,650,000	350 men	
Mount Union College	500,000		Student Union; Dining (500)
John Carroll University	1,875,000	400 men	
University of Cincinnati	5,475,900	250 women; 100 student families	Student Center; Dining (1,300)

<u>Institution</u>	<u>Amount of Loan</u>	<u>Housing Accommodations</u>	<u>Other Facilities</u>
<u>OKLAHOMA</u>			
Southeastern State College	\$ 626,600	84 men; 24 student families	Student Union
Central Christian College	450,000	96 men; 96 women	
Northwestern State College	550,000	68 women; 30 student families	
<u>OREGON</u>			
University of Portland	180,000	54 women	
George Fox College	496,000	50 men; 50 women; 12 student families	
<u>PENNSYLVANIA</u>			
Saint Vincent College	1,400,000	400 men	
La Salle College	500,000	153 men	
Susquehanna University	120,000	80 men	Dining Facs.
University of Pittsburgh	2,600,000	320 men	Dining Facs.
St. Francis College	1,000,000	150 men; 150 women	Dining (300)
Muhlenberg College	550,000		Student Union; Dining (650)
Duquesne University	2,250,000	500 men	
Harcum Junior College	250,000	80 women	Dining Facs.
<u>SOUTH CAROLINA</u>			
Voorhees Junior College	300,000	100 women	Dining Facs.
College of Charleston	100,000	5 faculty	
<u>SOUTH DAKOTA</u>			
Sioux Falls College	399,000	120 women	Dining Facs.
State University of South Dakota	500,000		Student Union; Dining Facs.
State University of South Dakota	2,200,000	400 men; 200 women	Dining Facs.
S. D. School of Mines & Technology	750,000		Student U(1500) Dining (300)
<u>TENNESSEE</u>			
Cumberland University	194,260	57 men	
Knoxville College	500,000	40 men	Student Union;
Tennessee Wesleyan College	800,000	120 women	Dining Facs. Student Union; Dining Facs.
<u>TEXAS</u>			
Texas Women's University	1,000,000	339 women	
Southwest Texas State College	1,879,000	232 men; 250 women	
Southwest Texas State College	400,000		Student U addn.
East Texas State College	675,000		Student Center
Howard Payne College	450,000	120 men	
Texas College of Arts & Industries	900,000	200 women	
Jarvis Christian College	750,000	132 men; 132 women	Commons (132)
Trinity University	1,520,000	200 men; 100 women	Dining Facs.
St. Edward's University	800,000	60 faculty	Student Union; Dining Facs.
Sam Houston State Teachers College	1,931,319	228 men; 258 women; 50 student families	Dining Facs.

<u>Institution</u>	<u>Amount of Loan</u>	<u>Housing Accommodations</u>	<u>Other Facilities</u>
<u>UTAH</u>			
University of Utah	\$3,000,000	400 men	Dining (700)
Westminster College	425,000	120 men	
Snow College	300,000	96 men	
<u>VERMONT</u>			
Windham College	216,000	60 men	
<u>WASHINGTON</u>			
University of Washington	4,500,000	600 men; 300 women	Dining (600 Men)
Seattle University	2,000,000	450 men	Dining Facs.
Pacific Lutheran College	1,030,000	100 men; 100 women; 1 faculty	Dining (1,500)
Eastern Wash. Coll. of Education	2,272,500	420 men	Student Union;
Gonzaga University	1,533,550	300 women	Dining addn.
Whitman College	550,000	160 men	Dining Facs.
Western Wash. Coll. of Education	1,800,000	400 men	
University of Puget Sound	700,000	184 men	Dining Facs.
<u>WEST VIRGINIA</u>			
Morris Harvey College	300,000	108 men	
Davis and Elkins College	512,000	116 men	
Morris Harvey College	450,000	152 women	
<u>WISCONSIN</u>			
Wisconsin State Colleges(8 campuses)	6,960,000	1300 men; 1220 women	Dining (300 at Oshkosh)
<u>WYOMING</u>			
Casper College	600,000	100 men; 100 women	Dining (300)
Totals (185)	\$223,364,562	24331 men; 19196 women; 2687 student,families; 298 faculty	

COLLEGE HOUSING PROGRAM
 Pending Applications (No Funds Available)
 (Student Nurse-Intern)
 April 30, 1960

<u>Institution</u>	<u>Amount of Loan</u>	<u>Housing Accommodations</u>
<u>CALIFORNIA</u>		
Donald N. Sharp Memorial Community Hospital	\$ 285,000	4 men; 48 women; 1 faculty
The Santa Monica Hospital	330,000	4 men; 68 women
The California Hospital	812,000	16 men; 170 women
<u>GEORGIA</u>		
Georgia Baptist Hospital	2,500,000	484 women
<u>NEW YORK</u>		
Maimonides Hospital	625,000	110 men; 15 women; 4 faculty
<u>ALABAMA</u>		
Mobile Infirmary Assn, Inc.	495,000	124 women
Totals (6)	\$5,017,000	134 men; 909 women; 5 faculty

COLLEGE HOUSING PROGRAM
Reservations of Funds (Funds Available)
(Student Nurse - Intern)
April 30, 1960

<u>Institution</u>	<u>Amount of Loan</u>	<u>Housing Accommodations</u>
<u>DELAWARE</u>		
Beebe Hospital	250,000	48 women
<u>ILLINOIS</u>		
Lutheran Hospital	500,000	154 women
Presbyterian - St. Luke's Hospital	1,000,000	40 men; 88 women
<u>KANSAS</u>		
Wesley Hosp. & Nurse Training School	500,000	165 women
<u>MASSACHUSETTS</u>		
Sturdy Memorial Hospital	300,000	61 women
<u>MONTANA</u>		
Montana Deaconess Hospital	500,000	117 women
<u>NEBRASKA</u>		
Bishop Clarkson Memorial Hospital	500,000	160 women
<u>OHIO</u>		
Jewish Hospital of Cincinnati	500,000	300 women
<u>VIRGINIA</u>		
The Memorial Hospital	500,000	150 women
<u>WISCONSIN</u>		
Methodist Hospital	350,000	92 women
<u>NEW YORK</u>		
The Long Island College Hospital	625,000	125 women
Totals (11)	\$5,525,000	165 men; 1335 women

COLLEGE HOUSING PROGRAM		
APPROVED LOANS		
(Student Nurse - Intern)		
April 30, 1960		
<u>Institution</u>	<u>Amount of Loan</u>	<u>Housing Accommodations</u>
<u>ARKANSAS</u>		
St. Vincent Infirmary	\$ 500,000	198 women; 9 faculty
<u>CALIFORNIA</u>		
Memorial Hospital of Long Beach	234,000	15 student families
<u>FLORIDA</u>		
Orange Memorial Hospital	200,000	98 women
<u>GEORGIA</u>		
Memorial Hospital of Chatham County	175,000	12 student families
Piedmont Hospital	720,000	192 women
<u>ILLINOIS</u>		
Michael Reese Hospital	390,000	39 men; 15 women
Deaconess Hospital	387,000	90 women; 1 faculty
<u>MARYLAND</u>		
Church Home and Hospital	500,000	117 women; 8 faculty
<u>MICHIGAN</u>		
Hurley Hospital	208,000	20 student families
Butterworth Hospital	315,000	4 men; 20 student families
<u>MINNESOTA</u>		
Abbott Hospital	310,000	70 women
<u>MISSOURI</u>		
St. Luke's Episcopal Presbyterian Hosp.	625,000	200 women
Trinity Lutheran Hospital School	500,000	100 women
<u>NEBRASKA</u>		
The Nebraska Methodist Hospital	515,000	4 men; 112 women; 20 student families
<u>NEW JERSEY</u>		
St. Elizabeth Hospital	500,000	10 men; 92 women
Clara Maass Memorial Hospital	500,000	106 women
<u>NEW YORK</u>		
St. Mary's Hospital School of Nursing	375,000	88 women; 2 faculty
The Beth Israel Hospital Ass'n.	800,000	148 women
Beth-El Hospital	490,000	64 men; 12 women
Benedictine Hosp. School of Nursing	300,000	104 women
Memorial Hospital of Albany	486,000	108 women; 6 faculty
Mercy Hospital School of Nursing	325,000	61 women
Albany Hospital	563,000	126 women
Misericordia Hospital	500,000	100 women
<u>OHIO</u>		
Doctors Hospital	115,000	14 student families
White Cross Hospital	500,000	128 women; 2 faculty
Providence Hospital	244,000	64 women

COLLEGE HOUSING PROGRAM
 APPROVED LOANS
 (Student Nurse - Intern)
 April 30, 1960

<u>Institution</u>	<u>Amount of Loan</u>	<u>Housing Accommodations</u>
<u>OKLAHOMA</u>		
Hillcrest Medical Center	\$ 500,000	120 women
<u>OREGON</u>		
Emanuel Hospital	500,000	104 women
<u>PENNSYLVANIA</u>		
Harrisburg Hospital	750,000	272 women
Pennsylvania Hospital	775,000	18 men; 127 women
George F. Geisinger Memorial Hosp.	165,000	56 women
Jefferson Hospital	663,000	338 women
The Williamsport Hospital	500,000	138 women
<u>SOUTH DAKOTA</u>		
Sioux Hospital Association	480,000	100 women
<u>TEXAS</u>		
Hendrick Memorial Hospital	356,000	92 women
<u>VIRGINIA</u>		
Petersburg General Hospital	175,000	106 women; 1 faculty
The Rockingham Memorial Hospital	386,000	101 women
<u>WISCONSIN</u>		
St. Mary's Hospital	250,000	72 women
<u>KANSAS</u>		
Mercy Hospital	250,000	76 women
Wesley Hospital and Nurse Training Sch.	294,000	54 women
Totals (41)	\$17,321,000	139 men; 4085 women; 101 student families; 29 faculty

Dr. POPEJOY. In the years immediately after the present interest rate formula was adopted by the Congress in 1955, there were questions raised about it on occasion, but in recent years, after Congress repeatedly gave the program a strong stamp of approval, these questions have been less frequent. Nevertheless, Mr. Chairman, the interest rate formula is the heart of the college housing loan program, and while I do not wish to prolong my testimony, I have attached a supplementary statement concerning the interest rate which, with your permission, we should like to have placed in the record.

Senator SPARKMAN. That will be done.

(The statement referred to follows:)

ADDITIONAL STATEMENT ON THE COLLEGE HOUSING LOAN PROGRAM, THE AMERICAN COUNCIL ON EDUCATION

THE INTEREST RATE FORMULA

Mr. Chairman, we wish to emphasize that the continued success of the college housing loan program is heavily dependent upon the continuance of the present interest rate formula, adopted in 1955.

Objections sometimes raised against the college housing interest rate seem to be based on the charge that the present formula involves a "subsidy." It is our position that the present formula, based on the average rate of interest on all Government securities, plus one-fourth of 1 percent for administration, was adopted by the Congress in 1955 as fair and equitable. The success of the formula has led to its continuance by the Congress until now. We submit that clearly this formula constitutes no more of a subsidy in 1960 than it did in 1955, 1956, 1957, 1958, and 1959, and that it should not be changed.

One of the arguments offered against the formula is that since college loans are for 40 years, their interest rate should be based on the average of Government loans extending 15 years or more. This argument, it seems to us, suffers from serious oversimplification. When the Treasury floats a long-term bond issue, the entire loan comes due at the maturity date. College housing loans are of a different type, in that portions of the principal are repaid at regular intervals before the final maturity date. In effect, therefore, these loans are combinations of loans of varying terms, some quite short. Hence there is strong logical justification for the present formula, which ties the interest rate to the average rate for all interest-bearing obligations of the United States, short and long.

The demand for a new and higher interest rate charge against the colleges is not justified by a close look at the record. In fact the history of this program demonstrates that a temporary rise or fall in the general interest rate does nothing to destroy the validity of the present interest rate formula.

Under the current formula the college housing program started out in 1955 with a rate of 2.75 percent (2.50 plus 0.25) which was the minimum rate, or in effect a floor rate. Actually, however, if the rate had been based on calculation of the average rates of all Government securities at that time, it would have been only 2.601 percent (2.351 plus 0.25). Thus the colleges in 1955 were in fact paying an interest rate which afforded the Government a small profit. If since then the general level of interest rates instead of going up had gone down, then the Government profit from the college loans would have increased, and I am sure the colleges would not have complained. As it happens, however, general interest rates have gone up, with the result that the average rate paid by the Government for its loans came up to the floor rate of 2.75 being paid by the colleges, and continued to rise. Under this formula now in use the college rate was adjusted upward to the rising average Government rate in July 1956 to 2¾ percent; in 1957 to 3 percent; in 1958 it dropped to 2¾ percent. When the Government rate went up in 1959, the college rate on July 1 of that year was adjusted to 3¾ percent, again giving a fair reflection of what the Government pays for its money. Thus the record demonstrates, we believe, that the formula adopted in 1955 has provided adequate protection to the Government, and has been effective in encouraging construction of the student housing which is essential to the welfare and strength of the Nation. We submit that the formula is quite as good today as when it was adopted in 1955, and that it should be retained.

Dr. POPEJOY. Perhaps it should again be emphasized that the funds made available to the colleges under this program are loans, not grants, and that each year an increasing amount of the principal is being repaid to the Government. We are proud to say that there is no record of a default ever having been made on one of these loans to the colleges.

LEGISLATIVE PROPOSALS

The American Council has noted with appreciation the introduction of S. 2911, by Senator Javits, which would provide \$250 million of additional authority for the immediate needs of the college housing loan program in the current fiscal year. However, in view of the present and prospective heavy demand for loans, we find merit in the additional provision in S. 2950, introduced by Senators Fulbright and Sparkman, which would authorize not only \$250 million for use now in fiscal 1960, but also \$250 million to be made available on July 1 for use in fiscal 1961.

The American Council on Education strongly supports the proposal for \$500 million additional authority as a sound and reasonable estimate of the needs for 2 years. It should be pointed out that the additional authority of \$500 million, twice what has been regarded as approximately the annual demand for college loans, is urgently needed at this time to catch up with the "lost year" of fiscal 1959, the one year when no additional authority for college loans was provided. The heavy backlog of applications accumulated during that year, held over into fiscal 1960, quickly made use of the \$250 million authority which the Congress provided last September. Thus we have no additional funds provided thus far for the remainder of fiscal 1960.

It may be expected, then, that should the proposed \$250 million for fiscal 1960 be approved, it would almost immediately be committed to the colleges which now have more than \$223 million in applications on file. The \$250 million request for fiscal 1961, if honored, then would be available for the applications received later in this fiscal year, and after July 1, 1960. I may add that if the experience of recent years means anything, this additional amount made available for loans would be requested by the colleges well before June 30, 1961.

Also of interest to the colleges is the administration's proposal embodied in S. 1017, which would also provide assistance in the construction of both housing and academic facilities by means of Federal grants of \$500 million, representing 25 percent of construction costs totaling \$2 billion, in increments over 20 years. This is essentially debt service assistance. The institutions would be required to borrow funds in the private market, at a rate much higher than that of the college housing loan program, with the intent that the 25 percent grant would bring net interest cost down to a comparable figure. A second part of this legislation would provide Federal guarantee of loans, available for private institutions only.

FIRM SUPPORT OF THE PRESENT PROGRAM

While the colleges appreciate this evidence of the administration's concern for their problem, the American Council's Committee on Relationships of Higher Education to the Federal Government has taken

a firm stand in opposition to that part of the administration proposal which is designed to replace the college housing loan program. It should be noted, further, that while testimony has been presented on this proposal before the House Subcommittee on Special Education, there has been no favorable report, and our information is that none may be expected. No hearing has been held in the Senate. The chairman of this subcommittee was quoted as saying the other day that not a single college organization has expressed approval of the proposal. We think it is important to note that, in the existing situation, the administration proposal has no chance whatever of enactment this year. This means that continuation of the college housing loan program may well constitute the only real hope of the institutions for construction assistance this year.

Senator SPARKMAN. Dr. Popejoy, would you agree with the statement that I have made many times that in the event legislation should be developed for an adequate program to meet college housing needs I would be willing to see the present program phase out? In other words, we do not hold this is the only program, but certainly it is the only one we have now, is it not?

Dr. POPEJOY. That is right.

Senator SPARKMAN. And one that has worked quite well?

Dr. POPEJOY. Quite well, Senator.

Senator SPARKMAN. And our view should be that certainly until there is something adequate to replace it—and I agree with you that S. 1017 does not meet that test, and furthermore there is absolutely no chance of its enactment into law—we ought to hold on to the program that has worked so well.

Dr. POPEJOY. I believe this generally reflects our attitude, Senator.

Senator SPARKMAN. Thank you, sir.

Dr. POPEJOY. Mr. Chairman, the colleges and universities of this country are grateful for the assistance that has come to them by way of Federal loans for the building of dormitories, dining halls, and related facilities. The facilities made possible by these loans are essential to the necessary expansion of American education. The loans are being repaid to the Government on schedule, and they will continue to be repaid. We urge the continuation of the college housing loan program with authorization of adequate funds as one of the top priority needs of the Nation.

Thank you, Mr. Chairman, for the opportunity of presenting testimony today.

Senator SPARKMAN. Thank you, sir. Who is next?

STATEMENT OF CLARENCE SCHEPS, VICE PRESIDENT AND COMPTROLLER, TULANE UNIVERSITY, ASSOCIATION FOR HIGHER EDUCATION, NATIONAL EDUCATION ASSOCIATION

Dr. SCHEPS. Mr. Chairman and gentlemen of the committee, I am Clarence Scheps, vice president and comptroller, Tulane University. I am speaking today on behalf of the Association for Higher Education, which is the college and university department of the National Education Association. The Association for Higher Education is a national professional organization concerned with all phases of higher education in which individual membership is open to admini-

strative and teaching staffs of all types of publicly and privately supported institutions. Its membership is composed of approximately 16,000 individuals from over 1,600 of the colleges and universities, located in all 50 States and the District of Columbia.

In cooperation with other major national organizations of higher education here represented, the Association for Higher Education has consistently supported the college housing loan program from its beginning.

The Association for Higher Education, representing as it does individuals from the total spectrum of college and university life—professors, deans, business officers, and president—would like to state for the record that the total profession has received incalculable benefits by virtue of this loan program. Without it, one out of four of the new buildings of all kinds erected on college and university campuses since 1956 would not be in existence.

The latest careful estimate of the needs for buildings for higher education in the immediate future, made by the staff of the U.S. Office of Education, was presented by the U.S. Commissioner of Education to the Subcommittee on Special Education of the House of Representatives on Thursday, March 24, of this year.

Senator SPARKMAN. Dr. Scheeps, may I go back to the concluding sentence on the first page. It seems to me that is a rather significant statement you make there, that of all of the new buildings put up by colleges in America since 1956, one out of four would not have been put up without this program.

Dr. SCHEEPS. Correct.

Senator SPARKMAN. Does that mean those schools would simply not have been able to get the money elsewhere on terms that they could pay?

Dr. SCHEEPS. I think that is largely true; yes, sir.

Senator SPARKMAN. All right. I simple wanted to emphasize that statement.

Dr. SCHEEPS. Commissioner Derthick estimated that in 1965 there will be approximately a million more full-time students in our colleges and universities. He further estimated that the projected dollar need for total plant expansion to accommodate these enrollment increases between now and 1965 would be approximately \$9 billion. And I believe, Senator Clark, in answer to your question, that by 1965 he estimated that total plant facilities would need to be increased by nearly \$18 billion, of which \$6 billion would be housing, which would leave \$12 billion for classrooms, laboratories, and other educational facilities.

Senator CLARK. Thank you, sir.

Dr. SCHEEPS. Historically the expenditure for physical plant facilities for higher education has represented approximately 20 percent of the total amount expended for all purposes. For dormitories, dining halls, and related facilities alone Commissioner Derthick estimated the need at the rate of \$600 million a year. These facts indicate something of the magnitude of the financial problem facing the colleges and universities in the years immediately ahead.

In the face of this rather staggering undertaking, the total of a half billion dollars called for in S. 2950 for both the "lost year" of fiscal 1959 and for fiscal 1960 would seem to be conservative. This is

particular true since we are concerned with a loan program and not a grant program. Further, the program has the united support of all of higher education. Finally it seems likely to be the only substantial construction program for higher education that may be passed during the present session of Congress. We very much hope that the college housing loan program will continue to receive the bipartisan support it has enjoyed in the past and that the full amount of the one-half billion dollars may be recommended by this subcommittee and authorized by the Congress.

Permit me to speak briefly and at firsthand about the way in which this program has benefited Tulane University.

Tulane University is a medium-sized, privately endowed institution, with an enrollment of approximately 4,500 full-time students, located in New Orleans, La. It has the usual undergraduate divisions, a large graduate school, and the professional schools of law, medicine, and social work.

Following World War II, it was evident that if Tulane were to accommodate its fair proportion of students in the years ahead, residence halls and related facilities would have to be greatly expanded. At that time only 300 students were housed in permanent buildings. An additional 200 single students and 300 married student families were housed in temporary, war-surplus buildings. The financial problems of providing residence halls, together with adequate dining, health, and recreational facilities, would have been insurmountable, were it not for the enactment of the college housing loan program. With its assistance, the university has been able to provide nearly 1,200 dormitory spaces for undergraduate students and, in addition, dining facilities, a student infirmary, and modest recreational facilities appropriate to a dormitory population. Besides meeting the housing needs of undergraduate students, 191 apartment units, at relatively low rentals, have been provided for married students and their families.

It is emphasized that Tulane could not have provided these facilities without the assistance of the college housing loan program. Of course, funds could have been borrowed through commercial channels, but only at interest rates and amortization schedules which would have made the cost of the program prohibitive to the student and to the university alike.

On the basis of the present money market, the university could borrow funds at approximately 6 percent, on an amortization schedule of not longer than 30 years, which would result in debt service of \$73 per \$1,000 borrowed. On the other hand, the college housing loan program, based on the current formula, would enable the university to obtain funds at a cost of \$44 per \$1,000 borrowed. Commercial loans would have increased debt service by about 70 percent and the university's potential of obtaining money for housing and related facilities would have been drastically reduced, if not eliminated altogether.

Senator CLARK. Dr. Scheps, what would that difference in interest mean in terms of the room rent that students would have to pay?

Dr. SCHEPS. I would say that it would make the difference between a cost of about \$250 a year, which our students now pay, to about \$415, which would make it prohibitive. We simply could not have dormitories on that basis.

Senator CLARK. That is pretty convincing, Mr. Chairman.

Senator SPARKMAN. It certainly is.

Dr. SCHEPS. As to the immediate future, Tulane urgently needs additional housing for 190 married students, housing for 200 single medical students, housing and food facilities for an additional 500 undergraduate students. These facilities cannot be provided except through a Government-sponsored loan program similar to the college housing loan program. I consider that Tulane's future welfare is dependent on the continuation of this Federal loan program.

Tulane's experience is given only as a single example of the great value of the college housing loan program to the development of the nation's educational capacity. This experience has been duplicated in hundreds of institutions in every State in the Union. The failure to continue the program at this time would constitute a serious setback to the educational progress of the country at a time in history when our Nation can least afford it.

Senator SPARKMAN. Thank you very much, Dr. Scheps. Dr. Hilberry, I believe you are next.

STATEMENT OF CLARENCE B. HILBERRY, PRESIDENT, WAYNE STATE UNIVERSITY, DETROIT, MICH., AMERICAN ASSOCIATION OF LAND-GRANT COLLEGES AND STATE UNIVERSITIES AND THE STATE UNIVERSITIES ASSOCIATION, AND CHARLES McCURDY, EXECUTIVE SECRETARY, STATE UNIVERSITIES ASSOCIATION

Dr. HILBERRY. Mr. Chairman and members of the committee, my name is Clarence B. Hilberry, and I am president of Wayne State University in the city of Detroit. It is my privilege to testify today on behalf of the two associations whose combined membership is made up of most of the major State universities and all of the land-grant colleges throughout the 50 United States and the Commonwealth of Puerto Rico. These associations are the State Universities Association and the American Association of Land-Grant Colleges and State Universities.

Members of the committee will doubtless be pleased to know that my statement today before you is a brief one. The fact of the matter is that the 11-year history and the effectiveness and contributions to higher education in this country of the college housing loan program are so well known to you of the committee, to the Members of the Congress, and to almost every institution of higher learning in the country that my efforts further to demonstrate these facts seem almost redundant if not fatuous.

Senator CLARK. May I interject to say they are very proper indeed, because you have not yet convinced the President of the United States.

Dr. HILBERRY. Thank you, Senator Clark.

The 2 associations for which I speak have a combined membership of 94 institutions, of which all but 2 are publicly controlled State universities or land-grant colleges. I think the committee may be interested in the fact that during the tenure of the college housing loan program 71 of these institutions have borrowed a total of \$306,555,000. I should add in passing the fact, which I am sure you already know, that not a single one of these institutions has defaulted in its repayments to the Government of both principal and interest.

At the present time 29 of our institutions have applications pending for college housing loans in the amount of \$71,118,340. There is little doubt in the minds of most of us that many additional applications will be submitted so long as there remains the slightest hope that this valuable program will be continued.

So much for the facts of the program to the present date. I should like to present for your consideration some observations concerning the future which, while they undeniably represent my personal and subjective opinion, I am confident are shared by my presidential colleagues of State universities and land-grant colleges throughout the Nation. As you know, some alternatives to the present college housing loan program have been suggested and proposed. These have been made by various members of the executive branch of the Government, for whom we have great respect, and by others whose interest in the advancement of higher education we do not question, but whose judgment with respect to the adequate accommodation of students in the future we believe to be faulty.

It is demonstrably true that most colleges and universities, both public and private, could borrow money for construction purposes from private lending sources. Indeed, this has been done in the past and is being done now. But I submit, gentlemen, these loans cannot be obtained at an interest rate comparable to that under the present formula of the college housing loan program.

While there may be some institutions which believe they can increase their student charges to the extent necessary to amortize these loans at the higher interest rates required by private lenders, this is a matter of the gravest concern to our public institutions which from their inception have been dedicated to providing quality higher education at the lowest possible cost. The Federal Government through the college housing loan program has assisted all institutions in their efforts to keep rising costs at a minimum. Our institutions hope the Federal Government will continue to believe that it is its proper function to assist institutions and students in this way.

Our members adhere to the belief the college housing loan program is not and should not be considered as a Federal subsidy program. But if there be those who think otherwise, then we submit there are few aspects of human endeavor more worthy of governmental subsidy than the education of future generations.

We are not concerned that any college will close its doors should the college housing loan program be abandoned. These institutions will survive. The only two questions which I have the temerity to ask before this committee are (1) whether without the college housing loan program will we have the accommodations for twice our present enrollment, and (2) what numbers of prospective students may be denied their use because they cannot afford to pay the required rentals.

SENATOR CLARK. You might add as a third point whether the Nation can afford this luxury.

DR. HILBERRY. I agree, Senator Clark, indeed.

MR. CHAIRMAN, the college housing loan program has been and is one Federal program of assistance to higher education which enjoys the support of all institutions of higher education. The State Universities Association and the American Association of Land-Grant

Colleges and State Universities join hands unequivocally with our sister institutions which are privately supported and controlled in support of a continuance of this excellent program.

Thank you.

Senator BUSH. What do you estimate the constituency of these two associations to be in respect of the total enrollment in colleges and universities? In other words, what percentage of the college population do you represent in these two associations?

Dr. HILBERRY. I think, Senator Bush, one of my colleagues can tell you that.

Mr. CHARLES McCURDY (executive secretary, State Universities Association). You mean the number of students in these 94 institutions?

Senator BUSH. Do you know the number of students in the institutions of these two associations, approximately?

Mr. McCURDY. I heard it yesterday in some testimony. Something like 600,000.

Senator BUSH. What is the relationship between that figure and the total enrollment in colleges and universities affected by this program?

Dr. POPEJOY. The total enrollment is 3,400,000.

Senator BUSH. So your associations represent approximately 600,000 of the total of 3,400,000?

Senator CLARK. Will the Senator yield?

Senator SPARKMAN. By reference to the two associations, you mean the Land-Grant Colleges and State Universities; is that right? The total enrollment of the two groups is the figure given—600,000?

Dr. HILBERRY. Correct.

Senator CLARK. I think if we are going to get into this we ought to have the other gentlemen testify as to how many students there are in their groups, because as I understand it these four witnesses represent different educational institutions and different educational associations. So we have only a part of the figure when we have the State Universities and Land-Grant Colleges.

Senator BUSH. I agree with that. They can give it right now.

Dr. SCHEPS. The Association of Higher Education represents, I think, nearly 100 percent of the institutions.

Senator SPARKMAN. And 3,400,000 represents the total enrollment?

Dr. SCHEPS. Yes. It is an association of individuals, and these individuals who hold membership would be nearly, I would say, every institution in the Nation.

Senator CLARK. So, Dr. Scheps, in fact you represent all the universities and colleges of the country?

Dr. SCHEPS. I would say so, yes.

Dr. POPEJOY. The American Council on Education represents nearly all of the accredited colleges.

Senator CLARK. In other words, there is not any organized college or university group in the country which is not represented by you four gentlemen, nor is there any organized college group in the country which is opposed to this program?

Dr. POPEJOY. This is right. The figures I gave of 3,400,000 represent the total college enrollment, and then I also stated that the American Council on Education represents practically 90 percent of all of the college population of the country.

Senator SPARKMAN. As I see it, there is no misunderstanding. You are presenting a united front, representing the 3,400,000 college students, and all of you express the same view. It just happens that the last witness expressed a particularly strong view with reference to land-grant colleges, but I take it to be the view of all of you with reference to all of the different schools.

By the way, I was told last October, that the land-grant college in my State, Auburn, was already full for next September and would have to turn away students unless they were able to get additional facilities.

Dr. Anderson, you are our next witness, representing the Association of American Colleges. Dr. Anderson, I would like to say before you begin there is a little Methodist college in my State that has an application—in fact, it is the very first one on the list that you presented, Athens College—for \$175,000 to help them build a dormitory. They desperately need that dormitory for September. Their application has been pending now ever since the act was passed last year, and there is no chance of getting that dormitory finished by September. They are already full and will have to turn students away. I presume that this experience could be multiplied scores of times all over the country. Is that not true?

Dr. SCHEPS. Yes, sir.

Senator SPARKMAN. Senator Bush.

Senator BUSH. I simply want to make clear my question about the size of the constituency of the groups represented by Mr. Hilberry. It was based on curiosity regarding those associations, not to indicate that this was a small group amongst the whole. I know of no opposition to the college housing program from any college or university or any association thereof. I wanted to make clear that was the purpose of my question. I was curious about how big these associations were, that is all.

Senator Sparkman. Thank you.

Dr. Anderson, you have been before us on prior occasions. We welcome you again.

STATEMENT OF HURST R. ANDERSON, PRESIDENT, AMERICAN UNIVERSITY, WASHINGTON, D.C., ASSOCIATION OF AMERICAN COLLEGES

Dr. ANDERSON. I am happy to be here, Senator and gentlemen. What I shall add here is by way of informal comment and not by a written presentation.

Senator, you asked a moment ago about the number of institutions. I represent in this particular situation this morning the Association of American Colleges. I happen to be the Chairman of the Commission on Legislation of that Association. You asked, and I want to get in the record how many institutions were served. Now, I happen to know how many institutions were served by this program. I have the facts here, and I would like to get them in the record.

The Association of American Colleges, Senator, is comprised of some 800 institutions, or 95 percent of all the accredited universities and 4-year liberal arts colleges.

Senator CLARK. They are all private?

Dr. ANDERSON. No, they are not all private. This is the liberal arts college group, if you want to try to identify it as over against the others.

Of course, I know this must be confusing to you gentlemen, but the thing you must realize is that there is no lack of agreement among us at all. Even though we represent different groups and these groups overlap and tie into each other, there is no difference of opinion. There never has been.

Senator SPARKMAN. My purpose in asking the question I did was to show how generally helpful this program had been in all parts of the country.

Dr. ANDERSON. Quite right.

As far as the college people are concerned, they have been enthusiastic about this program and it has worked successfully. They are simply interested—and that is the reason for this testimony here this morning—that this Congress enact one of these bills. Of course, most of us would prefer the bill you introduced, sir.

Of these institutions in the association, you asked the question a moment ago how many institutions are involved. There are 800 now. There were 510 institutions that made applications for loans in 47 States—this is a geographical distribution—District of Columbia, and Puerto Rico. The only States in which we do not have institutions that have applied for, received, or have pending a loan are Delaware, Maine, and Wyoming—the only three States in the Union.

Senator SPARKMAN. Let me get this straight. There may be others in these particular States?

Dr. ANDERSON. Not may be; there would be. The distribution I think you would find—you have that in the record given to you, but the distribution will be just about the same as this distribution. It will spread across the country.

What I would like to do is, if I may for a moment, Senator, just simply step back and take a broad look at this.

It seems appalling to some of us who work in the field of education, and have all our lives, that in this most serious crisis that we face in the field of education in the next decade we should have any difference of opinion at all among Americans about what ought to be done. Obviously, there can be differences of opinion about how it should be done, but the goal should be so clear to all of us. We are involved in a struggle that is worldwide. We all know this. We are involved in trying to build an educational program for larger and larger numbers of students, and we know that by 1970 we are going to have twice as many students to care for, feed, house, and educate.

The problem therefore is really how as Americans—this is not a partisan problem at all—we can provide this equipment, these facilities, and do the job that every American family expects of us. There are only two or three ways that it can be done.

As far as the Federal Government is concerned, you can take the attitude the Federal Government should not do anything about this, and there are those I expect who feel this way. But the interesting thing about the situation is that both parties now say we face a crisis, that we have got to do something about it, and the only problem is which of two procedures are we going to adopt. That is the position we are in. So the “do-nothing” position really has made very little

headway and is held by very few people who have thought about this problem of education at all.

So we find ourselves in the unique position for the first time of the Republicans and Democrats alike feeling that something ought to be done about this, and the only problem is which of two plans should be the plan that should be approved.

The view—this is consistent and has been the view through the years, Senator Sparkman, and I think you know this—of the people in the field of education is that the wisest public policy in this housing situation is to loan these institutions money instead of giving it to them.

I admit from a budgetary point of view those items have to be included in the current budget because the money has to be made available in order to loan it, but if you take the broad view and look at this as a matter of public policy it is the view of education generally that these loans are wise public policy for this purpose. That is the reason why the college people on the whole have been consistent in their defense.

Furthermore, we have had a program that has been working. Our only concern is whether or not this is to be extended.

Senator Clark, as you have said from time to time in connection with academic facilities, you live in an urban center, as some of the rest of us do, and we know the problem of dormitory facilities in some of these urban centers, which is as critical as the problem of classroom facilities. And so the question is what are we going to do about this? Should the Federal Government be interested at all in this? Should there be any effort on the part of the Federal Government to assist these institutions? We are going to work hard to find private capital. We have been. Never in the history of this country has there been a greater effort to find private capital to support these educational institutions. We are going to get private capital. The only question is should the Federal Government assist in ways it can assist without interfering with the academic interests of free education in a free society. It seems to me this is the whole question.

So you find us here unanimous. We have been here before, Senator, you know that, to say the same thing, and we are right now faced with a situation that is more critical than I think you gentlemen realize. And I will tell you what is happening in another institution in which you are a trustee, the institution which I head.

We are putting three students in a room in a new dormitory we opened here in the last 3 years, which is a result of this loan fund program in operation. This crowding is not healthy, but this is what is happening all over the country, as a matter of fact. And these applications—you know what they are. They are down there in the office now. I have seen many of them myself and gone through this list you asked for. It totals \$223 million right now.

The institutions are ready to build these dormitories, and the only thing that is holding up the construction of these dormitories to take care of these people is the decision of the Congress and the President to get this thing in operation and keep it moving. And we are just here to plead for this bill.

Senator SPARKMAN. Thank you, Dr. Anderson.

By the way, may I say if any member of the committee wants to see any of this dormitory housing, college housing, there are some

very good examples on the campus of American University, of which Dr. Anderson is president.

Dr. ANDERSON. I do not know within the last few years how some of us in the field of education could have accomplished this otherwise. All you have to do is go through the record and look at it. It is a credit to you people that you have had the vision and foresight to see this is the way it can be done without anybody paying for it fundamentally except the students who live in the dormitories. These are the people who pay. They just want the opportunity to pay.

Senator SPARKMAN. You may be interested to know there is an application pending from Delaware. It is Wesley College.

Dr. ANDERSON. Yes, I do know about that.

Senator SPARKMAN. There is an application pending from Wyoming. It is Casper College.

Dr. ANDERSON. Yes.

Senator SPARKMAN. These were the ones on record as of February, and I do not know what applications may have come in since then. There have been applications requesting \$60 million added to the list since February.

Any further questions?

Senator CLARK. Yes, Mr. Chairman. I would like to make a couple of observations which may or may not elicit some comment. Do not feel compelled to comment if you do not want to, but if you do I would like to have it for the record.

In the first place, last year, as you gentlemen know, we had a provision in our bill for loans for academic facilities. The President vetoed the bill. We sent it back to him and he vetoed it a second time, and he gave as one of the reasons for the veto that we had put academic facilities in a housing bill. There are a number of members of this committee who felt that academic facilities had no part in a housing bill, and so we have transferred the academic facilities problem over to the Committee on Labor and Public Welfare.

I want to advise you gentlemen that hearings on an academic facilities bill which I have introduced will be held early in June before the Committee on Labor and Public Welfare, and I solicit your views on those bills at that time.

Some of you may be aware of a most interesting conference on higher education which was held at Arden House 2 weeks ago under the auspices of the American Assembly, of which Dr. Wriston, formerly president of Brown University, was the chairman. I had the privilege of attending that conference and in fact made the principal speech on Saturday night, in which I urged the educational associations to get together and try to present the same united front with respect to assistance from the Federal Government in the field of academic facilities which you have done so successfully in the field of dormitories and eating facilities.

I would like to urge you gentlemen as representatives of your four different associations to see if you cannot come up with some united position when we hold those hearings in June. I am going to take the egotistical privilege of sending you each a copy of my speech and also of the report which was made by the people who met at Arden House, who included a good many labor representatives, many eminent businessmen, and quite a number of educators, in which the point was

stressed that aid for academic facilities was one of the crying needs which the Government should try to fill.

I should also like to leave for your consideration whether, in view of the magnitude of the crisis which confronts us, it is realistic to expect that the job can be done without some type of a grant program in addition to a loan program. You may not agree, but these matters will be explored in June, and I hope you will be there.

If any of you have any comment to make, I would be happy to have it—and please do not think I am lecturing you, because nothing is further from my mind. I am just asking for your help.

Dr. ANDERSON. Senator, I cannot speak for these other gentlemen. They live in other parts of the country. But I have been well aware for a long time that you have been one of the great exponents of some kind of a solution to this problem, and we should be deeply grateful that you have been working on it and thinking about it.

Senator CLARK. I appreciate your comments, but I think you will agree, too, that until the associations representing higher education can agree on what they want, or until some really important ad hoc committee with topflight educators on it can agree on what they want, you are not going to get it. I hope that you will give a lot of careful thought to that.

I would like to ask Dr. Hilberry one question for the record. We have in the Congress a residual view that this is a job for the States. You are representing State universities, and perhaps you would like to state for the record your views as to why you cannot get all the financial help you need from the States which support your universities.

Dr. HILBERRY. I believe, Senator Clark, that my experience in Michigan, my personal experience as one college president in Michigan, is duplicated very widely across the country with public institutions. The problem is enormously great, and what we are all facing is the need for some kind of mechanism to get these housing facilities provided quickly. The States are doing very well, at least from the point of view of my institution. They are doing the other things that have to be done, but this seems to be something that can be wisely done on a national basis, and there are many places where it will not be done at all in public institutions if the Federal Government help is not continued.

Senator CLARK. Would you agree with my observation that many, if not most, of the States have strained their financial resources providing services for their people to such an extent that there is very little potential for that additional revenue which would be needed to give their institutions of higher education the help they ought to have?

Dr. HILBERRY. This is true, Senator Clark, of the States which I know personally.

Senator CLARK. It is certainly true of Pennsylvania. I am serving on the Governor's Committee on Education now, on the Higher Education Task Force in Pennsylvania, and we have heard testimony which certainly convinces me that while our State is not doing anything like as well as it should—it is, in fact, rather a backward State and should do more—the total problem is so enormous that it is just folly to think that this can be done by the States and localities

and by private capital without a great deal of help from the Federal Government.

Dr. HILBERRY. I would heartily agree.

Senator SPARKMAN. Thank you very much, gentlemen. You have made a very fine contribution, and we are very grateful to you.

Next is Mr. Julian Levi, of the Special Committee on Urban Renewal, of the American Council on Education. We are glad to have you with us, and proceed in your own way.

**STATEMENT OF JULIAN LEVI, ASSISTANT TO THE CHANCELLOR,
UNIVERSITY OF CHICAGO, SPECIAL COMMITTEE ON URBAN
RENEWAL, AMERICAN COUNCIL ON EDUCATION**

Mr. LEVI. Mr. Chairman and members of the subcommittee, I am very pleased to have this opportunity to appear before your subcommittee in connection with the four amendments to section 112 of title I of the Housing Act of 1949, as amended, which would be made by section 4(e) of S. 3509, a bill introduced by Senator Clark, of Pennsylvania.

Before I discuss these amendments, however, I wish to record on behalf of the American Council on Education and the many colleges and universities throughout the country affected by section 112 of title I, and to express to your subcommittee our most sincere appreciation for time which you so generously devoted last year to the study of one of our most important and difficult problems, and for the manner in which your subcommittee worked out the present provisions of section 112 of title I.

I can report to your subcommittee that the new section 112 which was added to title I last year by the Housing Act of 1959 is, and will be, effective and that it will be of very real assistance to our cities and to many of our colleges and universities.

As you may know, the American Council on Education has established a Special Committee on Urban Renewal under the chairmanship of Dr. Norman P. Auburn, president of the University of Akron. The other members of the committee are Mr. George Baughman, vice president of New York University, Mr. Henry W. Herzog, treasurer of George Washington University, Mr. James Miller, assistant vice president, University of California, Dr. James R. Killian, chairman of the board of the Massachusetts Institute of Technology, Dr. Arthur Neef, vice president of Wayne State University, Mr. Harold Taubin, director, university planning office of the University of Pennsylvania, Dr. Robert W. Van Houten, president of the Newark College of Engineering, and myself as assistant to the chancellor of the University of Chicago.

This special committee of the American Council on Education has had the benefit of an excellent working relationship with the Urban Renewal Administration. The Urban Renewal Commissioner, Mr. David Walker, has been most helpful to this special committee in his willingness to try and work out, through mutual discussions of the problems, effective and workable administrative procedures for carrying out the provisions of section 112. We feel that the Urban Renewal Administration has done an outstanding job in developing these implementing administrative procedures and that, except for

one matter which I will discuss in a moment, the ground rules which the Urban Renewal Administration has established for section 112 are fair and reasonable.

The four amendments to section 112 of title I of the Housing Act of 1949, as amended, which would be made by section 4(e) of S. 3509 have the full endorsement and support of the American Council on Education. Three of these amendments—sections 4(e)(1), 4(e)(2), and 4(e)(4)—are simply technical and clarifying in nature. Rather than take the time of your subcommittee during the hearing, I have prepared a written explanation of each of these three technical amendments and have attached this explanation to the copies of my prepared statement which has been made available to the members of your subcommittee.

Senator SPARKMAN. May I interrupt you there? You state that these three amendments are simply technical and clarifying in nature. Does the administration agree with you in that statement?

Mr. LEVI. I believe they do. Let me give you an example. The legislation provides that the expense of relocation is an eligible 112 educational credit if incurred by you where a building is demolished. Now, there are cases where the buildings are not demolished but instead are rehabilitated and then also used for educational purposes. The result is you still have to relocate people. You still have to spend money for it, and that money certainly ought to be spent. The difficulty is that the language in the statute at the moment says that the relocation expenditure is eligible only when the building is demolished rather than when it is rehabilitated. Obviously, this is just a kind of technical oversight rather than presenting any real problem. The administration has made no issue about it.

Senator SPARKMAN. Senator Clark tells me the administration has not yet sent us a report on the bill. We will hear from them and probably have testimony from them on the 27th. (See p. 943.)

Mr. LEVI. As I have indicated to your subcommittee, there is one very important area wherein we do not feel that the present section 112 administrative procedures of the Urban Renewal Administration are sound. The present administrative procedures of the Urban Renewal Administration relating to section 112 provide that if new construction or rehabilitation is initiated by the educational institution in respect of any real property acquired within, adjacent to, or in the immediate vicinity of an urban renewal project before the urban renewal plan or the development plan receives all necessary approvals, the expenditures made by such educational institution for acquisition, demolition, and tenant relocation in respect of such property will not be allowed as a local grant-in-aid.

In discussing the proposal for the new section 112 during your consideration of last year's housing bill, the representatives of the colleges and universities urged that such legislation as might be enacted should not penalize those institutions which have acted most vigilantly to meet their needs and the need for eliminating slum and blighted areas around campus areas and should encourage immediate action on the part of all institutions affected. We felt that the legislative provisions finally recommended by the Committee on Banking and Currency, and which subsequently were enacted as section 112, clearly sought to avoid so doing. To exclude expenditures made by colleges

and universities because new construction or rehabilitation is initiated prior to plan approval—even though, when the plan is eventually approved by the Urban Renewal Administration, it provides that such land is to be devoted to educational uses—clearly penalizes many educational institutions which have been in the forefront of the fight to improve surrounding urban neighborhoods, will encourage delay, and is not believed to be consistent with the intent of the Congress.

Section 4(e) (3) of S. 3509 would eliminate this inequity by making clear the intent of the Congress that otherwise eligible expenditures would not be disqualified so long as under the plan, when finally approved or found satisfactory by the Urban Renewal Administration, such land and structures are to be devoted to educational uses and the acquisition, relocation, and demolition expenditures were made within 5 years from the date of the authorization for the loan of capital grant project.

We strongly urge that your subcommittee include these four amendments to section 112 in any bill reported.

Senator SPARKMAN. Thank you very much, and your explanation as given will be printed as a part of your statement.

(The material referred to follows:)

EXPLANATIONS OF SECTIONS 4(e) (1), 4(e) (2) AND 4(e) (4) OF S. 3509

1. *Section 4(e) (1)*

The purpose sought to be accomplished by the inclusion in section 112 of the provision which makes expenditures by an educational institution for the acquisition of land or buildings from a local public agency ineligible as a local grant-in-aid was to assure that, where a Federal capital grant under title I had already been made to the local public agency in connection with its acquisition and disposition of such property, there would not be a double credit.

However, in some States the city itself, rather than a separate redevelopment authority, is the local public agency. In such cases, expenditures by an educational institution to purchase property from the city are not eligible even though the city did not receive or use any title I capital grant in connection with its acquisition or disposition of the property.

Section 4(e) (1) of S. 3509 is merely a clarifying amendment to make clear the original intent that expenditures made by an educational institution for acquisition of property from a local public agency would be ineligible as a local grant-in-aid only in those cases where a Federal capital grant under title I had been made to the local public agency in connection with its acquisition or disposition of such property.

2. *Section 4(e) (2)*

Under the present wording of section 112, expenditures made by an educational institution to assist in relocating occupants are eligible as a local grant-in-aid only in respect of buildings which, under the plan, are to be demolished.

Section 4(e) (2) of S. 3509 merely makes it clear that expenditures for relocation of occupants from buildings which, under the plan, are to be rehabilitated for educational uses are also eligible.

3. *Section 4(e) (4)*

Because of constitutional debt limitations, some States have found it necessary to establish a general State public authority with power to finance and carry out various State public improvements. In Pennsylvania, for example, the General State Authority has power to acquire land and construct thereon improvements needed by universities and medical colleges receiving State aid, and lease such land and improvements to such universities or medical colleges under long-term leases.

Under section 112 of title I of the Housing Act of 1949, as amended, expenditures for acquisition, demolition and relocation which met the statutory requirements of section 112 would be eligible as a local grant-in-aid if made directly by such university or medical college. Under the present provisions of section

112, however, such expenditures are not eligible when made by such a State public authority although made for the same purpose of educational use. Such a distinction is one of form; not substance.

Section 4(e) (4) of S. 3509 would make such expenditures by any such State public authority eligible as a local grant-in-aid to the extent that they would be eligible under section 112 if they had been made directly by the educational institution.

Senator SPARKMAN. Any questions?

Senator CLARK. Yes. Mr. Levi, do I understand you correctly that you think a proper administrative interpretation of the present law would allow credit for these prior expenditures, but that you believe the urban renewal people have misinterpreted what we wrote into the law last year, and therefore, to make it abundantly clear, you want this amendment?

Mr. LEVI. Precisely. The situation is this, Senator: The law specifically provides that there is this 5-year lead time. Now, that was what the law said. Now, what the administration did in drawing the regulation was to provide that if you had begun new construction or rehabilitation before all the approvals had been in, even though they were in the 5-year period, you lose the benefit of the lead time. This is unsound, because it encourages the very kind of conduct that none of us want. We have got immediate educational needs. When these structures are acquired, new construction ought to begin or rehabilitation ought to begin as quickly as possible, in the national interest. What this interpretation would do would be simply to encourage fallow land lying around or to lose the credits, and in either case this would defeat the intention of the Congress.

Senator CLARK. I hope we can get this clarifying amendment through for you. In the meantime, I personally will certainly urge the administration offices to change their interpretation. Perhaps they will not be willing to do it, but maybe some of that can be fixed next January.

Senator SPARKMAN. Thank you very much. We appreciate your statement.

We have a letter sent us by Senator Johnson. It will go in the record.

(The letter referred to follows:)

HUNTSVILLE, TEX., May 6, 1960.

Senator LYNDON B. JOHNSON,
Senate Office Building,
Washington, D.C.

DEAR SENATOR: Unless the Federal Government continues to make loans for college housing, the small colleges of America will be forced to sell their bonds in the so-called open market at an interest rate—regardless of guarantees—that will likely increase room rent in these institutions at least one-third.

Attached is a summary of the reasons for this statement.

Sincerely yours,

HARMON LOWMAN,
President, Sam Houston State Teachers College.

MAY 6, 1960.

Memorandum to: Senator JOHNSON.
From: Harmon Lowman, a college president.

Under the existing practices of the college housing authority, approximately two-thirds of the Nation's colleges have pledged with first and second liens the income from all existing housing and auxiliary campus enterprises. When this fact is coupled with the fact that due to parietal clauses in all bond agreements—students must rent rooms according to the chronological order of the bond is-

sues—it seems evident that the small colleges of America would be at a distinct disadvantage if they were now forced to sell their housing bonds in the present noncompetitive type of money market.

Senator SPARKMAN. Next is Mr. Charles Wood, a homebuilder of Dothan, Ala. We are glad to have Mr. Wood with us. I have known him for a long time, and I am glad to call him my good friend. We welcome you here this morning.

STATEMENT OF CHARLES WOOD, HOMEBUILDER, DOTHAN, ALA.

Mr. Wood. Thank you. Mr. Chairman, and members of the committee, I am a builder of small homes in southeast Alabama and would like to talk to you today about the disgrace of discounts.

I have been building homes for the past 12 years, and in my opinion these so-called loan discounts, which I and every other builder must pay on all homes we sell, in order to obtain FHA or VA financing, are seriously damaging the housing industry in the United States. It is particularly detrimental to small homebuilders in small towns.

As you know, several years ago excessive discounts were outlawed. However, many devious methods were used to circumvent the law, one of the most common being the lending agency requiring the builder to pay them a real estate commission, whereas in actuality the builder sold his own homes.

In an effort to keep a profitable operation, most builders endeavor to pass along as much of this discount as possible to the home buyer. Since the FHA and VA will not allow discounts as an item of expense, most of us cut corners and do other things which we would prefer not to do. Also, we cannot pay our men the wages we would like to pay them.

In addition to the previously mentioned discounts, most lending institutions charge construction loan fees of one-half to 2½ percent over and above their regular interest rate and appraisal fees. Since this is usually short-term money, the actual rate of interest often becomes usurious. It is my opinion that private lending sources have completely failed in providing financing for homes in this country. I have heard many times the cry to raise the interest rates and I have seen several raises, yet discounts stay with us. Just before the last interest rate increase, we were paying 6 percent discounts on average FHA loans and about three weeks after the interest rate was increased, we closed our first loan under the new rate—discount 6 percent. If the interest rates were raised to 10 percent, it is my belief that the money lenders would still charge excessive discounts. I think it would help to require all lending institutions to sign an affidavit on each Government-guaranteed loan as to the discount they will charge—in other words, bring it out on top of the table, so to speak—also requiring the buyer to sign, showing that he is aware of the discount the builder is being forced to pay.

I believe this latter action would cause public opinion to demand relief. Gentlemen, in my opinion, some type of beefed-up Federal National Mortgage Association is the only permanent solution to this problem. Then, if the moneylender wants the guarantee of the U.S. Government behind his investment, let him be content with interest rates commensurate with this guarantee.

I thank you.

Senator SPARKMAN. Well, thank you.

How can we effectively control these discounts? As you know and as you included in your statement, we have tried. At one time, we passed an act in Congress outlawing them. As you say, they found methods of getting around that.

Then, we wrote a provision calling on FHA and the VA to write instructions or regulations that would control it. We found that to be cumbersome and unworkable.

I have always had a rebellious feeling toward discounts, discounts of any kind, particularly some of these that are unconscionably great. But how can we control them?

Mr. WOOD. Senator, as long as it is in the hands of the private lenders, I do not think there is any way because they will find some way or other to get around the law—as I mentioned, the real estate commission being the most common.

Senator SPARKMAN. By the way, are you familiar with the bill that Senator Capehart and I introduced just a few days ago, last week, S. 3541, that would seek to put into effect a central mortgage setup in keeping with the recommendation of the National Association of Home Builders and Mortgage Bankers Association and the National Real Estate Boards of the country? You know, of course, about the years of work that has been done looking toward that. I presume you are not familiar with the terms of the bill.

Mr. WOOD. No, sir.

Senator SPARKMAN. It has long appeared to me that the only way we are ever going to do this is by insuring some means of having a ready mortgage market so that we will not have these violent fluctuations up and down. I am not going into detail in describing it now, but, in effect, it would extend the borrowing power of FNMA so that people could borrow 15 times instead of 10 times as much as is permitted now. It would seek to break into additional funds, pension funds and trust funds, and make it possible to market mortgages in such a way that those funds would be, we think, attracted. I am rather of the opinion that until we get some such a program as that where the mortgage market will be stabilized, we are simply not going to find a way around these discounts.

Mr. WOOD. I think you are 100 percent correct.

Senator SPARKMAN. I think you will find S. 3541 to be interesting. I suggest you check into it.

Mr. WOOD. Yes.

Senator SPARKMAN. Any questions, Senator Clark?

Senator CLARK. No.

Senator SPARKMAN. Senator Bush?

Senator BUSH. No.

Senator SPARKMAN. Senator Williams?

Senator WILLIAMS. No questions.

Senator SPARKMAN. Thank you.

Mr. WOOD. Thank you.

Senator SPARKMAN. Next, we have a panel of witnesses from Puerto Rico. I am sure it is going to be very interesting.

Will you gentlemen come around to the table?

Dr. Pico, I understand you are the chairman of the group, so to speak.

STATEMENT OF DR. RAFAEL PICO, PRESIDENT, GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO; ACCOMPANIED BY FRANCISCO FULLANA, PRESIDENT, FULLANA ENTERPRISES, INC., SAN JUAN, AND DIRECTOR, LEGISLATIVE COMMITTEE, HOME BUILDERS ASSOCIATION OF PUERTO RICO; RAFAEL CARRION, JR., PRESIDENT, PUERTO RICO BANKERS ASSOCIATION; BROWN WHATLEY, CHAIRMAN OF THE BOARD, WHATLEY, STOCKTON, DAVIN & CO., JACKSONVILLE, FLA.; LUIS ESTEBAN JULIA, CONDOMINIUM ENTERPRISES, INC., SAN JUAN; ARTHUR ZALDUONDO; AND E. RODRIGUEZ COLLAZO

Dr. PICO. Yes, sir.

Senator SPARKMAN. You will present the different speakers. Identify each of them for the record as you present them.

By the way, before you proceed, I should like to offer for the record a statement by Dr. A. Fernós-Isern, Resident Commissioner of Puerto Rico. He had hoped to appear personally before the subcommittee along with you gentlemen. He was not able to do so. He sent a statement over, and I submit it for the record at this time.

(The prepared statement of Dr. Fernós-Isern follows:)

STATEMENT OF DR. A. FERNÓS-ISERN, RESIDENT COMMISSIONER OF PUERTO RICO

I thank the subcommittee for the opportunity to be heard this morning in support of S. 3502, introduced by Senator James E. Murray, which would extend and amend the National Housing Act, as amended, to provide mortgage insurance for individually owned units in a multiple family structure. S. 3502 is the companion bill to H.R. 11914 which I introduced in the House of Representatives.

The purpose of these bills is to provide an additional means of increasing the supply of privately owned housing units consisting of individually owned one-family units which comprise a part of a multiple-family structure where such structures are authorized under the laws of the State or Commonwealth where the property is located.

As you may know, this is an ancient form of ownership which was, according to my understanding, recognized in Roman law. It is known as a condominium form of ownership and is recognized today by legal authorities in many countries as well as in the United States and its offshore areas.

The philosophy behind S. 3502 and H.R. 11914 is to provide an incentive for investors to put funds into the construction of apartment buildings in which families in the moderate and lower income groups may purchase moderate to lower priced apartments constituting units thereof.

The cooperative type of apartment is well established in continental United States and is well understood. The difference between the condominium form of ownership and the cooperative form of ownership is the difference between owning property in fee simple and owning shares in an organization, the cooperative organization.

Many persons desiring apartment homes do not wish merely to own an interest in a cooperative organization but prefer to own outright a family living unit in such a building, to be their home, with full right to occupancy and possession, and without obligation to assume the responsibilities of the owners of other units in the building. In brief, they wish to buy an apartment as they would buy a house in the suburbs, to finance the purchase with a mortgage and be responsible for its payments, to have the apartment in full fee and title, to sell it if they wish, and in all other respects exercise the right of homeownership.

In our 20th century living, with the suburbs growing ever more distant from the hubs of metropolitan centers, this type of multiple-unit dwelling, together with appropriate financing of individual units, becomes increasingly necessary.

The proposed amendment to the National Housing Act would apply only where the laws of the State or Commonwealth in which the property is located provide for individual ownership of apartment and protect the right of such owners.

In addition, the owners of apartments have an ownership interest in the common area and facilities and community and commercial facilities, if any, which are associated with and which serve the apartment building in which their unit is located. Such rights of ownership to common property carry an obligation to support the proper maintenance and use of the common areas. This is established in detail in the statute governing condominium ownership in Puerto Rico and is established or would be established by the common law or a statutory law which would apply in any other jurisdiction.

The proposed amendments protect the interest of the public and of the Federal Housing Authority in insuring mortgages. This amendment would give the FHA Commissioner authority to prescribe rules and regulations appropriate to construction and ownership and provide that the insured mortgage shall include provisions protecting the rights of ownership, the maintenance of common areas and facilities, and other matters as the Commissioner may prescribe.

Other witnesses from Puerto Rico are present to give their views on the proposed legislation and I understand that their appearance has been scheduled.

Dr. Pico. Thank you very much.

Senator SPARKMAN. We are delighted to have all of you gentlemen with us, and proceed in your own way.

Dr. Pico. Thank you.

Mr. Chairman and members of the committee, I am Rafael Pico. I am also president of the Inter-American Planning Society and a member of the council of the International Federation for Housing and Planning that will have its forthcoming meeting in Puerto Rico at the end of this month.

I would like to testify with reference to Senate bill 3502 that amends the FHA Act to add a new section to that act.

A study of the National Housing Act clearly reveals the legislative intent to provide as ample a coverage as possible to promote home ownership. The act, however, did not provide insurance for mortgages on individually owned units in a multifamily structure. This form of ownership has been known for centuries and is well recognized by legal authorities in many European and Latin American countries. Since 1951 Puerto Rico adopted legislation making it possible for this type of apartment to be constructed on the island.

The stated purpose of S. 3502 introduced by the Honorable Senator James E. Murray aims through FHA mortgage insurance:

* * * to provide an additional means of increasing the supply of privately owned housing units where individual ownership of a one-family unit which is part of a multifamily structure is authorized under the laws of the State in which the property is located.

As president of the Government Development Bank for Puerto Rico, an institution that is charged with the responsibility of providing and promoting financing for projects that will further the development of the economy of the Commonwealth of Puerto Rico, I am wholeheartedly in favor of this bill. I believe it could do much to relieve Puerto Rico's acute housing problem aggravated by the paucity of adequate residential building sites in urban areas; the sprawl of population in metropolitan areas, and the lack of financial facilities to provide adequate housing for its people at prices and interest rates that meet their ability to pay. I am sure that this bill could do likewise for the cities of the continental United States.

The proposed bill provides for an FHA mortgage insurance program that will permit an additional means of increasing the supply of privately owned housing units. This type of housing is an efficient and economically practical method of developing centrally located

high-cost urban land for middle-income families. It offers the opportunity of retaining, or even reincorporating, as urban residents middle-income families which are forced to move to the outlying suburbs and suffer the hardships of daily commuting due to the lack of urban housing suited to their means.

A program for individually owned units in a multifamily structure represents a compromise which can meet the physical and psychological housing needs of a large number of those who desire the independence and satisfaction of individual homeownership and the advantage of residence in centrally located urban areas.

I would like to read excerpts from this statement and not the whole of it.

In 1951, Puerto Rico adopted the first enabling legislation to permit individual ownership of a one-family unit located in a multifamily structure. No project started, however, until 1955 when the Government Development Bank agreed to finance the purchase of 22 apartments in the first building of that type, the San Luis Apartment Condominium located in San Juan.

The bank recognized the significance of this kind of individual homeownership for the development and redevelopment of valuable, centrally located areas in the city of San Juan and other cities of Puerto Rico. It was felt, at that time, that this type of construction could well become the most important step in recent years toward providing home ownership within the urban zone for city dwellers of all economic levels of our society.

Unfortunately, only local financing has been available through conventional 10- to 20-year mortgage loans at a 7 percent or more interest and requiring a 40-percent downpayment. This initially high equity payment has precluded purchases by our middle-income families. Thus, only very high-priced luxury-type apartments have been built for families that are well off financially. It is not likely that the required downpayment will ever be reduced enough unless the mortgages become eligible for FHA insurance.

If an FHA mortgage insurance program could be provided, under the terms now in force for 213 and 203 mortgages under those sections, it would be an incentive for lending institutions to put funds into the construction of apartments within the moderate and lower priced brackets which can be purchased and owned by families in the middle and lower income levels. A vigorous program of construction of these apartments could result if this legislation is approved.

I thank you, Mr. Chairman and members of the committee.

Senator CLARK. Mr. Francisco Fullana, could we hear from you, please? Excuse me if I do not pronounce your name right?

Mr. FULLANA. Mr. Chairman, members of the subcommittee, my name is Francisco Fullana, representing the Home Builders Association of Puerto Rico. I want to ask permission from the subcommittee to have Mr. Zalduondo read my statement for me. On account of a cold, I am hardly able to talk.

Senator CLARK. We would be very happy to have you do that, Mr. Zalduondo.

Mr. FULLANA. I would be ready to answer any questions afterwards.

Senator CLARK. Would you please spell your name for the stenographer?

MR. ZALDUONDO. The name is Arthur Z-a-l-d-u-o-n-d-o.

It is proposed by S. 3502 to extend and amend the National Housing Act by adding section 233 to title II, to provide mortgage insurance for individually owned units or apartments in multifamily structures. The purpose of this section is to increase the supply of privately owned housing units by producing and furnishing means of financing, where the individually owned one-family unit is part of a multifamily structure. This form of ownership is not new. It has been in existence and known for centuries. It traces its origin in the Roman law and is known as condominiums—joint ownership.

Under today's economic conditions, we readily recognize the development of a subdivision where the individual living units are on a horizontal plane. In other words, each living unit is built next to the other with or without intervening space. In the condominium form of ownership, the owners of a living unit would own the property within the overall structure, whether this subdivision was on a horizontal or a vertical plane. In the classical form of subdivision, the owner of one unit owns such unit in fee simple. He, however, has the duty and obligation of sharing with his coowners the obligations and duties of maintaining such common areas and facilities as come within the confines of those things which benefit the individual property owner but are not directly owned by him. In the condominium form, the same would be true. The individual property owner of his share of the condominium would own his share outright and in fee simple, but with the other owners of portions of the condominium would become responsible and liable for the cost, upkeep, and maintenance of those sections which are commonly used and generally benefit all of the owners of the condominium. In other words, the proposal is to have ownership in fee simple settle upon the owner of an apartment or unit in the overall structure containing many units or multifamilies.

In the classical subdivision, the owner of the living unit contained within a lot indirectly or directly shares and participates with the other owners of the subdivision in all of the privileges, rights, duties, and obligations of the common facilities and areas; i.e., sidewalks, roads, sewer lines, water mains, play areas, parks, et cetera. The contribution made by the individual owners toward the upkeep of such common areas may be made in the way of taxes or assessments. In the condominium form, the same result would be accomplished by the payment of each individual unit owner to the central operating agency so as to cover all of the obligations and duties incumbent upon him in the maintenance, upkeep, and support of the common facilities.

The condominium form of ownership in certain aspects is similar to the cooperative form of ownership in a multifamily structure. This similarity applies only with respect to the management, privileges, rights, and obligations of the common facilities and areas, but is completely different with respect to ownership. In the condominium form of ownership, the owner of a living unit has the incentive of personal property ownership, due to the fact that the owner holds a title in fee simple on his living unit, while in the cooperative form of ownership the occupant of the living unit or

apartment only owns a share of an organization that owns a title in fee simple of a multifamily project.

As presently constituted, the owner of the individually owned living unit in a classical subdivision has the advantage and opportunity of obtaining financing in the form of mortgages. Presently this right is not recognized in the condominium form under the National Housing Act. The proposal is to give to the owner of the living unit in the condominium the same rights and privileges of the owner in a classical subdivision. If the proposed bill and amendment is passed, the owner of the living unit in a multifamily condominium will have mortgage insurance by FHA, the feature of refinancing by and for the owner, and the right of private sale by the owner. At present none of these important features are available.

The proposed bill, S. 3502, creates a new section in the National Housing Act. In effect, this new section is a combination of the existing section 213, which has heretofore authorized the FHA to insure mortgages in cooperative multifamily structures, and the existing section 203, which heretofore authorized the FHA to insure mortgages on privately owned living units held in fee simple. The condominium form of ownership would create a combination of sections 213 and 203 because of the fact that each of the above-named sections has features in common with the proposed section.

Past experience has very readily demonstrated that the use of such living units in the manner above described is workable in the United States for the promotion and construction of this type of multifamily projects. The maximum amount to the mortgagor of the insured mortgage is established identically with that maximum mortgage limit as is in existence today under section 203.

The bill also provides authorization to the Commissioner of the FHA to fix and regulate premium charges for insurance of mortgages to charge or collect such amounts as he may deem reasonable for the appraisal of the property or project, and to prescribe rules and regulations appropriate for the construction, and to include in the insured mortgage all provisions protecting the rights, privileges and conditions he may prescribe necessary for the maintenance of all common areas and facilities.

I wish to point out to the Subcommittee on Housing of the Committee on Banking and Currency that the members of such committee should keep in mind, when considering this bill, that the proposed amendment to the National Housing Act under the new section 233 is, in principle and fact, a consolidation of the two existing sections, 213 and 203, but will make possible the insurance of mortgages under an existing type of ownership which, at present, is barred from the benefits of the National Housing Act insofar as acceptability for mortgage insurance is concerned.

It is my earnest hope that the proposed bill receive favorable consideration of the subcommittee and that it may be favorably reported and approved at an early date.

Senator SPARKMAN. Who is next, Dr. Pico?

Dr. PICO. Mr. Chairman, may I introduce Mr. Rafael Carrion, the president of the Puerto Rico Bankers Association.

Senator SPARKMAN. All right, sir, we will be glad to hear from you.

Mr. CARRION. Mr. Sparkman and members of the committee, I wish to testify with reference to S. 3502.

Puerto Rico owes a considerable debt to the Federal Housing Administration and the law which it administers. The felicitous picture which we can exhibit today to Latin and South American countries derives in great part from the thousands of small house owners who have been afforded the opportunity to purchase homes through the FHA programs. Homeownership, particularly to people of Latin derivation, is one of the supreme goals in life, and it is definitely a prime factor in the political stability of the Puerto Ricans as well as a substantial contributor to the economic progress of the island. A continuance of this economic growth is one of the obvious defenses against our detractors, and any program which facilitates or contributes to such growth is in the country's best interest.

The existence of the Government guarantee under the FHA program has made it possible for commercial banks in Puerto Rico to finance house construction valued at approximately \$300 million, covering about 34,000 units. The long-term loans which were necessary and which the commercial banks would normally have been precluded from granting have been made possible because this FHA guarantee opened satisfactory markets among long-term investors in the mainland. This has permitted a rapid turnover of our limited monetary resources, and has made possible the large-scale housing developments which have so substantially contributed to our political and economical stability.

However, despite the progress which has been made, and the effective results of the existing FHA program, we in Puerto Rico now find ourselves faced with a practical reality which requires a modification in approach. The island has an area of about 3,400 square miles with a population of 2,300,000 people. For the past 10 years, individual house construction has proceeded at a rapid pace with the inevitable result that housing developments are being placed farther and farther away from metropolitan centers.

The attendant problems of supplying essential services and transportation facilities, not to mention lack of further suitable sites, places such a strain on our limited resources as to preclude further physical expansion. We are, therefore, forced to adopt multiple level housing accommodations. This problem is not unique, and has been solved in sophisticated countries with large-scale apartment houses so common in our big cities on the continent. Here again the FHA plays an important part through its rental housing programs, which are available in Puerto Rico. In our island, however, these do not have the same appeal as in continental United States. This is mainly because people of Latin derivation seem to have a most intense and an almost fanatical desire for homeownership. This pride of ownership, in my opinion, is a characteristic which substantially contributes to the equilibrium of our community and, therefore, should be encouraged by all available means to assure adherence to the principles of freedom cherished by all of us.

If physical considerations make further individual housing developments less attractive, we should make use of an acceptable and proven alternative which achieves the same overall result. Such an alternative in condominium housing. As you can see from the copy of the condominium law which you have received, it is simply an old legal device to provide for individual housing in multistory build-

ings, thus maintaining the pride of ownership alive. It is a method of reconciling the physical dimensions of our island with our still unsatisfied demand for individual housing.

The proposed amendment simply permits the inclusion of this type of individual housing under the regulations and the spirit of the FHA program. As president of the Puerto Rico Bankers Association, as president of the leading commercial bank in Puerto Rico, and, most importantly, as a citizen of the United States, I recommend approval of the proposed amendment.

Senator BUSH. Mr. Chairman, do these gentlemen see no complications in the placing of insurance, or the placing of a mortgage on a complicated—

Senator SPARKMAN. That was a question I was going to ask. I thought I would wait until they complete their statements. However, if you want to ask the question, go ahead and do it now.

Senator BUSH. I think it is the key question in the whole thing. If you would like to put it yourself, it is all right with me.

Senator SPARKMAN. No.

Senator BUSH. I just think it is the key question in the whole bill.

Senator SPARKMAN. Do you want to wait to discuss that? You have some other statements, have you not?

Dr. PICO. Yes; we have two more statements.

Senator SPARKMAN. You might keep that in mind that I had been wondering about that and Senator Bush has been wondering about it, too. In other words, will there be a reasonable opportunity to obtain financing under this arrangement? Will you be able to get lenders to take the mortgage?

Senator CLARK. And how do you foreclose? I would like to know that, too. I share the same concern.

Dr. PICO. We feel that we can answer both questions.

Senator SPARKMAN. Good. You go right ahead.

Dr. PICO. The next witness, Mr. Chairman, is Mr. Brown Whatley, chairman of the board of Whatley, Stockton, Davin & Co. of Jacksonville, Fla.

Senator SPARKMAN. You have a man here who may be able to answer that question.

Glad to see you, Mr. Whatley; glad to hear from you.

Mr. WHATLEY. Thank you, sir.

Mr. Chairman and members of the committee, as Dr. Pico has stated, my name is Brown L. Whatley. I am chairman of the board of Stockton, Whatley, Davin & Co. of Jacksonville, Fla. I have been engaged in the mortgage loan and real estate development business with this company in Florida for the past 30 years. I am also president of Stockton, Whatley, Davin & Co. of Puerto Rico, Inc., a subsidiary of our Florida company which has been in operation about 3 years. I am a former president of the Mortgage Bankers Association of America and am now a member of the board of governors of that association.

I appear before you today as an individual citizen in the interest of proposed legislation, Senate bill 3502, that is designed to "extend and amend" the National Housing Act to provide mortgage insurance for what is known as condominium ownership of improved real estate.

It is my belief, based on a considerable study of the advantages of this system of property ownership that this proposal is a sound and progressive one. I can find no reason for controversy on the proposed amendment. It is permissive only. It does not replace, nor does it conflict with or in any way set aside or interfere with any present activity or facility of the Federal housing program. I would like to point out, as I see them, some of the advantages of condominium ownership.

The basic theory of condominium ownership is that different parts of a building, together with joint rights of coownership in other parts of the building and facilities, may be separately sold, mortgaged, leased, and taxed. In Puerto Rico and many South American and European countries this type of real estate development has been widely accepted and used and is very popular. While the theory of condominium ownership bears some resemblance to the American type of coownership in cooperative apartments and office buildings, the condominium type development is much to be preferred over our so-called cooperative in a number of very important aspects.

This type of ownership is applicable to single story or multistory buildings—residential, commercial, or both—consisting of individual units plus common facilities—such as stairs, elevators, hallways, and parking facilities.

Property rights in areas are often divided as:

(a) Private: Sole ownership in the area devoted to the exclusive use of the owner—such as dwelling unit, office, or store unit;

(b) Joint condominium: Those property rights held in joint ownership with the other property owners and for the use and enjoyment of all owners—such as elevators, staircases, lobbies, walks, gardens, administrative office, et cetera.

The condominium rights—sole ownership of the private unit together with the joint condominium rights—are subject to separate sale, conveyance, mortgage, release of mortgage, tax assessment, et cetera. These rights have the legal characteristics of a private home; they may be purchased separately for cash or on terms and may be separately mortgaged, rented, sold, or transferred just as any other piece of individual real estate.

Condominium ownership should appeal to the proposed purchaser of a property and to mortgage lenders as well. Under it the purchaser becomes the sole owner of his “unit” together with the joint rights incident to same. The property of each owner is separately taxed, thus doing away with the necessity of joint taxpaying responsibility. Thus, each owner’s property is liable only for his own mortgage debt and the owner does not take the chance that he will lose his property by reason of the default of other parties having ownership in the same building.

I am sure that many of us here today will recall a great many instances where, under the cooperative type of ownership, one owner lost his investment because other owners did not pay their shares of a debt secured by a “blanket” mortgage. Usually, too, this one met the obligations, sometimes with payment in full.

From the legal and practical standpoint the condominium system has the advantage of much greater simplicity than is found in the cooperative corporation or association. This method of joint owner-

ship of improved real estate is not limited to family housing. Where it is in use it is widely favored for office buildings. It is particularly advantageous for doctors, lawyers and other professional people who, unlike corporate borrowers, usually operate as individuals or as a group of individuals and generally find it most difficult to finance joint ownership of office buildings.

Legislation authorizing condominium for the several States would be greatly beneficial. Such legislation is now being sought in a number of the States of the Union, including my own State of Florida. Wherever such proposals have been made the idea has generally been recognized as a wholesome, constructive and needed aid to housing and housing finance.

No one thing would spur the several States into action for appropriate legislation on this subject as would the recognition of condominium by the Congress and the Federal Housing Administration.

Just as the Federal Government has blazed the trail with legislation to raise the ratio of home mortgage amounts to property values, in recognizing the wisdom of long-term monthly payment mortgages and in furthering the cause of urban renewal and slum clearance, it must lead the way in accepting this proven method of ownership and financing for multiple unit properties in order to obtain and expedite action in the several State legislatures to legalize this system in this country.

Under our custom in this country, it has been mechanically convenient for joint ownership to constitute "undivided interests" in land or improved property. Condominium permits a divided interest for each owner and independent financing and tax responsibility, subject only to community regulations and operation that is self-imposed by the group of owners.

It is really a system that we should have had all along. It is typically American, yet older countries than ours have long since embraced it and have used it successfully and satisfactorily. It can be used to great advantage in this country in providing good housing for more of our people. Especially is this true in our urban centers where the opportunity for home ownership is fast giving way to rental housing and moving to the suburbs.

If condominium is to be made available to our people, however, it is essential that the mortgage insurance facilities of the Federal Housing Administration be made available to it.

Thank you very much.

Senator SPARKMAN. I gather from your statement, then, that the mortgages refer to individual units and not to the whole project.

Mr. WHATLEY. Yes, sir, each unit of the building is separately mortgaged and separately taxed. The principal reason why we will not today place a mortgage on an individual unit is the fact that the title cannot be divided, and it is assessed as a part of the total property and not separately.

Senator SPARKMAN. Are you not putting the cart before the horse to pass Federal legislation before State legislation is passed?

Mr. WHATLEY. Sir, has not that been the custom in most of the innovations and progressive moves that have been made in housing in the last 15 or 20 years?

Senator SPARKMAN. Of course, if we passed this amendment authorizing FHA to do this, FHA would be powerless to act until the States passed legislation.

Mr. WHATLEY. Yes, sir, that is true. We have presented this thing to our legislature in Florida at the last session, and we expect to pass it at the next session.

Senator BUSH. Have you been making conventional mortgages on this basis?

Mr. WHATLEY. Yes, sir, they have been made in Puerto Rico.

Senator SPARKMAN. But not in this country?

Mr. WHATLEY. No, sir. There have been some made in this country.

Senator BUSH. I was thinking of Puerto Rico.

Senator CLARK. Let us hear the word on Puerto Rico.

Dr. PICO. I would like to say that Puerto Rico, since 1951, has legislation on this subject and that consequently, if a bill is approved, we can immediately continue this boom of condominiums that we have in Puerto Rico, but for lower income groups.

Senator SPARKMAN. FHA would be effective in Puerto Rico then?

Dr. PICO. Exactly.

Senator SPARKMAN. I am sorry I excluded Puerto Rico. I was thinking of the States.

Dr. PICO. Of course, already, there, we have made \$8 million worth of mortgages, either for buildings already constructed or under construction. So it is not something entirely new, even under the American flag. Of course, in other places, it has had such wide application, especially in Latin America and in Europe, that I think it is desirable to apply it more widely under the American flag.

Senator BUSH. I would like to ask one more question.

Senator SPARKMAN. Yes, go ahead.

Senator BUSH. The gentleman said you take individual mortgages. I am speaking now of Puerto Rico. You take individual mortgages on the individual home in the high-rise buildings. Is that not right?

Dr. PICO. That is right.

Senator BUSH. What about the hallways and common-use facilities?

Dr. PICO. They are operated cooperatively. They are owned in condominium, as the word means—in common ownership—so that the owner has the personal ownership of his apartment plus he has a right over the equivalent value of the rest of the building that is owned in common.

Senator BUSH. Does the mortgage on the home itself carry the whole deal, so to speak? I mean, you do not need any other mortgage on the common-use property? Am I correct?

Dr. PICO. Yes. It carries those common elements of the building, and they are inseparable.

Senator CLARK. Actually, this is a development of the civil rather than the common law, is it not? Is it not something that you in Puerto Rico got from civil law from your Spanish background?

Dr. PICO. I think you are right. This is horizontal property which is different from this type of vertical property, starting at the center of the earth and going on ad infinitum. This recognizes there can be property owned horizontally only. That is, you own your apartment, and the next fellow above you owns his apartment. So this is a modification.

Not being a lawyer, I do not know exactly the origin in the common law or civil law, but I think it has something to do with that because in Latin countries this has been developed very extensively, Spain and France.

Senator BUSH. How long have you been lending on this type of mortgage down there?

Dr. PICO. Since 1955 when my bank financed the first condominium building. Since then, a number of other institutions, especially the First Federal Savings, have also favored condominium.

By the way, we do have a statement from the president of that institution, endorsing the bill.

Senator SPARKMAN. May I say that that statement will be placed in the record.

Dr. PICO. I would appreciate it very much.

It is Mr. Campos Del Toro. He explains in great detail the financing that his savings and loan association has done for condominiums. Also there has been some private mortgage financing. But we are looking to a broadening of that market for these mortgages and others that I hope we build in the future.

Senator SPARKMAN. As I understand it, the fee simple title carries with it complete ownership of the apartment or office or the division of the property, whatever it may be, and the cooperative ownership on all of the facilities that are necessarily a part of the building and the lot and so forth, is that right?

Dr. PICO. Yes, sir, that is right. It is a combination, really, of an individual mortgage and separate house and a cooperative ownership because it has the two aspects. That is why we are taking from the two sections of the FHA act that deal with cooperative housing and individual housing.

Senator SPARKMAN. What other statement do you have?

Dr. PICO. The last witness is Mr. Luis Esteban Julia, a private builder, president of Condominium Enterprises, Inc., from Puerto Rico.

Mr. JULIA. Mr. Chairman, members of the committee, I am Luis E. Julia, president of Condominium Enterprises, a firm dedicated to the development of real estate, building in condominium, and other investments.

It is a privilege to appear before this subcommittee, and we are highly gratified to have the opportunity to present our views on this legislation affecting the welfare of our communities.

This statement purports to bring forth and remark on the salient points of home ownership in a multi-family structure.

The enthusiastic support and cooperation which has been given to all of us from Puerto Rico who are appearing on behalf of S. 3502 has led us to believe that there is a sincere concern and preoccupation amongst all those that are directly or indirectly connected with housing so that the very basic question around this amendment to the Housing Act is understood as one which provides the builder, developer and investor with an additional tool with which to provide and make available to the general public housing in the urban areas of our communities.

Gentlemen, even the bankers like this bill, and I think that in itself speaks well for what we are providing here.

Nothing should, therefore, in all honesty appear as a major obstacle for the favorable consideration of this amendment if we all pursue the common cause of more and better housing suited to the prevailing conditions of our cities and aimed at improving and helping the housing needs.

The ownership of a home in a multifamily structure, known also as "condominium" or "horizontal property," in Europe and South America and the Caribbean is not a novel method of home ownership. From statements which you may have heard before this committee, and from the Veterans' Administration housing program, this concept is well known. It stands in no conflict with any other housing program now in force, it rather supplements those in existence.

The question has often been asked why not build cooperative housing. At first glance there is no difference between the two systems, but as a matter of fact there are deep-rooted discrepancies which will be pointed out forthwith. As stated, this is an individually owned home incorporated in a multifamily structure. One may say, it is exactly as though one home were placed on top of another, retaining all the characteristics and desirable features of a free-standing unit with its individual title and deed and separate mortgage, just as a home would be in a residential development. And, the same as in a residential housing development, one owner is not responsible for the mortgage default of others and the family head is afforded the opportunity to refinance his property, prepay his mortgage, lease or deed it to his heirs.

Insofar as the developer, the builder and institutional investor is concerned, it is treated presently as any other private housing development such as we have under section 203B of the National Housing Act. The amendment sought is based on actual experience and legislation where the ownership is exactly the same as that of a house except for the description of the property and the administrative features of the cooperative system, which has been successfully used for the past 5 years in Puerto Rico and since 1947 in the United States.

We find as one of the more desirable features that foreclosures, again the same as in a residential development, do not affect other owners. Tax receipts and all utilities are separately billed, insurance is obtainable individually for each home-apartment and title insurance is also obtainable for each unit.

On considering this method of homeownership for the United States one ought to look into the existing legislation in Puerto Rico to appreciate how we have set up a smooth functioning device for this kind of homeownership where the bylaws regulating the administration form part of the deed and are legally enforceable. The homeowner in any multifamily building is assessed a maintenance quota according to the original value of his apartment and his vote in the general assembly of joint owners is weighted also according to value.

This general assembly of the joint owners appoints an administrative board that manages the affairs of the building and thus places the final responsibility and decision as well as control of all costs for said management and maintenance on the owners themselves. It must be understood that amendments to the bylaws covering the management of the building may be effected by two-thirds of qualified ownership approval within the framework of our law.

The legislation in Puerto Rico provides also a first right of refusal for the owners of apartments in the same building and contemplates the construction and development of all individually owned units in a multifamily structure to be designed for homeownership and not for rental purposes although units are often purchased as investment property. The law also contemplates for an owner or owners of a given tract of land to develop its own multifamily structure or for a group of individuals to buy a given piece of land and build thereon individually owned units.

Our experience is that the family composition in Puerto Rico is of such a nature as to make it wholly adaptable to this housing concept because the average family is made up of the parents and three children and it is not often or usually dispersed as in the United States. One may say that family composition in Puerto Rico is a static group due to the geographical limitations and, therefore, the rigidity in this type of homeownership is not a limitation of the system.

Before concluding, I would like to stress the fact that this method of homeownership known elsewhere as "condominium" and "horizontal property," and for the purposes of amending the National Housing Act is described as "individually owned units in a multifamily structure," is the institutional method most suitable to the cultural environment of Puerto Rico, the same as it is in South America and Europe vis-a-vis cooperative ownership and in our opinion can very well become a highly desirable method for expanding the supply of privately owned housing units in the United States where pride of ownership and psychological fulfillment of homeownership is sought and vigorously defended by all those responsible for helping meet this natural aspiration of man.

May I have permission to make some additional remarks?

Senator SPARKMAN. Yes, go right ahead.

Mr. JULIA. We have found, only recently, that condominium ownership has been in existence in the United States since 1947.

Senator SPARKMAN. Where?

Mr. JULIA. Here in the United States, specifically in Washington, D.C., in New York City, and in Stamford, Conn. There are 55 units in Washington known as the Brandywine-Chesapeake Housing Development; at 12 East 84th Street, New York City, 16 units; at the River Terrace in Stamford, Conn., 22 units; Ripple One Village, Stamford, Conn., 22 units.

These condominiums in the States have been guaranteed by the Veterans' Administration housing program and dated back to 1947. Under their formula 1 program, the mortgage lenders—I have not been able to secure the name, but one of them is the Ninth Federal Savings & Loan Association. I think it is very significant that we already have this method of homeownership in the United States because it will certainly help the gentlemen from Congress and this subcommittee to perhaps look more sympathetically on what we are proposing to you today.

This condominium, as we understand it in Puerto Rico, is practically unlimited insofar as the lower cost and middle-income groups, which, as you have heard, have not been able to purchase due to the lack of adequate financing for this type of development.

I thank you very much for your attention.

Senator SPARKMAN. Thank you.

All right, Dr. Pico.

Dr. PICO. Mr. Chairman, this completes our presentation. I read just excerpts of my own statement, and I would like permission of the chairman and the committee to introduce it in full.

Senator SPARKMAN. That will be published in full.

Dr. PICO. Thank you. May I include the copy of the Puerto Rico Act of 1951.

Senator SPARKMAN. That will be done also.

Dr. PICO. Thank you.

Senator SPARKMAN. It is a very fine presentation. I must say I am intrigued by it, and I am particularly interested in the statement made by the last witness that there have been three examples of condominium in the United States.

Senator WILLIAMS. I wonder if I could make a point?

Senator SPARKMAN. Certainly.

Senator WILLIAMS. Is it known by any other name than condominium?

Dr. PICO. Horizontal property is the other name.

Senator CLARK. I take it you gentlemen are all in accord, including, particularly, the bankers, that there is no foreclosure problem presented here. As a practical matter, if the mortgage goes into default, you can foreclose on a part of this vertical building in the horizontal sense. While, as I said a minute ago to Mr. Cash, it may result in the bank getting access to some sanitary facilities, that is about the only problem that you would have to worry about.

Mr. WHATLEY. May I say, Senator, in that connection, that the main problem of foreclosure on cooperative buildings is the fact that from the lender's standpoint, they must take the entire building, if necessary, on a foreclosure. If there is a default on the entire loan, a blanket loan, even though many or several of the owners of the individual cooperative apartments are in a current condition with their accounts and mortgage on their individual contracts or leases, as the case may be, under FHA section 213, it is a lease which is provided by reason of the fact that the tenant is a stockholder in the corporation which owns a building and makes the mortgage.

In the 1920's and early 1930's, when we had so many of these mortgage bond issues against the specific buildings going bad, we saw a good many people suffer who were innocent and had paid their bill in full, and others who had not, caused them to lose their homes in these buildings. That is the main trouble with a multiple-unit building where there is ownership rather than tenancy. The condominium overcomes that problem.

I judge that these cases which have been made by the Veterans' Administration which have just been mentioned and others, anything can be done by agreement, as you know, and that not being standard probably would be a very cumbersome way to do it. But this legislation would make this a standard thing that could be readily done and would make it generally acceptable in this country; whereas, now, the methods that are being used would probably not get very far.

Senator SPARKMAN. Thank you very much.

Anything further, Senator Williams, from this group?

Senator WILLIAMS. No.

Senator SPARKMAN. Thank you very much.

Mr. CARRION. How about this crucial question you had before? If you will excuse me, I thought you mentioned a crucial question you had, which was: Why would FHA be helpful in this situation? Was not that the crucial question you asked before?

Senator SPARKMAN. No, the question was: Could the lenders be interested in it, and I think that was very well explained in the statements given.

Mr. CARRION. You are satisfied?

Senator SPARKMAN. Yes.

Thank you very much.

(The prepared statement of Dr. Pico, the Puerto Rico Act of 1951 and the prepared statement of Mr. Campos Del Toro follow:)

STATEMENT OF DR. RAFAEL PICO, PRESIDENT, GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO

A study of the National Housing Act clearly reveals the legislative intent to provide as ample a coverage as possible to promote homeownership. The act, however, did not provide insurance for mortgages on individually owned units in a multifamily structure. This form of ownership has been known for centuries and is well recognized by legal authorities in many European and Latin American countries. Since 1951 Puerto Rico adopted legislation making it possible for this type of apartment to be constructed on the island.

The stated purpose of S. 3502 introduced by the Honorable Senator James E. Murray aims through FHA mortgage insurance: * * * "to provide an additional means of increasing the supply of privately owned housing units where individual ownership of a one-family unit which is part of a multifamily structure is authorized under the laws of the State in which the property is located."

As president of the Government Development Bank for Puerto Rico, an institution that is charged with the responsibility of providing and promoting financing for projects that will further the development of the economy of the Commonwealth of Puerto Rico, I am wholeheartedly in favor of this bill. I believe it could do much to relieve Puerto Rico's acute housing problem aggravated by the paucity of adequate residential building sites in urban areas; the sprawl of population in metropolitan areas, and the lack of financial facilities to provide adequate housing for its people at prices and interest rates that meet their ability to pay.

The proposed bill provides for an FHA mortgage insurance program that will permit an additional means of increasing the supply of privately owned housing units. This type of housing is an efficient and economically practical method of developing centrally located high cost urban land for middle-income families. It offers the opportunity of retaining, or even reincorporating, as urban residents middle-income families which are forced to move to the outlying suburbs and suffer the hardships of daily commuting due to the lack of urban housing suited to their means. A program for individually owned units in a multifamily structure represents a compromise which can meet the physical and psychological housing needs of a large number of those who desire the independence and satisfaction of individual homeownership and the advantages of residence in centrally located urban areas.

Buildings incorporating individually owned apartments in some ways resemble cooperative apartment buildings but in fact embody fundamental differences. Legal title to each apartment is vested in one owner to the exclusion of any other person or entity. This is the same kind of title held for a single house on an individual lot. There is no tenant-landlord relationship as continues to exist under the cooperative system.

In addition to the exclusive title to his apartment, each owner has title "in condominium," that is, jointly with all or some of the other owners, to the common floors, stairs, roofs, power system, land, facilities, and shares the obligation of maintaining all such common areas and facilities. Rights

of ownership to the common elements are fixed according to the value of each apartment and are inseparably attached. Any change of ownership or alienation of the title of any apartment applies to the elements held in common.

In an individually owned apartment the owner exercises his ownership rights like any property owner. He may freely sell his apartment at any price he may choose, subject only to the limitation that he give a first option to buy on equal terms to the other owners. He may exchange, rent, bequeath, mortgage, or otherwise alienate it, independent of the other apartment owners. For tax purposes each apartment is assessed separately. Liability is limited to the apartment and the owner's share of the common elements.

Contrary to cooperative practice, there is no single contracting entity, nor any single title to the structure. There are as many separate legal identities and titles as there are apartments. Since financing is on a unit-by-unit basis, with separate individual mortgages, the liability of each owner is limited to his obligation. He is not responsible for defaults of other mortgage issuers. Furthermore, each is completely free to adjust financing to suit his personal circumstances.

Relations among the owners are governed by administrative regulations which are inserted in or appended to each deed. The basic features are prescribed by law, including provision for future amendment. These regulations are intended—like private restrictions in any single family residential project—to safeguard the general welfare. However, nothing in the regulations may deprive the individual owner of his title and the rights in common attached to it.

In 1951, Puerto Rico adopted the first enabling legislation to permit individual ownership of a one-family unit located in a multifamily structure. No project started, however, until 1955 when the Government Development Bank agreed to finance the purchase of 22 apartments in the first building of that type, the San Luis Apartment Condominium located in San Juan.

The Bank recognized the significance of this kind of individual home ownership for the development and redevelopment of valuable, centrally located areas in the city of San Juan and other cities of Puerto Rico. It was felt, at that time, that this type of construction could well become the most important step in recent years towards providing homeownership within the urban zone for city dwellers of all economic-levels of our society.

Since then, other private lending institutions have taken interest and have participated in the financing of such mortgages. Eighty-seven residential apartments have been completed with a total sales value of \$2.6 millions. Furthermore, there are 195 units under construction with an estimated value of \$5.4 million. Unfortunately, only local financing has been available through conventional 10- to 20-year mortgage loans at a 7-percent or more interest and requiring a 40-percent downpayment. This initially high equity payment has precluded purchases by our middle-income families. Thus only very high priced luxury-type apartments have been built for families that are well-off financially. It is not likely that the required down payment will ever be reduced enough unless the mortgages become eligible for FHA insurance.

If an FHA mortgage insurance program could be provided, under the terms now in force for 213 and 203 mortgages, it would be an incentive for lending institutions to put funds into the construction of apartments within the moderate and lower priced brackets which can be purchased and owned by families in the middle and lower income levels. A vigorous program of construction of these apartments could result if this legislation is approved.

Attached to this explanation as an appendix is a copy of the statute governing individually owned units on multifamily structures in the Commonwealth of Puerto Rico.

SUBSTITUTE FOR H.B. 181

[No. 104]

[Approved June 25, 1958]

AN ACT To establish the Horizontal Property Regime

Be it enacted by the Legislature of Puerto Rico:

SECTION 1. This act shall be known as the "Horizontal Property Act."

SEC. 2. The provisions hereof are applicable only to the building or apartment house whose sole owner, or whose co-owners, if there be more than one, expressly

declare, through a public deed which shall be recorded in the Registry of Property, their desire to submit the same to the regime established in this act.

SEC. 3. For the purposes of this act, "apartment" shall be understood to be the structure occupying all or part of a floor in a building of one or more floors or stories, regardless of whether the part constructed be destined to residence, to offices, to the operation of any industry or business, or to any other type of independent utilization, provided it has direct exit to a thoroughfare or to a given common space leading to a thoroughfare.

SEC. 4. Once the building is submitted to the horizontal property regime, the apartments mentioned in section 3 may be individually conveyed and encumbered and be the object of ownership or possession and of all types of juridic acts inter vivos or mortis causa entirely irrespective of the building of which they form part, and the corresponding titles shall be recordable in the Registry of Property according to the provisions of the Mortgage Law.

SEC. 5. In cases of the conveyance or encumbrance of an apartment which has been planned but whose construction has not yet begun, there shall be deemed acquired by the new owner, or encumbered, the share appertaining to the conveyer, or, in the proper case, to the debtor, in the common elements of the building in project and his right to have the apartment constructed for him, and the acquirer shall be deemed subrogated in the rights and to the extent of the former, for all legal purposes.

SEC. 6. In case of the conveyance or encumbrance of an apartment already under construction, the shares to which the preceding section refers shall be deemed acquired or encumbered, and the part already constructed of the apartment in question shall be deemed individually acquired or encumbered, the acquirer being also subrogated in the rights and to the extent of the conveyer for all legal purposes.

SEC. 7. Each apartment may belong in common ownership to more than one person.

SEC. 8. The owner shall have an exclusive right to his apartment and to a share with the other co-owners in the common elements of the property, equivalent to the percentage representing the value of the apartment, with relation to the value of the whole property. This percentage shall be computed by taking as a basis the value, in legal tender, of the apartment, in relation with the value of the property as a whole.

Said percentage shall be expressed at the time the horizontal property regime is constituted, shall have a permanent character, and shall not be altered without the acquiescence of the co-owners representing all the apartments of the building.

The said basic value, which shall be fixed for the sole purpose of this act and irrespectively of the actual value, shall not prevent each co-owner from fixing a different circumstantial value to his apartment in all types of acts and contracts.

SEC. 9. Mortgage credits constituted before the building is submitted to the horizontal property regime shall be subject to the provisions of section 123 of the Mortgage Law, but at the time of bringing proceedings for collection, the mortgagee shall direct the action for the total sum secured simultaneously against all the co-owners of the encumbered apartments. If said credits are constituted after the building has been submitted to the horizontal property regime, the same shall be distributed as prescribed in section 119 of the Mortgage Law among the encumbered apartments already constructed; and in the case of apartments merely planned or already under construction, the credits shall be distributed among the shares or rights recorded in accordance with sections 5 and 6 of this act.

The common elements of a property submitted to the horizontal property regime may only be mortgaged by the unanimous consent of all the co-owners.

SEC. 10. Whenever credits have been distributed under the preceding section the foreclosure action may be conducted in one sole proceeding and with one sole certification from the Registry of Property.

SEC. 11. The general common elements of the property shall be:

- (a) The land where the building stands.
- (b) The foundations, main walls, roofs, halls, lobbies, stairways, and entrance and exit or communication ways.
- (c) The basements, flat roofs, yards and gardens, except as otherwise provided or stipulated.
- (d) The premises for the lodging of janitors or persons in charge of the building, except as otherwise provided or stipulated.

(e) The compartments or installations of central services such as power, light, gas, cold and hot water, refrigeration, reservoirs, water tanks and pumps, and the like.

(f) The elevators, garbage incinerators and, in general, all devices or installations existing for common use.

(g) All other elements of the building rationally of common use or necessary to its existence, upkeep and safety.

SEC. 12. Also deemed common elements, but limited in character if so expressly agreed upon by all the co-owners of the building, shall be those destined to the service of a certain number of apartments to the exclusion of the others, such as special corridors, stairways and elevators, sanitary services common to the apartments of a particular floor, and the like.

SEC. 13. The common elements, both general and limited, shall remain undivided and shall not be the object of an action for division of the co-ownership. Any covenant to the contrary shall be null.

SEC. 14. Each co-owner may use the elements held in common in accordance with the purpose for which they are intended, without hindering or encroaching upon the lawful rights of the other co-owners.

SEC. 15. The use and enjoyment of each apartment shall be subject to the following rules:

(a) Each apartment shall be devoted solely to the use assigned to it in the deed to which section 2 refers.

(b) No tenant of an apartment may make any noise or cause any annoyance or do any act that may disturb the peace of the other co-owners or tenants.

(c) The apartments shall not be used for purposes contrary to law, morals or normal behaviour.

(d) Each co-owner shall carry out at his sole expense the works of modification, repair, cleaning, safety, and improvement of his apartment, without disturbing the legal use and enjoyment of the rights of the other co-owners, or changing the exterior form of the facades, or painting the exterior walls, doors or windows in colors or hues different from those of the whole.

(e) Every co-owner or tenant shall strictly comply with the administrative provisions set forth in the deed or in the bylaws referred to in section 36.

Violations of these rules shall be ground for an action for damages by the co-owner or tenant aggrieved.

SEC. 16. The necessary works for the maintenance of the property and for the adequate use of the elements held in common shall be carried out by agreement of a majority of the co-owners.

Any other works affecting the common elements of the property shall require the unanimous consent of all the co-owners.

SEC. 17. Whenever the property or its common elements shall require urgent or necessary works of repair, safety or maintenance, any co-owner may undertake same at his expense and may, upon the pertinent justifications, recover from the other co-owners their proportional share of the expenses incurred.

SEC. 18. No co-owner may, without the unanimous consent of the others, build new floors, dig basements or make excavations, or undertake any works that may affect the safety, solidity and maintenance of the building.

SEC. 19. Where an apartment belongs undividedly to several persons and one of them conveys his share, the other co-owners of that apartment shall have the right of redemption provided in section 1425 of the Civil Code.

SEC. 20. The common profits and expenses of the building shall be distributed among the co-owners of the apartments according to the percentage represented by each in the basic value of the whole building.

SEC. 21. Whenever this act refers to a majority of co-owners, said majority shall be deemed to be fifty-one per cent or more of the basic value of the joint property as a whole, in accordance with the percentages assigned to the apartments under section 8.

Likewise, whenever this act refers to the Council of Co-owners, this shall be held to be all the co-owners; but a majority, as defined in the foregoing paragraph, shall, except as otherwise provided in this act, constitute a quorum for the adoption of decisions.

CHAPTER II. PUBLIC DEED OF HORIZONTAL PROPERTY AND ITS RECORDING IN THE REGISTRY OF PROPERTY

SEC. 22. The public deed to which section 1 refers shall express the following particulars:

(a) Description of the land and the building, expressing their respective areas and the building materials.

(b) Description and number of each apartment, expressing its measurements, location, rooms, main entrance door and immediate place with which it communicates, and any other data necessary for its identification.

(c) Description of the general common elements of the building and, in the proper case, of the common elements restricted to a given number of apartments, expressing which are those apartments.

(d) Clear expression of the purpose to which the building and each one of its apartments are destined.

(e) Value, in legal tender, of the property and of each apartment, and, according to these basis values, the percentage appertaining to the co-owners in the expenses and profits of, and rights in, the elements held in common.

(f) Everything relative to the administration of the property, in the proper case.

(g) And any further data in connection with the property which it may be advisable to set forth in the deed.

SEC. 23. The deed of each individualized apartment shall express the particulars prescribed under letters (a) and (b) of the preceding section, relative to the apartment concerned, and, also, the percentage appertaining to said apartment in the common elements of the property.

SEC. 24. To the matrix or original deed which causes the first registration of the whole building and to the matrix or original deed originating the first registration of the individualized apartment, there shall be appended copies of the plans of the building or of each apartment, as the case may be, authenticated by the government office approving it; and certified copies of said deeds, when presented to record in the Registry of Property, shall be accompanied by copies of the respective plans, showing graphically the particulars of the building or of the apartment.

To the copy of the deed originating the first registration of the whole building, there shall be appended a full, duly authenticated copy of the plans of the building, for filing in the Registry of Property.

SEC. 25. The horizontal property is organized in the Registry by a system of property records interconnected by marginal notes in cross reference.

The inscription of the building shall be made under the property record of the land and shall be known as principal or matrix record.

Each apartment shall be registered as a separate property by an individual record, filial of the principal or matrix record.

All these inscriptions shall be preceded by the words "Horizontal Property."

SEC. 26. At the time of registering the building under the principal or matrix record there shall be set forth, as particulars of the entry, those enumerated in section 9 of the Mortgage Law, in accord with those of the Regulations for its execution, and with section 22 of this act. There shall also be set forth the structures planned, those begun, and those completed, as the case may be.

Also, the elements held in common shall be recorded permanently by said entry, in behalf of the owner or co-owners of the whole property, and, thereafter, of the apartments, without expressing their names and surnames and in the corresponding proportion.

SEC. 27. At the time of registering the apartments by means of filial entries there shall be expressed, as particulars of the entry, those enumerated in section 9 of the Mortgage Law, in accord with these of the Regulations for its execution, and with section 23 of this act, except those mentioned under letter (a) of section 22.

As to the share in the general or limited common elements which, in the proper case, appertains to the owners of apartments, there shall be made a pertinent and brief reference to the principal or matrix record where they appear entered.

Not until construction of the structures upon the floor of the respective apartment shall have begun may such apartment be recorded as a filial or independent estate. Where structures in the apartment have been started but not completed, there shall be indicated those completed and those pending construction.

SEC. 28. The structures planned or begun which have been recorded under section 26 of this act, or the structures already commenced pursuant to the provisions of the preceding section, shall be declared by public deed upon their completion. Such declaration shall be made by the persons concerned and shall be recorded under the particular entry of the respective property. The final description of each completed apartment may be recorded, even though only the structures planned or under construction of the building appear recorded, and a marginal reference note shall be made under the principal or matrix record.

SEC. 29. The conveyance or encumbrance referred to in section 5 shall be entered under the particular principal or matrix record; but in cases coming under section 6, the entry shall be made under the particular filial record of the apartment, as a new estate, in accordance with the provisions of the last sentence of section 27.

SEC. 30. Succeeding transactions shall be entered under the filial records of the respective apartments.

The proportional share or percentage in the common elements appertaining to the owner of each apartment shall be deemed conveyed or encumbered jointly with the apartment, without need of entering under the principal or matrix record such conveyance or encumbrance of the proportional share in those elements.

SEC. 31. Notwithstanding the provisions of the preceding section, new floors added or new portions of adjacent land acquired jointly by all the co-owners to form part of the common elements of the property shall be registered under the principal or matrix record. Likewise, the total or partial cancellation of liens existing prior to the constitution of the building into horizontal property shall be recorded, and the cautionary notices or entries making express reference to the building or to the common elements thereof as a whole shall be made, under the principal or matrix record, and a marginal note of these operations shall in all cases be made under the filial entries.

SEC. 32. In case of segregation of portions of common land conveyed jointly by all the co-owners, the public deed shall contain the description of the building and of the land as the same will stand after the segregation of said portions. This new description shall be entered under the principal or matrix record.

SEC. 33. Whoever may have any real-property right in an apartment not recorded as to ownership or possession may request its recording upon compliance with the provisions of sections 442, second paragraph, to 448, both inclusive, of the Regulations for the Execution of the Mortgage Law.

Where the property is recorded in the name of another person, the person who holds the real-property right in an apartment may request the recording of his right upon compliance with the pertinent provisions of the aforesaid section. The demand or demands on the owner or co-owners of the apartment who do not appear as such from the Registry, to record his or their rights, shall be made by notarial act and for a term of ten working days.

SEC. 34. All the co-owners or the sole owner of a building constituted into horizontal property may waive this regime and request of the Registrar the re-grouping or merger in the record of the filial estates with the principal property if the former are unencumbered, or in lieu thereof, the persons in whose behalf said encumbrances are recorded agree to accept as security the undivided portions appertaining to the said co-owners in the whole property, within the regime of property held in common ownership as provided in section 326 and succeeding sections of the Civil Code.

SEC. 35. The merger provided for in the preceding section shall in no way bar the subsequent constitution of the property into horizontal property whenever so desired and upon observance of the provisions of this act.

CHAPTER III. ADMINISTRATION AND INSURANCE

SEC. 36. The administration of every building constituted into horizontal property shall be governed by bylaws which shall be inserted in or appended to the enabling deed. A certified copy of said deed and bylaws and of every amendment thereto shall be filed in the Registry of Property.

SEC. 37. The bylaws must necessarily provide for, at least, the following:

- (a) Form of administration, indicating whether the same shall be in charge of an administrator or of a Board of Administration, or otherwise,

and specifying the powers, manner of removal, and, where proper, the compensation thereof.

(b) Method of calling or summoning the co-owners to assemble; that a majority of at least fifty-one percent is required to adopt decisions; who is to preside over the meeting and who will keep the minute book wherein the resolutions shall be recorded.

(c) Care, upkeep and surveillance of the building and its general or limited common elements and services.

(d) Manner of collecting from the co-owners for the payment of the common expenses.

(e) Designation and dismissal of the personnel necessary for the works and the general or limited common services of the building.

The sole owner of the building, or, if there be more than one, the co-owners representing three-fourths of the total value of the building, may at any time modify the system of administration, but each one of the particulars set forth in this section shall always be embodied in the bylaws. No such modification may be operative until it is embodied in a public deed which shall be recorded under the particular principal entry, with a certified copy filed in the Registry of Property, as provided in section 36.

SEC. 38. The administrator, or the Board of Administration, if there be one, shall keep a book with a detailed account, in chronological order, of the receipts and expenditures affecting the building and its administration and specifying the maintenance and repair expenses of the common elements and any other expenses incurred. Both said book and the vouchers accrediting the entries made thereupon shall be available for examination by all the co-owners at convenient hours on working days that shall be set and announced for general knowledge.

SEC. 39. The co-owners of the apartments are bound to contribute pro rata toward the expenses of administration and of maintenance and repair of the general common elements, and, in the proper case, of the limited common elements, of the building, and towards any other expense lawfully agreed upon.

No co-owner may exempt himself from contributing toward such expenses by waiver of the use or enjoyment of the common elements or by abandonment of the apartment belonging to him.

SEC. 40. The credit against a co-owner for his share in the expenses to which the preceding section refers shall have preference over any other credits of whatever nature but the following:

(a) Credits in favor of the Commonwealth for the taxes of the last three annual assessments past-due and unpaid on the apartment.

(b) For two years of premium on the insurance of the apartment, or of the whole building, as the case may be, and, in the case of mutual insurance, for the last two dividends distributed.

(c) Mortgage credits recorded in the Registry of Property.

SEC. 41. The acquirer of an apartment shall be jointly and severally liable with the conveyer for the amounts owing by the latter under section 39 up to the time of the conveyance, without prejudice to the acquirer's right to recover from the other party the amounts paid by him as such joint debtor.

SEC. 42. If the administrator or the Board of Administration shall fail to observe the rules adopted for the proper management of the building, or if the quorum necessary to make decisions can not be had after the proper service of notice of meeting, the interested parties may resort to the Superior Court for a ruling as to what is most convenient for the management of the building.

SEC. 43. The co-owners may, upon resolution of a majority, insure the building against risks, without prejudice to the right of each co-owner to insure his apartment on his own account and for his own benefit.

SEC. 44. In case of fire or any other disaster the insurance indemnity shall, except as provided in subdivision 5 of section 111 of the Mortgage Law, be applied to reconstruct the building.

This reconstruction shall not be compulsory where it comprises the whole or more than three-fourths of the building. In such case, and unless otherwise unanimously agreed upon by the co-owners, the indemnity shall be delivered pro rata to the co-owners entitled to it, and as regards the rest of the building, the provisions of section 338 of the Civil Code shall govern.

Should it be proper to proceed with the reconstruction, the provisions for such eventuality made in the deed constituting the horizontal property shall be observed, or, in lieu thereof, the decision of the Council of Co-owners shall prevail.

SEC. 45. Where the building is not insured or where the insurance indemnity

is insufficient to cover the cost of reconstruction, the new building costs shall be paid by all the co-owners directly affected by the damage, in proportion to the value of their respective apartments; and if any one or more of those composing the minority shall refuse to make such payment, the majority may proceed with the reconstruction at the expense of all the co-owners benefited thereby, upon proper resolution setting forth the circumstances of the case and the cost of the works, with the intervention of the Council of Co-owners.

The provisions of this section may be changed by unanimous resolution of the parties concerned, adopted subsequent to the date on which the fire or other disaster occurred.

SEC. 46. The provisions of the Mortgage Law and of the Regulations for the Execution of the Mortgage Law shall be deemed supplementary to this act.

SEC. 47. The provisions of section 330 of the Civil Code and of Act. No. 422 of May 13, 1951, shall apply only to those buildings whose floors are, on the effective date of this act, covered by the said legal provisions.

The buildings mentioned in the preceding paragraph may, however, be submitted to the regime established in this act, upon compliance with the requirements of section 2 hereof.

SEC. 48. This act shall take effect ninety days after its approval.

Approved June 25, 1958.

STATEMENT OF ENRIQUE CAMPOS DEL TORO, PRESIDENT, FIRST FEDERAL SAVINGS
AND LOAN ASSOCIATION OF PUERTO RICO

My absence in London to attend a meeting of the executive committee of the International Savings & Building Loans Associations deprives me of the privilege of personally appearing before your committee to present my views on the proposed amendment of FHA mortgage insurance program so as to authorize insurance of mortgages on individually owned units in condominium multi-family structures.

With your leave I beg, therefore, to submit hereunder my written views on the subject.

The rapid and constant increase of land values in Puerto Rico and particularly in the city of San Juan and its metropolitan area during the last decade has raised mounting obstacles and difficulties to prospective homeowners who have been finding increasing and great difficulty in obtaining land and in paying the high prices being asked for it.

This situation recently prompted the Planning Board of Puerto Rico to liberalize regulations on the use of land for construction as well as providing for the vertical expansion of buildings, thereby making it possible to erect higher buildings containing a larger number of units per structure thus permitting wider and fuller use of the land.

These measures, together with legislation establishing in Puerto Rico the condominium form of ownership, have given great impetus during the last 2 years to the construction of this type of buildings, which is greatly contributing to solve the needs of modern housing in the land scarce and crowded city of San Juan and its metropolitan area, as well as in other urban centers of Puerto Rico.

These condominiums are in fact, if not legally, cooperatives under which the various owners contribute to the management, upkeep and maintenance of the property, although title to each separate unit or apartment is registered separately in the Registry of Property and taxes are assessed and collected individually on each separate unit in the same manner as title to a single dwelling or building.

Each individual is free to sell, dispose or mortgage the unit owned by him without any restriction except that in case of sale he is required to give first option to the owners of the remaining units in the building. Rules and regulations establishing ways and means of managing the property and providing for its upkeep and maintenance are incorporated in the title and deed of sale and bind the individual owner to compliance therewith.

It is to be noted, however, that the rapid growth of this type of apartment and multiunit structures has been arrested by the lack of capital and financing facilities.

In order to be able to fully realize the advantages offered by this type of buildings and fully take advantage of the liberalization of building regulations, it has become necessary to erect buildings considerably larger than those heretofore put up by private capital and enterprise and demanding an investment

beyond the average capacity of local capital and financial institutions. Under the banking laws of the commonwealth, commercial banks are prevented from offering other than temporary or transitory assistance for the interim financing of such structures so that the task has fallen in a large measure on the shoulders of the First Federal Savings & Loan Association of Puerto Rico which, up to a year or so ago, was the only mortgage institution operating in the island.

The following statement shows what this organization has done up to April of this year :

Residential condominiums

Name of condominium	Number of residential units	Appraised value	Amount of 1st mortgage loan
Santa Cecilia.....	13	\$350,000	\$187,700
Condado Towers.....	10	260,000	155,000
Park Terrace.....	22	550,000	404,000
King's Court.....	20	640,000	448,000
King's Terrace.....	18	588,000	352,800
Santa Rita.....	10	265,000	182,400
San Rafael.....	31	820,000	615,000
Duarte.....	6	91,000	50,300
Guayama.....	8	120,539	75,000

Commercial and office building condominiums

Name of condominium	Number of units	Appraised value	Amount of 1st mortgage loan
Condado.....	65	\$430,000	\$170,000
Rahola.....	43	250,000	149,600
Ponce de León.....	21	2,702,500	1,040,000

The above does not include condominium buildings in course of construction such as the First Federal Savings Building, the Santa Monica, Din, Quimar, Villamayor, and Costa Azul apartment buildings, which represent an investment of over \$5 million.

In addition to that we have applications for 14 residential condominium buildings, the construction of which requires financing to the extent of \$7,500,000.

The difficulty of providing such financing has been greatly increased by the tight money market in continental United States and it has become increasingly clear that the construction of this type of building demands a permanent and certain source of credit such as that as will be provided by the amendment of the FHA mortgage insurance program so as to authorize the insurance of mortgages on individually owned units in condominium multifamily structures.

Up to the present time only people in the high income bracket have been able to take advantage of the facilities offered by this form of condominium ownership but there cannot be the slightest doubt or question as to the fact that there are hundreds of families who, under the present circumstances, have no other hope of obtaining a home or housing unit of their own as the scarcity of land precludes the possibility of constructing individual homes. Another increasing difficulty and graver problem is that posed by urban transportation and traffic.

It is now generally admitted that the urban zone and city limits have been pushed beyond all reasonable and practical limitations. This grave situation gives added force to the need of greater and more effective land utilization by vertical expansion so that in the end it becomes an evident and irrefutable fact that the expansion of the condominium form of ownership offers the only solution to the problem facing the housing needs and aspirations of hundreds of people.

It is my considered opinion that unless the proposed amendment is secured in the immediate future the present need for the construction of condominium apartment buildings in Puerto Rico would not only be greatly retarded but furthermore make it impossible to provide the necessary financing for the construction of apartments in the middle to lower price brackets for families in the moderate and lower income groups, which otherwise would have no hopes of ever owning a home or dwelling of their own.

(The following was received for the record:)

MORTGAGE BANKERS ASSOCIATION OF AMERICA,
Washington, D.C., May 24, 1960.

Re S. 3502.

HON. JOHN J. SPARKMAN,
Chairman, Subcommittee on Housing of the Committee on Banking and Currency, U.S. Senate, Washington, D.C.

DEAR SENATOR SPARKMAN: I am writing this letter at the request of the board of governors of the Mortgage Bankers Association of America, of which association I am the general counsel, with the request that you include the letter if possible in the printed hearings of your committee on the various housing bills which are now before your committee for consideration.

The provisions of S. 3502, introduced on May 6 by Senator Murray, have been brought to the attention of the board of governors by Mr. Brown L. Whatley, a former president of the association. The provisions of the bill were considered by the board at its regular spring meeting held May 23 in Washington, D.C. After discussion, the board indicated its general approval of the purposes of the bill and authorized me to address this letter to your committee on behalf of the association.

The board recognizes that in contemplating such a new program there may very well be a number of details which may be troublesome and which will have to be worked out in cooperation with representatives of the Federal Housing Administration so that the interests of that agency would be protected in all eventualities, and that action would have to be taken in this regard before the program could become effective.

The board also recognizes that before such a type of ownership could be of advantage to many areas of the United States, enabling legislation would have to be enacted in various States.

However, with the recognition of these problems, there was general agreement among the members of the board that the proposal is one which merits serious study by your committee, and one which should have the support of the association.

Sincerely yours,

SAMUEL E. NEEL, *General Counsel.*

Senator SPARKMAN. The next is Mr. Scheuer, president of the City Housing and Planning Council of New York.

Mr. Scheuer, we are glad to have you with us.

STATEMENT OF JAMES H. SCHEUER, PRESIDENT, CITY HOUSING AND PLANNING COUNCIL OF NEW YORK

Mr. SCHEUER. Thank you, Senator.

You remarked on the beauty of the weather, in the elevator, and I know we are anxious to get out and enjoy some of that wonderful spring air.

Senator SPARKMAN. I wish I could; maybe you can.

Mr. SCHEUER. I would like to say one quick word—

Senator SPARKMAN. Senator Williams wants to say something.

Senator WILLIAMS. I just want to say briefly that I might have to leave before you are through, Mr. Scheuer. I just want to advise the chairman of our friendship and the great respect I have for the public work and private work he does.

Mr. SCHEUER. Thank you, Senator.

I would like to say one word off the record.

(Remarks off the record.)

Senator SPARKMAN. May I say the gentlemen from Puerto Rico did not present the condominium plan exclusively as a Puerto Rican program; they presented it as something that ought to be generally

applicable. They point to Puerto Rico as an example where it has been used with conventional mortgages. They do feel if FHA were authorized to do this that would be as helpful to Puerto Rico as it would to the rest of the country.

Mr. SCHEUER. I would like to emphasize it would be of extreme significance elsewhere in the country as well as Puerto Rico. I am a sponsor of six title I projects in the United States and Puerto Rico. I happen to have the first one on the island, and I can say that I would like nothing more than to be able to sell these projects, sell apartments in these projects, on a condominium basis in Sacramento, Calif., and in San Francisco and in St. Louis, as well as in San Juan, Puerto Rico.

There are a few cities in the United States where you can sell traditional cooperative housing under section 213 of the National Housing Act, which you are familiar with. But, basically, cooperative housing is a sophisticated concept. It is an urban concept; it is a Scandinavian concept. And outside of a few large metropolitan centers, people are not used to the cooperative concept. They are not used to the concept of owning something, but not owning it. Of not owning it in fee simple, of not being able to place a second mortgage on the property, of not being able to realize on their equity in any meaningful fashion. I emphasize I believe this would give another tool for dealers of moderate-priced housing everywhere in the United States as well as Puerto Rico.

I beg your indulgence and pardon if they covered this point adequately in their testimony.

Senator SPARKMAN. By the way, Mr. Scheuer, may I say at this point that Senator Javits would like to express his regrets for not being present while you are testifying. The Senate is already in session, and he has become involved over there and is not able to get back. I want the record to show that.

Mr. SCHEUER. That is generous of you and the Senator. I am just going to read a few short excerpts from my statement.

Senator SPARKMAN. Your statement will be printed in full.

Mr. SCHEUER. Yes, sir.

My name is James H. Scheuer, and I am president of the Citizens Housing and Planning Council of New York. I have also been a board member and officer of the National Housing Conference. I am grateful for this opportunity to present my views on the many important and crucial legislative proposals for housing and renewal which are now under consideration by this committee.

It is very clear to us in the Citizens Housing and Planning Council that nationally we had not begun to scratch the surface in establishing goals and proper machinery and financing instruments for clearing our slums and creating an adequate inventory of middle-income housing for the vast market presently existing for it.

In New York City, the record is clear that, notwithstanding the undertaking of substantial and worthwhile individual redevelopment projects, only the surface has been scratched in the fight against blight and for the provision of housing for middle- and low-income families. In fact, it is doubtful that our accomplishments thus far have even kept pace with the deterioration of existing older housing.

It is clear that this situation is duplicated in city after city and that sharp acceleration in all the activities related to housing and urban renewal is essential if our cities are to survive.

I call to the attention of your committee the statistics recently prepared in a scholarly study by ACTION and the Ford Foundation which indicated that for the great surge of population during the 1960's, which we expect, the whole fabric of the community facilities required to have a sound and healthy society, facilities for housing, renewal and development, roads, water, sewers, schools, hospitals, and the like, will require an average annual investment of \$100 billion as against an average annual investment of about \$58 billion which took place during the 1950's.

Thus, an expansion of over 70 percent in these aggregate investments will be called for during the next decade.

Against these authoritative forecasts of our immense national requirements for community development, our organization believes that the provisions of Senator Clark's bill, S. 3509, represent the minimum program need to maintain momentum and give some impetus to moderate expansion of our, particularly, middle housing inventory.

On behalf of the Citizens Housing and Planning Council, I would like to register our strong concern at the lack of any Federal program to assist in the financing of housing for lower-middle income families. In New York City as in other cities, a basic roadblock to the stepped-up renewal and redevelopment program which is needed is the difficulty of providing satisfactory new housing for the families displaced from urban renewal areas whose incomes are above the public housing level but below the level for which any significant volume of private rental housing is being produced under the FHA program.

There is frequent criticism heard that new housing is not being produced in urban renewal areas which such families can afford. I would like to say, parenthetically, that I am the sponsor of the new title I project just a few blocks from here at Fourth and G Streets SW. The Capital Mall, I think it is called, or Capital Towers. It is a beautiful project, and I think when that program is finished in that area, it will be a fine, esthetic thing for the Capital.

I believe that first building returns about 7 or 8 times what was returned before from the entire slum area of 550 acres.

Senator SPARKMAN. 550 acres?

Mr. SCHEUER. Yes.

Senator SPARKMAN. How many blocks is that?

Mr. SCHEUER. The Southwest project covers approximately 550 acres. This is just the first portion of it. It really covers that entire quadrant right down to the water.

Senator SPARKMAN. I am familiar with it. In fact, I have driven around it many times during the time this program has been pending, for the last several years, and I was impressed. I have cited this story that you just mentioned several times.

I think the story carried in the Washington papers was to the effect that the total income was six times what it was before. I have stated in the course of these hearings that I did not know how big an area it was, but probably 50 or 75 blocks.

You say it is 550 acres?

Mr. SCHEUER. Yes. I will get you the exact statistics, but there are quite—

Senator SPARKMAN. If you will give us that, I think it is a most interesting statistic and certainly one that the country ought to know more about with reference to these urban renewal projects. Here is one single building in all that area that carries a tax valuation six times as great as the entire area did with the slums present.

Mr. SCHEUER. I believe that is true. I will certainly verify it for you.

The one problem from the social point of view with these redevelopment projects is that the housing coming on the market through urban renewal machinery is upper-middle-income housing. That has been a problem in the District of Columbia, and I can tell you it has been a problem in the half a dozen other cities that I am operating in. I can assure you that there are few experiences more horrifying than to stand up before 500 or 1,000 tenant families in these sites that are going to be demolished and to have to explain to these people what the rents will be on the FHA-financed housing which will replace their slums. The hoots and catcalls, whistles, cries, jeers of derision, are something that will test the mettle of the hardest redeveloper.

The cold, hard fact is that housing coming out of the redevelopment hopper is not available in any sense to the families that were living in the neighborhood before or even the families somewhat above them in the social and cultural strata. In order for these communities to be balanced communities, economically and culturally, there should be some Federal financing introduced for housing in the urban renewal program that will produce some needed volume of moderate-income housing in urban renewal areas.

Senator WILLIAMS. Could I ask a question?

Senator SPARKMAN. Yes.

Senator WILLIAMS. I just wondered what income you are considering lower-middle income and upper-middle income?

Mr. SCHEUER. I would say we are getting in the area B project in the southwest, people making from \$5,000 or \$6,000 a year to \$15,000 to \$20,000 a year. The cheapest efficiency apartment is about \$100, which a girl, a secretary or a junior executive, making \$5,000 or \$6,000 a year could afford, I think, particularly if in their hierarchy of values, they place shelter fairly high.

But I would think that the moderate-income family would fall from \$3,000 or \$4,000 to \$6,000 or \$7,000. Except for the efficiency apartments, there is really nothing available at all for that level of income.

The simple fact is that there is no Federal financing program under which adequate housing can be produced to serve this moderate-income market. There is no miracle by which it is possible to reduce the construction cost of sound housing for lower middle-income families. The only answer is a program which would reduce the cost of financing such homes and, at least temporarily, involve some tax abatement.

For this reason, the Citizens Housing and Planning Council commends to the favorable consideration of the subcommittee S. 1342, the Federal Limited Profit Mortgage Corporation Act, which was introduced by Senator Javits for himself and Senator Clark. This bill is

modeled largely after the New York State Mitchell-Lama limited profit housing corporation law. I had the honor to serve on Governor Rockefeller's task force for middle-income housing, which produced that. From my experience in researching that problem as well as my practical experience as a redeveloper who has to face the political facts of life in the cities in which he works, I can testify with great depth of feeling as to the need for serving this moderate-income market.

The only privately sponsored housing now being produced in New York State to serve the lower middle-income population group is housing developed under this law. The cheaper mortgage service payments and tax abatement provisions of the law are indispensable to the production of moderate-income housing. It is futile to entertain hopes of serving this vast market at today's levels of construction costs, financing rates, and city taxes, without employing the twin aids of a cheap long-term lease and temporary tax abatement.

While we do not believe that the Federal financing formula contained in the Javits-Clark bill would serve the entire lower middle-income market, we understand that it would make possible the development, by private limited profit companies, of new rental or cooperative housing which could be marketed at rents or carrying charges about 15 percent lower than equivalent housing financed under prevailing FHA terms of interest and amortization. This would represent a most significant initial step toward meeting the lower middle-income housing problem.

The development of new rental housing in urban renewal areas presently relies almost entirely on FHA-insured financing under section 220 of the National Housing Act. With the help of this subcommittee, important statutory changes have been made during the past few years to make urban redevelopment under the section 220 program more attractive to private investors.

Nevertheless, there remain certain technical defects in this financing formula which tend to discourage the widespread participation in the program by private developers on the scale necessary to move residential redevelopment forward on a meaningful level of scope and speed. I believe that these defects could be corrected by a few simple amendments to section 220 and to the special assistance program of the Federal National Mortgage Association.

I therefore respectfully recommend to the subcommittee that they give favorable consideration to technical amendments along the following lines:

1. An amendment to section 220 which would recognize the unusual initial renting problems encountered by projects in blighted or slum neighborhoods and which would authorize FHA to consider as part of the capital cost of a section 220 project the carrying charges on the mortgage for a reasonable "rent up" period during which the project may be tenanted up to the level at which it will become self-supporting. Such an amendment has ample precedent in the financial arrangement for low-rent public housing projects as well as under the New York State Mitchell-Lama program.

I can cite as a practical example of this problem the building in the Southwest. It was finished about a year and a quarter ago. It was obviously a beautiful building, an attractive building, with man-

ageable rents. Yet, because it was surrounded by a 550-acre desert, because the city of Washington and other redevelopers had not come forward with their share of the development program on schedule and there were, as a result, no adequate shopping facilities available, it was a difficult rental proposition in this first year. People hesitated to go down and be the first ones to live in that somewhat bleak area. It was quite clear that when the rest of the program came along and we built some more houses, the building was going to be a success. Nobody had any doubts of it, but it was very much slower in renting than that same building in an attractive Northwest area would have been.

There was a cost of several hundred thousand dollars involved in lost rents over what we would have collected in this past year had we been in a more attractive neighborhood or had the whole program gone ahead as planned. Things being what they are, this program is in its formative stages. It is slow; it is difficult; it is frustrating. Undoubtedly, so will be the first portions of projects in various cities where the community, after redevelopment, has not yet had a chance to be established and to sink in its roots. It was a fortunate thing for this community that the two owners of this project were able to dig into their pockets and come up with substantial six-figure money to bear out that first building. But I do not think the program will proceed on a sound basis if that is to be expected in any continuing number of examples.

2. An amendment to section 220 making it mandatory for the FHA to approve a 40-year level annuity mortgage payment pattern, as is consistent with FHA financing provisions for cooperative housing projects under section 213. This would offset in part the increase in rents resulting from the rise in FHA interests rates over the past several years.

Again, coming back to the Southwest project here in Washington, when I first undertook this project, the interest rate was $4\frac{1}{4}$ percent. It is now $5\frac{1}{4}$ percent. That means that the added \$12 or \$13 per month per apartment additional rent is simply due to the increase in the interest rate. This could be largely absorbed by going from the present accelerated amortization to level-payment debt service, and I would urge that particularly since most of this urban renewal housing is coming out at rents that are upper middle-income that are uncomfortably high for the community. Anything that could be reasonably and properly done to bring those rents down \$10 or \$12 or \$13 a month should be effectuated.

3. An amendment to section 220 which would recognize as part of the mortgageable cost of a project both offsite improvements which the redeveloper is required to install under the terms of official local redevelopment plans, and the commitment and purchase fees of FNMA for the placement of the permanent mortgage on such projects.

It seems anomalous that we should have, again referring to the Southwest, \$5 or \$6 million of bricks, mortar, elevators, landscaping and the like, which are subject to FHA mortgage financing, but have substantial expenditure of \$25,000, \$50,000 or \$75,000 on sidewalks and curbs which, for some reason, are not subject to FHA financing. There seems to be no logical reason why the entire legitimate costs of that project, including the financing fees and the offsite improvements should not be blanketed in under the FHA financing.

4. An amendment to the special assistance provisions of the FNMA program requiring FNMA to purchase such mortgages at par and to reduce its commitment and purchase fees to a total of 1 percent from 1½ percent currently.

Again, this would reduce the enormous cash burden on redevelopers of proceeding ahead with these substantial programs.

In my opinion and on the basis of my experience in this field, I am satisfied that these simple amendments would greatly broaden the appeal of the section 220 program to those private redevelopers who are prepared to undertake the time-consuming but challenging task of redeveloping former slum areas and would greatly accelerate the pace at which such areas are rebuilt.

Mr. Chairman, I would like again to express our appreciation for this opportunity to express our views on these important matters to the subcommittee.

Senator SPARKMAN. Thank you, Mr. Scheuer. You have given us a very practical statement of one who has been doing the job. We appreciate it.

Mr. SCHEUER. Thank you.

Senator SPARKMAN. Thank you very much.

(The prepared statement of Mr. Scheuer follows:)

STATEMENT OF JAMES H. SCHEUER, PRESIDENT, CITY HOUSING AND PLANNING COUNCIL OF NEW YORK

Mr. Chairman and members of the subcommittee, my name is James H. Scheuer. I am president of the Citizens Housing and Planning Council of New York City. I am grateful for this opportunity to present my views on the many important and crucial legislative proposals for housing and renewal which are now under consideration by this subcommittee.

The Citizens Housing and Planning Council of New York is a nonprofit, non-partisan membership organization formed in 1937 to stimulate vigorous private and public action to the end of achieving a decent home in a well-planned neighborhood for all citizens. The council is the largest citizens' organization in the field of housing and planning in the Nation.

At the outset, Mr. Chairman, may I state that our organization believes that a sweeping extension and strengthening of Federal programs supporting housing for all income groups, the redevelopment of slums and blighted areas, and the development of the total physical structure of our communities in pace with the explosive population growth of the United States is the most important domestic issue confronting this country, along with the maintenance of a strong and adequately expanding national economy. I might add parenthetically that positive action to meet the tremendous needs and demands for housing, redevelopment and community facilities would in itself make a basic contribution to the expansion of our national economy.

In New York City, the record is clear that, notwithstanding the undertaking of substantial and worthwhile individual redevelopment projects, only the surface has been scratched in the fight against blight and for the provision of housing for middle and low income families. In fact, it is doubtful that our accomplishments thus far have even kept pace with the deterioration of existing older housing. It is clear that this situation is duplicated in city after city and that sharp acceleration in all the activities related to housing and urban renewal is essential if our cities are to survive.

To us, the evidence is indisputable that the sum total of these pressing local needs constitutes a national problem of staggering proportions. Only a forceful, comprehensive, and imaginatively planned Federal program of financial assistance and leadership can, in our opinion, cope with needs of this magnitude. I call the subcommittee's attention to the striking conclusion drawn by a recent analysis sponsored by ACTION (the American Committee to Improve Our Neighborhoods) and by the Ford Foundation. This scholarly study undertook to determine the total financial requirements involved in a 10-year program to elimi-

nate all deteriorated conditions in our communities and to develop them to a satisfactory standard to serve the great surge in population during the decade of the sixties. For the whole fabric of facilities involved—housing, renewal and redevelopment, roads, water and sewer systems, schools and hospitals and other community facilities—an average total yearly investment, public and private, of \$100 billion would be required as against an annual average of \$58 billion actually invested during the fifties. Thus, an expansion of more than 70 percent in these aggregate investments would be called for in the decade of the sixties. I might add that generally comparable projections were made in the report of the Rockefeller Bros. Fund in 1958.

Against these authoritative forecasts of our immense national requirements for community development, our organization believes that the provisions of Senator Clark's bill, S. 3509, represent the minimum program needed to maintain momentum and give some impetus to moderate expansion, pending more complete analysis of future requirements by Congress next year.

These include the additional authorization of \$600 million capital grants for urban renewal and of \$150 million for special assistance mortgage purchase commitments by the Federal National Mortgage Association for FHA-insured mortgages financing urban renewal housing, relocation housing, and housing for the elderly. They also include the reactivation of the original authorization in the Housing Act of 1949 for low-rent public housing, which we understand would permit the development of about 100,000 additional low-rent units and would be sorely needed to accommodate the rehousing of low-income families displaced by renewal and highway programs. Likewise, we support Senator Clark's proposal for an increased appropriation for the experimental program of direct Federal loans to finance housing for the elderly which was contained in the Housing Act of 1959.

On behalf of the Citizens Housing and Planning Council, I would also like to register our strong concern at the lack of any Federal program to assist in the financing of housing for lower-middle-income families. In New York City as in other cities, a basic roadblock to the stepped-up renewal and redevelopment program which is needed is the difficulty of providing satisfactory new housing for the families displaced from urban renewal areas whose incomes are above the public housing level but below the level for which any significant volume of private rental housing is being produced under the FHA program.

There is frequent criticism heard that new housing is not being produced in urban renewal areas which such families can afford. The simple fact is that there is no Federal financing program under which adequate housing can be produced to serve this market. I can testify to this statement on the basis of my own experience as a national redeveloper. There is no miracle by which it is possible to reduce the construction cost of sound housing for lower-middle-income families. The only answer is a program which would reduce the cost of financing such housing.

For this reason, the Citizens Housing and Planning Council commends to the favorable consideration of the subcommittee S. 1342, the Federal Limited Profit Mortgage Corporation Act, which was introduced by Senator Javits for himself and Senator Clark. This bill is modeled largely after the New York State Mitchell-Lama limited profit housing corporation law. The only privately sponsored housing now being produced in New York State to serve the lower-middle-income population group, is housing developed under this law. The cheaper mortgage service payments and tax abatement provisions of the law are indispensable to the production of moderate-income housing. It is futile to entertain hopes of serving this vast market at today's levels of construction costs, financing rates, and city taxes, without employing the twin aids of cheap long-term loans, and temporary tax abatement. While we do not believe that the Federal financing formula contained in the Javits-Clark bill would serve the entire lower middle income market, we understand that it would make possible the development, by private limited profit companies, of new rental or cooperative housing which could be marketed at rents or carrying charges about 15 percent lower than equivalent housing financed under prevailing FHA terms of interest and amortization. This would represent a most significant initial step toward meeting the lower-middle-income housing problem.

The development of new rental housing in urban renewal areas presently relies almost entirely on FHA-insured financing under section 220 of the National Housing Act. With the help of this subcommittee, important statutory changes have been made during the past few years to make urban redevelopment under the section 220 program more attractive to private investors.

Nevertheless, there remain certain technical defects in this financing formula which tend to discourage the widespread participation in the program by private developers on the scale necessary to move residential redevelopment forward on a meaningful level of scope and speed. I believe that these defects could be corrected by a few simple amendments to section 220 and to the special assistance program of the Federal National Mortgage Association.

I therefore respectfully recommend to the subcommittee that they give favorable consideration to technical amendments along the following lines:

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2. An amendment to section 220 making it mandatory for the FHA to approve a 40-year level annuity mortgage payment pattern, as is consistent with FHA financing provisions for cooperative housing projects under section 213. This would offset in part the increase in rents resulting from the rise in FHA interest rates over the past several years.

3. An amendment to section 220 which would recognize as part of the mortgageable cost of a project both offsite improvements which the redeveloper is required to install under the terms of official local redevelopment plans, and the commitment and purchase fees of FNMA for the placement of the permanent mortgage on such projects.

4. An amendment to the special assistance provisions of the FNMA program requiring FNMA to purchase such mortgages at par and to reduce its commitment and purchase fees to a total of 1 percent from 1½ percent currently.

In my opinion and on the basis of my experience in this field, I am satisfied that these simple amendments would greatly broaden the appeal of the section 220 program to those private redevelopers who are prepared to undertake the time-consuming but challenging task of redeveloping former slum areas and would greatly accelerate the pace at which such areas are rebuilt.

Mr. Chairman, I would like again to express our appreciation for this opportunity to express our views on these important matters to the subcommittee.

Senator SPARKMAN. That concludes the hearings for this morning. The committee will stand in recess until 10 o'clock tomorrow morning.

(Whereupon, at 12:35 p.m., the committee recessed to reconvene at 10 a.m., Friday, May 20, 1960.)

HOUSING LEGISLATION OF 1960

FRIDAY, MAY 20, 1960

U.S. SENATE,
COMMITTEE ON BANKING AND CURRENCY,
SUBCOMMITTEE ON HOUSING,
Washington, D.C.

The subcommittee met pursuant, to recess, in room 5302, New Senate Office Building, at 10:05 a.m., Senator John Sparkman (chairman of the subcommittee) presiding.

Present: Senators Sparkman and Clark.

Also present: Senators Javits and Hart.

Senator SPARKMAN. Let the committee come to order, please.

First we have our colleague, Senator Philip A. Hart, of Michigan. Senator Hart, we are glad to have you, and if you will present your associates we would appreciate it.

STATEMENT OF PHILIP A. HART, A U.S. SENATOR FROM THE STATE OF MICHIGAN; ACCOMPANIED BY SIDNEY C. BARNES, ATTORNEY, REUBEN HARRIS, JR., MANAGER, OAKDALE, RESIDENTS COOPERATIVE HOUSING PROJECT, ROYAL OAK TOWNSHIP, OAKLAND COUNTY, MICH.; RAYMOND HATCHER, HOUSING DIRECTOR, ROYAL OAK TOWNSHIP; AND J. G. GIBBS, ENGINEER, PORT HURON, MICH.

Senator HART. Mr. Chairman and Senator Clark, thank you very much for permitting us to come.

First may I present Mr. J. G. Gibbs, who sits on my right, who is one of the most distinguished civil engineers in Michigan. On my far left is Mr. Raymond Hatcher, who is the housing director of Royal Oak Township. To his right is Mr. Reuben Harris who is housing manager of this project, and to my left is the attorney for the project, Mr. Sidney Barnes.

Senator SPARKMAN. Very good. We are glad to have all of you gentlemen with us.

Senator HART. Mr. Chairman, you and your committee are drawing to the close of 2 weeks of hearings on a large number of bills. You have heard testimony dealing with the major national housing problems. If I do not address myself to them today, it is not because of lack of interest on my part, but rather because I am confident they are in very good hands.

S. 3291, which you were good enough to list as one of the bills which would be considered at this time, was introduced by me on March 29, 1960. It provides that the Housing and Home Finance Administrator

shall make certain modifications in the terms of sale of the Oakdale Residents Cooperative housing project of Royal Oak Township, Oakdale County, Mich.

Briefly, this housing project is located on the outskirts of Detroit, just across the line from the city of Detroit. It contains 590 units. The housing conditions in this project are so substandard as to be depressing and degrading for those living in them and unhealthy for the community. The buildings are hazardous for occupancy and unsuitable for repair. It will be necessary to tear them down and rebuild. This the occupants are willing to do but cannot do it in the face of the present mortgage balance of approximately 1 million.

Over a period of years, the members of the cooperative have sought to work out a solution with the Public Housing Administration. These efforts have been unsuccessful. Recently the mortgage has been taken over by FNMA, and in March of this year I was told by a FNMA representative that legislation would be the only way to make it possible for these people in this project to secure the equity they need to work out a rebuilding program. It was for this reason that I introduced S. 3291.

Senator SPARKMAN. May I ask you to repeat that? You were told by whom?

Senator HART. I was told by a FNMA representative that in the absence of specific legislation they were without authority to reduce payment obligation, to adjust downward the obligation to the point where there would be some equity available to the cooperative, with which they could obtain the moneys to do the reconstruction. And in his letter to the chairman commenting on this bill, Mr. Mason, for FNMA, says:

FNMA already has the requisite authority with respect to any mortgages held by it, to consent to modifications of the types mentioned in the bill where they are necessary or desirable in the public interest. These would include modifications relating to repayment period, rate of interest, security, time of payment of any installment of principal or interest, or waiver of payment of such installment.

You see, this is not the attitude nor is it the position taken in the March conversation. FNMA in their correspondence now says that they do have the authority which this bill proposes to give them. And I have been informed verbally by FNMA—and this was a Mr. Wendell of the agency—that this language in the letter which I have cited covers the authority to waive payments, reduce mortgages, or take similar steps which would alleviate the obligation. However, I call your attention to the conditions under which these people are compelled to live. I speak from personal knowledge. This community is some 6 miles from the city in Michigan in which my family and I lived until the very recent past, and I feel sure that in another year living under this sort of condition would be not impossible but intolerable. And in the absence of a specific written assurance that the agency will adjust downward and remit, I feel that I must ask, not withstanding the letter from Mr. Mason, that you do include S. 3291 in your pending housing bill.

I realize, though I am new here, there may have been other occasions when there was presented to you a petition such as this, with a recital that circumstances were dire and that absent specific relief it was impossible to rehabilitate, and time may have proved that those

representations were not accurate. I am satisfied in this case they are absolutely true. I have the very highest regard for the management, Mr. Hatcher, who sits at the far end here to my left, was the housing director with this project when it began, when the Government changed it from temporary to permanent housing by the stroke of a pen. He argued against the change.

I served on an urban league board in Michigan with Mr. Hatcher. He is a man of complete integrity and competence. I do hope, sir, that you will find a few minutes now to hear him, in order that you would understand better why I feel so strongly about this.

Senator SPARKMAN. Fine. Thank you, Senator.

Senator CLARK. Mr. Chairman, could I interject just a minute to clarify something? I will be brief.

Senator, what did Mr. Mason say in that letter? Did he say he did or did not have administrative authority?

Senator SPARKMAN. Here it is. He said they already have the authority.

Senator CLARK. If they have the authority, why don't they do it?

Senator HART. I am told their inspectors went out in recent weeks and confirmed the representations that we had made as to the condition of the buildings and the need for remission of obligation. I have been told this.

Senator SPARKMAN. When was the letter written?

Senator CLARK. May 6. How long have you been after them?

Senator HART. The project has been after them for 2 years. I have indicated an interest, to put it politely, for some months now.

Senator CLARK. The thing that really burns me up is that you have to come here to this committee and ask for a bill. Even Senator Capehart had to do it last year, stanch administration supporter that he is, and we did it for him. I think we ought to do it for you, too. It infuriates me to think of the bureaucratise which sees conditions which you have described, and which I know from my own experience in Philadelphia are probably completely accurate, and to find that they have not the administrative guts to do what they ought to do when they have complete authority to do it and their own agency says so. I think it is outrageous. I am going to vote for your bill, but I think it ought to be pretty clear we are not going to have that kind of a situation down at the agency much longer.

Senator SPARKMAN. May I suggest we complete the record when the administration officials are here on the 26th. Unfortunately, I do not plan to be here that day, but you have agreed to hold the hearings, and you can keep this in mind.

Senator CLARK. It will be my pleasure to interrogate them at that time, I hope more politely than I have just spoken.

Senator HART. I am making a mental note to be present on the 26th.

Senator SPARKMAN. You gentlemen proceed. Tell us something about it. Give us something about the condition of the project and what the prospects would be in working it out if you were given a better break.

Mr. BARNES. We are passing up to you gentlemen some pictures.

Senator SPARKMAN. Unfortunately, the pictures cannot go into the record. I will look at them.

Mr. BARNES. They give a graphic indication of the present condition of the buildings. I might point out that the last few pictures in that volume were taken prior to the sale of the property to the cooperative. This property was originally classified—

Senator SPARKMAN. Is the cooperative project now in default on the mortgage?

Mr. BARNES. No, sir, there are no defaults in existence in taxes, interest, or principal on the mortgage.

This property was originally classified as temporary housing, and that is evident from the Government reports and from the contracts that were entered into at that time of construction of the project. In two particular contracts provision is made for the removal of the utilities that are placed on the project at the time of completion of use of the project, and there is a great deal more completely positive proof that the project was built and maintained purely as a temporary project. Prior to sale, in order to reclassify this property as permanent housing, some siding was slapped on the outside of the rotted boards, new front porches were placed, and I believe some wood skirts were placed along the foundations of the buildings.

In our meeting with PHA on March 15, 1960, we made our position clear that our problem was not the rehabilitation of the existing project, since it was our belief then the total destruction and removal of all buildings and their replacement with new structures was required. We also made it clear to PHA at that conference that extending the time of payment of principal or interest or modifying the term of repayment would not solve our problem, since we would be left with a mortgage balance which would exceed the value of the land, and therefore we would have no equity on which to finance a rebuilding of the project. We requested that PHA forgive a portion of the mortgage, and in trying to work out a formula we suggested that the value of the buildings at the time of sale be removed as a consideration in determining the value of the property, and that the use of the property be taken into consideration and some figure be placed on that use and added to the value of the land; and in determining the value of the land the appraisal that was given at the time of the sale should be modified, because the land would then be treated as vacant and not as land with buildings in place.

We do not believe that in dealing with this cooperative the sale can be treated as a land transaction in which the principle of caveat emptor can be applied. Many of the members are illiterate, few having gone beyond grade school education. They had implicit faith that Uncle Sam would deal with them fairly. For most of the members, their investment in the cooperative represents the savings of their lifetime.

We believe a mistake has been made that should be corrected.

Two years ago the cooperative was promised help by PHA if it would clean up its management and establish an efficient business operation. This has been accomplished in the face of increasing vacancies, while its members have been persuaded to put up with living in degrading and depressing slum conditions a little longer in the hope that soon the building program could begin.

The help the cooperative asks is the correction of an injustice. We feel able to carry out our own slum clearance and rebuilding if this is done.

We have prepared a booklet with a statement by Mr. Hatcher and by Mr. Gibbs, which shows in detail the basis of our conclusion that this property is temporary, that its lifespan has passed and it should be demolished today or as quickly as possible.

The gentlemen are here today, and if you would care to question them they are available for your purposes.

Senator SPARKMAN. This was bought in 1955, is that right?

Mr. BARNES. Yes, sir. Some pictures were taken just prior to sale, which are in that booklet.

Senator SPARKMAN. How was the price arrived at?

Mr. BARNES. There was appraisal made of the land and buildings as permanent structures.

Senator SPARKMAN. Did the appraisal give a separate land value?

Mr. BARNES. That is my understanding, although the appraisal has not been made available to me. I have seen subsequent appraisals made by the township which indicate that they treated the project as a going concern with land and buildings, with about 60 percent of the valuation assigned to the buildings and 40 percent assigned to the land.

Senator SPARKMAN. It seems the buildings must have been in bad condition at the time of the sale.

Mr. BARNES. They were.

Senator SPARKMAN. I do not see how they could have deteriorated as much as these pictures show.

Mr. BARNES. They were in very bad condition prior to the sale.

Senator HART. Mr. Chairman, I think that Mr. Hatcher was the man who took the photos just before the sale, and he might be able from personal observation to explain the reasons why he opposed it at that time.

Senator SPARKMAN. You opposed the sale at the time of the purchase?

Mr. HATCHER. Prior to that I opposed the sale, and even when I was a PHA employee I opposed the classification as early as 1946.

Senator SPARKMAN. On the ground that it was built as a temporary project?

Mr. HATCHER. It was built as a temporary project. I was the first manager. I was there as the buildings were constructed, and when I applied to the OPA for a rent schedule, I applied for a rent schedule for temporary housing in 1945.

Senator SPARKMAN. You did not believe the value was there to make it permanent?

Mr. HATCHER. They were so classified as "temporary" in PHA records as far back as 1947.

Senator SPARKMAN. Of course, being classified is not conclusive. I know in my own hometown there were two temporary housing projects built in the early days of the war. When the time came for disposal of all the temporaries I raised the question that it would be absolutely ridiculous to demolish those buildings, and so they were changed to semipermanent. One of them was transferred to the Public Housing Administration, the other was transferred to the Defense Department, and they are being used today. They are perfectly good. They have been standing for 20 years now, and I should think they will last much longer into the future. So classification

does not necessarily govern here. It depends on the manner in which they were built. Of course, you show a good many things in these pictures that indicate that they were not intended to be permanent at the time they were built.

Mr. HATCHER. Those buildings were originally constructed in Windham, Ohio, knocked down and shipped into the township because they were surplus in Windham.

Senator SPARKMAN. Who negotiated the contract?

Mr. BARNES. PHA.

Senator SPARKMAN. They simply made the offer? It was not a question of two sides negotiating for it?

Mr. BARNES. Oh, yes, there was an appraisal.

Senator SPARKMAN. Who negotiated on behalf of the cooperative, their officials?

Mr. BARNES. I do not believe there were any negotiations. The price was set by appraisal.

Senator SPARKMAN. The price was set and the agreement was made?

Mr. BARNES. Yes.

Senator CLARK. In those cases, Mr. Chairman, my recollection is that they put it up to the cooperative—at least this has been our experience—on a take-it-or-leave-it basis, and then if the cooperative leaves it some slum landlord goes in there, and look out.

Senator SPARKMAN. Is there anything else?

Mr. BARNES. Shall I go through and point out to you why these buildings are temporary in nature?

Senator SPARKMAN. I do not think it is necessary. We have seen the pictures, and I think that is pretty conclusive.

You have not joined in here, sir. I do not recall your name offhand.

Mr. HARRIS. My name is Reuben Harris, manager of this project.

Senator SPARKMAN. You are manager of the project?

Mr. HARRIS. That is right.

Senator SPARKMAN. You agree with what has been said?

Mr. HARRIS. I totally agree.

Senator SPARKMAN. You are right there with this day in and day out?

Mr. HARRIS. That is right.

Senator SPARKMAN. And all of you gentlemen feel that it is not suitable for rehabilitation?

Mr. HATCHER. Waste of money.

Mr. BARNES. We have reports, not made by us but by engineers operating for the township, to show these are absolutely not rehabilitable, and our own engineer came to the same conclusion. Recently we had six fires out there and our insurance has been canceled.

Senator CLARK. Actually, if you had enforcement of modern building and housing codes you would be required to shut down the projects, would you not?

Mr. BARNES. That is right.

Senator SPARKMAN. Did you say your insurance had been canceled?

Mr. BARNES. Yes, sir, and we have had to go to Lloyd's of London.

Senator SPARKMAN. There is no insurance on it now?

Mr. BARNES. The cancellation goes in effect on June 1, and we have to go to a company which reinsures through Lloyd's of London to get insurance out there, because none of the other companies will accept it.

Senator SPARKMAN. Offhand it seems to me that a bad deal was made and that the Government ought to exercise good conscience in making it correct. We will see what the Government officials have to say when they appear here on May 26.

Thanks very much to you gentlemen, all of you.

Senator Clark is going to have to leave the committee very shortly, and in order to accommodate him we are going to call the witnesses a little out of order. I have been assured that these witnesses will be quite brief in their presentations.

First, will Lieutenant General Huebner come around?

We are glad to see you, sir. Will you proceed in your own way.

Senator JAVITS. Mr. Chairman, may I introduce General Huebner as one of our most distinguished citizens. General Huebner is now director of our State civil defense commission. He has had a very illustrious record as an Army officer. He commanded the 5th Corps at the end of the war, promoted to lieutenant general in 1947; was deputy commander in chief of the European Command; commanding general, U.S. Army, Europe; and acting military governor and commander in chief of the European Command from May 1949 to September 1949. He retired in 1950. We are glad to get him in New York, Mr. Chairman.

Senator SPARKMAN. That ought to be a good sendoff, General. We are all familiar, of course, with your very fine record in the Army prior to your retirement, and we have known something about your work in the State of New York since that time.

**STATEMENT OF LT. GEN. C. R. HUEBNER (U.S. ARMY, RETIRED),
DIRECTOR, NEW YORK STATE CIVIL DEFENSE COMMISSION**

General HUEBNER. Mr. Chairman and members of the Subcommittee on Housing, it is both a pleasure and privilege to appear before you to discuss S. 1680, which would amend the Housing Act of 1949 for the purpose of permitting the increase of an urban renewal capital grant by an amount equal to the cost of providing civil defense facilities.

The proposed measure, insofar as it pertains to fallout shelters, is of vital significance to the people of the State of New York, and is in full accord with Gov. Nelson A. Rockefeller's repeated expressions of concern for the construction of civil defense shelter facilities in our urban areas.

Civil defense, or nonmilitary defense, is an essential component of overall national defense. Its basic purpose is to protect and assist our people who may be exposed to the effects of wartime attack. Toward this end, it provides an organized means with tested procedures for mobilizing our people and resources to perform these tasks which are essential to the preservation of our society and its economic structure in time of war, in order to meet the civilian needs and to furnish assistance to our Armed Forces.

The experience in civil defense in the past was based on actions taken when our Nation was protected from attack by two oceans. Some of the present thinking regrettably, continues along such obsolete lines. The rapid advances in weaponry and delivery systems since World War II have completely changed the basic requirements of civil defense. Now, our Nation is exposed to attack, and the very oceans which once protected us are now avenues of danger. Unless our assumptions are radically wrong, the chances are that the United States may become a major battlefield in the next war.

Strangely, despite the apparent threat to our survival as a free nation, many of our citizens are either behind the time or defeatists. They think of civil defense either in terms of their experiences in World War II, or they have adopted a fatalistic attitude that our country would be subjected to annihilation and therefore nothing can be done to save ourselves.

There is no doubt that war would be a major disaster. However, the magnitude of disaster can be markedly limited by protective measures. Such protective measures are the responsibility of the Government—and I would like to repeat that, of the Government—at all levels.

Civil defense is civil government at war. It calls for the extension of peacetime government under wartime conditions with the necessary shift of emphasis and priority to those tasks which will enable us to survive and win the war. Civil defense directors are the coordinators of this vital governmental activity.

To discharge its wartime responsibilities, government at all levels must have a plan of action. Such plans now exist. At the national level, the National Plan for Civil Defense and Defense Mobilization was promulgated in October 1958.

In New York we have the State civil defense plan, plans for each of the 12 target-support areas, and also plans for each of our cities and counties. These plans, required by the New York State Defense Emergency Act, are integrated plans, and we are presently training within the framework of them in order that the assigned responsibilities can be carried out effectively in the event of an emergency.

For purposes of command-control, the State is divided and organized into 12 target-support areas. These areas are built around the target cities and consist of counties and cities assigned to support each such target city.

The State and local plans cover six general areas: detection-warning, information, shelter, use of warning time, rescue and relief operations, and recovery after attack. Except in the area of detection-warning, where we are dependent initially upon the North American Air Defense Command, all of the remaining areas are responsibilities of civil defense and, therefore, of government. With the exception of shelter, advances have been consistently made in all of these areas; and I am confident further programs will be made, since this is within the scope and range of our capabilities.

True, a large gap exists in the area of shelter. Yet, shelter is the key to our whole effort. It will enable us to survive and live through the emergency. There is no need to discuss here why the gap exists. While we cannot do anything about the past in this connection, we can do something about the future. This is why I am here today

before your subcommittee—to lend my voice and support to the proposal under consideration. It is a positive step forward in eliminating the gap in our civil defense effort.

In the immediate area of a nuclear detonation, nearly all life would be destroyed by blast, thermal effect, and prompt or initial nuclear radiation, and only those people who are secure in strong, blastproof shelters would have any chance of survival. In a much larger area, distant from the detonation, there would be widespread death and injury occurring over a period of days or weeks as a result of radioactive fallout. This area could extend for hundreds of miles away from the point of the weapon's burst. While it is extremely difficult to protect people against the immediate closein effects of nuclear detonation, it is entirely feasible to protect them against radioactive fallout if protection is planned and adequate shelters have been provided.

No one can predict exactly where or when the fallout will occur. This will depend on the site of each bomb burst, the height of the explosion, weather at the time, size and weight of the radioactive particles, strength and direction of the winds, and a number of other factors. Of course, this will require an adequate radiation detection and evaluation service.

What can be predicted with certainty is, in the event of a major nuclear attack on continental United States, every urban and rural community could be threatened by fallout. The most intense radiation from fallout may occur as many as 75 miles from the site of a bomb burst and radiation of fatal intensity can be expected, largely downwind but following a certain pattern, hundreds of miles away from the scene of the burst.

Without protection from this fallout, the death toll from radiation could be several times greater than the total number of deaths attributable to the blast and heat effects of the detonated weapons.

The nature of the threat posed by radioactive fallout was demonstrated forcefully in New York State in the recent nationwide civil training exercise known as Operation Alert 1960, in which the State was hypothetically subjected to 12 nuclear strikes. Based on the types and sizes of the nuclear explosions and the concentrations of population in the areas attacked, the dead from lethal radioactive fallout numbered over 5 million out of a total of 9 million killed from all causes. Nearly all of those killed by radiation could have been saved had the people been in adequate shelters.

If a large percentage of those killed directly from the effects of radioactive fallout had had the protection of family fallout shelters until radiation intensities had dropped to safe levels, these people would have lived. They might have been mildly uncomfortable for a few days, but with the recommended supply of food stocks and water in the shelters they would have survived. In most instances, with some decontamination work, normal recovery in the communities in which they lived would have been possible within a matter of a few days at the most.

Radiation from fallout presents a massive threat to target and nontarget areas alike. There is no place in our State, and for that matter in the Nation, sufficiently remote from a possible target to be free of the threat posed by fallout. Fortunately, satisfactory protection from fallout can be obtained by relatively simple means.

Three basic characteristics of fallout make protection possible: (1) Radiation diminishes with the passage of time through a natural process of decay; (2) it is reduced with distance; and (3) its penetration can be lessened by shielding. Shielding offers the most direct protection and permits taking advantage also of the decay reduction factor at the most vital and crucial time—the first few hours and days after attack.

Shelters provide not only the best form of shielding but also a most effective approach with regard to the time and distance factors. A system of shelters in places of residence designed to protect the family is the key to the problem. Most people spend the largest part of their time at or near their homes, and a great many people can get home in time to take shelter in the event of an emergency.

The emphasis on home shelters is buttressed by the fact that a considerable time interval exists between the initial burst of a nuclear weapon and the arrival of fallout at locations far enough away where there are likely to be large numbers of survivors. This interval of time will vary from about 1 hour for the closer in surviving communities to 8 to 10 hours or more for the most distant locations. The time interval depends on several factors: (1) the distance from the burst, (2) size of the weapon, and (3) prevailing winds and weather conditions. Existence of this delay is very important because, even if there should be little or no warning time prior to attack, authorities agree that in planning a protection program it is reasonable to assume that those who survive the immediate blast and heat will have about 1 hour to go to their homes or other places for protection from fallout.

To meet all these conditions will require a wide range in shelter design and a flexibility in the use of materials. Size and the degree of comfort or simplicity can be varied to satisfy individual needs and desires. Where possible, fallout protection should be combined with normal day-to-day requirements and with employment of space in both new and existing buildings.

Very strong underground shelters, impervious to blast, heat, and radiation, could save some people even in the blast area, but it would be difficult to save those close to the point of detonation. This area of great devastation could extend out a number of miles with large weapons. No one, however, can tell in advance where the bursts will be or where those areas are in which people would survive the bursts.

Many assume that the bursts would be in the vicinity of military installations and within the larger cities. Taking into account the possible variations in enemy objectives, errors in aiming, defense measures, and other variables, one cannot at all be sure that urban populations will be completely obliterated by blast and heat. Many people in urban areas could survive even if they had fallout protection. This is also true in rural sections which are not in themselves target areas.

It is essential, therefore, to provide fallout protection for urban, suburban, and rural areas alike throughout the Nation and State so that the people who survive the bursts would be protected from the ensuing fallout. This includes our largest city, New York. Unques-

tionably, it is a prime target. Yet, a large part of the city's population could survive the initial effects with fallout protection.

Shelter is a primary element of civil defense. Without shelters we will be unable to take advantage of any advance warning time furnished at great cost, nor could we even think in terms of rendering assistance to the Armed Forces.

That we have laws on the books is not enough. Congress must provide leadership in supporting civil defense. If, in the opinion of Congress, there is no need for civil defense, it should tell the people this fact. The issue cannot be avoided much longer. The people want to know. If civil defense is essential, then we must demonstrate that we believe in it. Civil defense cannot be attained overnight. No amount of money nor good intentions will bring about an effective civil defense if things are delayed until the critical emergency arrives.

You gentlemen have an opportunity to take an important step forward in providing the means for protecting our people. I do hope that you will decide in the affirmative.

Senator SPARKMAN. Thank you, General. That is a most interesting and informative statement. Senator Clark?

Senator CLARK. No questions.

Senator JAVITS. I have just one question, General Huebner. I notice you say "civil defense is civil government at war." Would you care to explain that to us?

General HUEBNER. Yes, I would. I think civil defense includes not only the executive division of our Government; it also includes the Congress of the United States. We expect the Congress to provide laws and means so we can defend our people, and we expect the executive division of the Government to execute those demands. This goes down through the States, through the counties, and through the cities. We will have the same government tomorrow as we have today if we should go to war this afternoon.

One of the things that we should provide for is the existence of government if we should go to war. And there is one thing most certain—we must live through the emergency if we are to carry out our functions. The Congress itself should have some means so it can become effective if war should come.

We in our State are building what we call an emergency operating center, in which the Governor and his council, who take the place of the legislature if it is unable to convene, will have a protected facility.

That is what I mean when I say civil defense is civil government in time of war. Civil defense directors themselves are only coordinators of the agencies of government. That is all. They do not operate. They utilize what exists and do the best they can with it.

Senator JAVITS. Thank you very much. Thank you, Mr. Chairman.

Senator SPARKMAN. Thank you, General Huebner. We appreciate your appearance here.

Who is next, Senator Javits?

Senator JAVITS. I suggest we call the State witnesses next; first, Senator MacNeil Mitchell and our commissioner of housing, Mr. Gaynor.

Senator SPARKMAN. Mr. Mitchell and Mr. Gaynor, will you gentlemen come around, please?

May I say to all of you witnesses that we are glad to have you proceed in your own way. Your statements will be printed in full in the record, if you care to you many summarize or discuss them any way you please.

Senator JAVITS. Mr. Chairman, may I state that Senator MacNeil Mitchell is chairman of the Joint Legislative Committee on Housing of New York, since its creation in 1944, and is one of our truly distinguished leaders in the field in New York. James W. Gaynor is here with him as commissioner of housing in the State of New York. I should say the State could not be represented by two finer and more able men.

STATEMENT OF MacNEIL MITCHELL, MEMBER, NEW YORK STATE SENATE; CHAIRMAN, JOINT LEGISLATIVE COMMITTEE ON HOUSING, AND CHAIRMAN, SENATE COMMITTEE ON NEW YORK CITY AFFAIRS

Senator MITCHELL. Mr. Chairman, Senator Javits, and Senator Clark, I am here to talk briefly on S. 1342, and particularly to say just a word about Senator Javits, with whom I have been associated so many years in New York and whom I consider a great public citizen and who has an intimate grasp of the housing problems of our State. I think his name, along with Senator Clark's, on this bill carries great significance.

One of the things that we have done in the work of our joint legislative committee has been to canvass from time to time the problems that cause great concern to the people of our Empire State, and without exception during the past 10 years the No. 1 problem with which everyone has been concerned has been that of a roof over one's head.

Primary among the problems also is the critical shortage of middle-income housing, which traditionally has been met through the private market. But as you know, today, through problems with which we do not need to concern ourselves, such as rising construction costs, rising interest rates, increasing land value, the tendency has been for the private entrepreneur to be priced out of the market. For that reason, even under strict supervision, it is pretty difficult today to find a private entrepreneur in the State of New York able to provide rental housing at less than \$40 a room per month. This, of course, is a far cry from the need of our middle-income families, whose wants approximate the range of \$17 to \$29 a room per month, and the exodus of these people from our urban centers has been one of the continuing concerns with which all of us have endeavored to grapple.

Our alternative in the past in New York State has been either to expand the volume of public housing, at a staggering cost, in the form of subsidies, or to find some enticements and legitimate inducements for private entrepreneurs to enter into this no-man's land which I have just described. It is, of course, this latter course that New York State has chosen, looking toward an effective collaboration between government and business.

In view of the close affinity between this Javits-Clark bill and the procedures, the very successful ones, that have been developed in New York State under our program, which has been in existence since 1955, it seemed to me I would like to discuss briefly the background

facts relative to our program, so that you would at least have them in mind in relation to the importance of this particular piece of legislation.

On our New York State statute books we have had ever since 1926 aids for private enterprise that have consisted mainly in the form of assistance in land acquisition and abatement of local real estate taxes, but it was not until the enactment of the Mitchell-Lama law in 1955 that any appreciable dent could be made in the middle-income market, providing as it does a most attractive vehicle for private builders.

Limited profit housing companies formed pursuant to this law, and armed with the power of condemnation, may borrow or mortgage from the State or the municipalities up to 90 percent of the development costs of the project for a term up to 50 years. In addition, partial tax exemption is granted up to 50 percent of the completed project cost.

Lest this be considered a major subsidy—because we like to feel that this particular legislation is in no way to be a subsidy—all loans are repayable in full with interest, and we like to think it is strictly a form of private enterprise taking hold of the market. Lest it be considered a major subsidy, I should like to point to the example of the Contello Towers in Brooklyn, now being built under this law on vacant land, and nearing completion.

Originally, the net annual tax return to the city of New York was \$2,000, and the day Contello Towers is completed, with 40 percent tax exemption, it will produce more than \$90,000 annually to the city, more than 45 times the original return.

The law in this case provides for supervision of construction, management, and other costs, and places a reasonable limitation on the return of private investors at 6 percent. On the repayment of the mortgage and tax concessions, the project is removed entirely from Government supervision; and that is normally after a period of 35 years.

I call to your attention, though, that the law has just lately been amended to permit a voluntary withdrawal from such supervision at an earlier date upon repayment in full merely of the mortgage loan. This has a dual advantage of placing the property on the full tax rolls at a much earlier date, while on the other hand providing something that until this minute has been lacking, namely, an incentive to the private entrepreneur on a capital gains basis.

Senator JAVITS. Mr. Chairman, may I ask a question at this point?

Senator SPARKMAN. Surely.

Senator JAVITS. I notice in reading the statement, Senator Mitchell, that one of the changes you recommend to Senator Clark and myself is to give this opportunity in our bill as well, but I am not clear on one point. Do you want to give the opportunity to withdraw the project from the provisions of the bill before or after the expiration of the 20-year period?

Senator MITCHELL. We would suggest that you follow the principle adopted in New York State and not permit any withdrawal until a minimum of 20 years.

Since the inception of the program—and this is germane because your program is not only one of supervision of construction but the financing, too, and we have handled the financing end of it on three

different bases in New York State. First we had the funds provided by direct State loans, subject to a referendum. But this was rather cumbersome, and it tended to sharply limit the extent of the housing activities because we could only provide voter approval for \$150 million.

This was modified in 1959 by the creation of a limited profit housing corporation. This was designed to triple the amount of funds by virtue of taking the moneys available through referendum and adding to them similar amounts from insurance companies and savings banks.

This was really an interim step, leading up to the passage of a bill creating in this last legislative session as a part of Governor Rockefeller's program a State housing finance agency with the power to sell up to \$500 million in bonds, exempt from taxation.

The general acceptance of the Mitchell-Lama program is a matter of great pride to us in New York State. I might add that one of the reasons that it has been so successful is the fact that we have a Commissioner of Housing in the State of New York now who has the rather elusive habit—at least elusive in my experience—in the bureaucratic hierarchy of being a dynamic man in nature and having an intense desire to protect the integrity of the State and also an understanding of the nuances of private enterprise which seem to slip from the gaze of the average bureaucrat. So as a result we have made real progress. And, if I could add a nonpartisan note, one of the men who has had a very active and effective part in the work of your committee, the former Commissioner of Housing, made a statement which I would like to quote. He said, and I quote:

No other housing program of which we have record, whether Federal, State, or municipal, has evidenced such celerity in getting actual construction underway.

Senator CLARK. Who is speaking?

Senator MITCHELL. Joseph P. McMurray.

Senator SPARKMAN. Who was formerly staff director of this committee, I suppose you know.

Senator MITCHELL. This was what I was driving at. I thought his remarks would have some pertinency.

Senator SPARKMAN. A great housing advocate and an expert in housing.

Senator MITCHELL. And, I might add, one of my leading constituents.

Senator SPARKMAN. It is Dr. McMurray now, is it not?

Senator MITCHELL. A great educator.

Senator CLARK. I hope he has not followed you into the Republican Party.

Senator MITCHELL. I might add, if I can interpolate—I suppose it may be a little out of order, but since humor sometimes is important—that I think, Senator Clark, one of your very lovely relatives gave me the greatest fight of my career just 4 years ago when I tried to be reelected State Senator.

Senator CLARK. You gave her a terrible licking. She has not gotten over it yet.

Senator MITCHELL. She was the most charming and efficient and personable person I have ever had to run against.

On the basis of our experience in New York State, I believe that a similar program can succeed and operate with tremendous benefit

at the Federal level. This Javits-Clark bill is an excellent one and well designed to provide positive assistance to private enterprise in closing the middle-income housing gap which I mentioned.

In fact, I like to fell—and I say this with the utmost sincerity, because this is a problem with which we will have to come to grips—this is the correct and logical answer for legislation at the Federal level.

In the light of existing conditions in New York State particularly, I should like briefly to advance several suggestions for amendments to the bill, hoping that they may carry some persuasive value with your committee.

First, I would recommend that the legislation make specific provision for the administration of the Federal program and the supervision and servicing of loans through a local agency, if one be created at the local level. I have specific reference in this instance to the New York State Division of Housing. I believe that it would be of inestimable value in our State where we have that agency to avoid the duplication of efforts and let any of these Federal efforts be channeled through that particular agency.

Senator CLARK. That is also in the interest of decentralization, which in your experience is a pretty good thing, is it not?

Senator MITCHELL. Very much so. We have had decentralization in New York State, too, because our law does provide for the municipalities. And again in that nonpartisan spirit which housing matters always must envision, the city of New York has done a very nice job in that connection, although I like to feel that Commissioner Gaynor has carried the torch beautifully.

Second, I would recommend that the possibility of commingling Federal and State mortgage loan funds be considered, as is presently done in the field of urban renewal. This might well serve to achieve lower rentals should the interest rate on Federal obligations perhaps become lower at some time, and so expand the volume of middle-income housing produced. It would require a modification of subsection (c) of section 6 so as to provide for participation by the State or the local government with the Federal Government in a single mortgage loan with equal priority. Servicing of the mortgage, as already indicated, could be done by the local agency.

Third, if a local agency is created, in view of the—I hesitate to use the word “ambiguity,” but certainly the fact that there is a substantial difference between the eligibility provisions of the Javits-Clark bill and our own law—I would suggest that eligible borrowers might quite properly be restricted to those that had already been approved by the local agency, if there be one.

Senator CLARK. I wish, Senator, you would comment a little on the eligibility provisions of our law. They have been very strongly criticized by the administration, and we want to be sure we have them right. Tell us what you do with respect to eligibility in the law and whether you think that is better than what Senator Javits and I have in our bill.

Senator MITCHELL. If I might—I do not want to prolong this—I think that Commissioner Gaynor has prepared something on that, and I would like to leave it to him to cover that point. But I do say that a combination of what is in the two, in our law and your bill, could well be worked out, and I think it is important.

Lastly, I believe that consideration might be given to an amendment that would give specific recognition, as Senator Javits pointed out, to the right of the eligible borrower to be relieved of regulation and supervision at the end of a reasonable period.

In closing, I should like to express my appreciation to Senator Javits, Senator Clark, and you, Senator Sparkman, and to all of you for being given this opportunity to appear and to express my strong and unqualified support for the legislation under consideration. I sincerely believe that its enactment will be of inestimable benefit, particularly in conjunction with the tools already available in New York State, in meeting the important and pressing needs of our middle-income families.

Thank you very much.

Senator SPARKMAN. Thank you, Mr. Mitchell. Let me ask you just this one question. You recommend the withdrawal of regulation. I notice you say after a period of 20 years or even earlier perhaps if full payment is made?

Senator MITCHELL. No, I did not think of before 20 years.

Senator SPARKMAN. And then only if full payment has been made?

Senator MITCHELL. Our law provides only if full payment has been made. This may seem like an anomaly, but it provides only if full payment has been made of the mortgage loan at the end of 20 years, with voluntary withdrawal. At the end of 35 years they may withdraw under the original provisions by paying the full mortgage loan and all the tax abatement. The reason for that anomaly is that if the earlier retirement is had you place the project on the full tax roll, and you would in the remaining 15 years obtain a substantially increased tax revenue.

Senator SPARKMAN. The question I wanted to ask is what assurance do you have that rentals would remain at a level that the lower middle-income people could afford to pay?

Senator MITCHELL. That is the imponderable which we can only speculate upon. At least we have tried in New York State to balance the equities. On the one hand, we all know the profit motive is something that cannot be overlooked. Up to the present time, until this change was effected, we had an almost universal disinclination to go into the rental field, and efforts were confined almost exclusively to cooperatives. Those are fine in many ways, but rental housing is an equally important and desirable alternative, and private entrepreneurs will not go into it on the basis of having to pay ordinary income at the end of 35 years. This provision was set up in conjunction with the Bureau of Internal Revenue, so that they would have a capital gains feature.

Senator SPARKMAN. May I ask a completely nonpartisan question, in view of the exchange between you and Senator Clark a while ago. I notice your statement that there is hope of lower rentals in this type project in the event interest charges on Federal obligations become lower. Do you expect that to happen during this administration?

Senator MITCHELL. I have learned one thing: never to get out of New York State and catch questions on politics.

Senator SPARKMAN. We have a lot of fun here, but the committee really acts very largely on a nonpartisan basis.

Senator MITCHELL. I might add that having sat in a comparable spot on the State level to where you are I thoroughly sympathize with what you have gone through listening to me, I promised myself this would be a 7-minute talk. The first draft was 35 minutes long, and we got it down a little bit.

Senator SPARKMAN. I found it interesting, because we have heard a great deal about the New York law. You may not realize it, but we have worked in this committee for many years trying to find some way of making our overall housing program apply to this lower middle-income group. The other groups all pretty well have an opportunity at decent housing, but we have recognized all along that there is a gap, and I have been pleased to have these details with reference to the New York law.

Senator MITCHELL. May I just add one more philosophical dissertation, and that is this. We have found that the human cry for a roof over one's head is stressed so much that unless we are able to fill that gap there is going to be a demand—and there already has been, as witness the efforts of the New York Housing Authority, which was set up for the low-cost public housing market—to go into the noncash subsidy field. If you are going to have private enterprise completely foreclosed from the housing market, that is the best way to go about it—not let them get into this middle-income field.

Senator SPARKMAN. You may know that Congress solemnly enacted a law stating the housing policy, which set a goal of a decent home and a suitable living environment for every American family, not just for a selected few but for every American family, and we constantly try to work toward that goal.

All right, Mr. Gaynor. We are glad to have you here, sir.

Senator CLARK. Do not go away, Senator Mitchell, because we are going to ask you both questions when you get through, if you can stay. (Senator Mitchell's prepared statement follows:)

STATEMENT BY MACNEIL MITCHELL, MEMBER, NEW YORK STATE SENATE; CHAIRMAN, JOINT LEGISLATIVE COMMITTEE ON HOUSING, AND CHAIRMAN, SENATE COMMITTEE ON NEW YORK CITY AFFAIRS

Primary among the problems today confronting New York State is the continuing and critical shortage of middle income housing. In the city of New York, an estimated 430,000 dwelling units are needed—mostly in the moderate rental category—to eliminate overcrowding and congestion and to replace deteriorating structures which can no longer provide safe and adequate accommodations. One measure of the dimensions of this problem is the continuing exodus of families to the suburbs. Failing a sharp upturn of activity in the middle third of our housing market, the city threatens to become a canyon of luxury apartments and subsidized low-rent housing. Nor is this problem confined to the State's largest city alone. Close to a million units are needed on a statewide basis, again primarily in the middle income field. For this reason, I am particularly grateful to be called upon to appear before your subcommittee in support of S. 1342, introduced by Senator Javits and Senator Clark.

Traditionally, for all but our lowest income families, housing needs have been met through the private market. Even before the advent of World War II, however, and the pressures which it generated in terms of the almost complete halt of private construction and vast numbers of returning servicemen, other and less recognized factors have been at work limiting the ability of private builders to meet the seemingly inexorable demand in the middle income field. Among these are:

- (1) High cost of land acquisition in densely populated areas;
- (2) Rising construction costs;
- (3) Increasing interest rates on mortgage loans;
- (4) Spiraling real estate taxes.

Under these conditions and even under strict supervision, it is difficult to build at costs requiring rentals of less than \$40 a room per month, if the builder is to realize a reasonable return on his investment. This is a far cry from the need of our middle income families for housing with rentals ranging from \$19 to \$29 a room per month.

Our alternatives have been either to expand the volume of public housing at a staggering cost to Federal, State and local governments or to aid private enterprise in closing the gap. It is this latter course that New York State has chosen, looking toward an effective collaboration between government and business that will attract further private capital into the field and eliminate or alleviate the obstacles to private enterprise participation.

On our New York State statute books today are a series of laws developed over a period of 30 years to encourage the construction of middle-income housing. From the limited dividend housing law, enacted as early as 1926, to the redevelopment companies law, enacted in 1942, various governmental aids to private developers have been made available in the form of assistance in land acquisition and the abatement of local real estate taxes. Nevertheless, it was not until the enactment of the Mitchell-Lama law in 1955 that any appreciable dent could be made in the middle income market, providing as it does a more attractive vehicle for private builders.

Limited profit housing companies formed pursuant to the law, armed with the power to acquire land by condemnation or otherwise, may borrow on mortgage from the State or the municipality up to 90 percent of the development costs of the project for a term up to 50 years and at an interest rate approximating that received by the State or the municipality on its own obligations. In addition, partial tax exemption at the discretion of the municipality may be granted for a limited period up to half the value of the project. Lest this be considered a major subsidy, I should like to cite one specific example—that of Contello Towers, a project being built under the city's Mitchell-Lama program in Brooklyn which is now approaching completion. Originally, the vacant land on which the project now stands netted the city a tax return of approximately \$2,000. Despite the 40-percent tax exemption that has been granted, Contello Towers on completion will produce more than \$90,000 annually in taxes, 45 times the original return to the city.

The law further provides for supervision of construction, management, and other costs and places a reasonable limitation on the return of private investors at 6 percent of equity. On repayment of the mortgage and tax concessions, the project is removed entirely from Government supervision, normally after a period of 35 years. The law has lately been amended to permit a voluntary withdrawal from such supervision at an earlier date upon repayment in full just of the outstanding mortgage loan. This has the dual advantage of placing the property on the tax rolls at full value at a much earlier date, while on the other hand providing an incentive to the entrepreneur, by reason of the capital gains advantages, for the construction of rental, as opposed to cooperative, units.

Since the inception of the program in 1955, three different methods of financing have been utilized. Initially, State funds for direct loans were provided by referendum: \$50 million in 1955 and \$100 million in 1958. This cumbersome and somewhat undesirable procedure—which tends to rather sharply limit the extent of housing activities that may be undertaken at any one time—was modified in 1959 by the creation of a limited profit housing mortgage corporation. This was an interim step, contemplating the commingling of State funds with funds from banks and insurance companies, and was designed to increase threefold the mortgage money available at an interest cost still below that in the conventional market. This year, as part of Governor Rockefeller's program, the mortgage corporation concept was supplemented by the creation of a State housing finance agency with the power to sell up to \$500 million in bonds, which are exempt from Federal tax, for middle income housing under the limited profit program at an interest rate of approximately 4 percent. This is basically similar to the proposal that is before you today.

The general acceptance of the Mitchell-Lama program is a matter of great pride to us in New York State. To date, 23 projects with a total of 11,590 dwelling units have been completed or are under construction or in planning. Sponsors have included labor unions, retirement systems, private builders, hospitals, community groups, professional groups, civil service groups—a broad cross section of our private enterprise economy. Under different administrations and under differing economic conditions, the program has moved rapidly ahead.

In the words of the former State commissioner of housing: "No other housing program of which we have record, whether Federal, State, or municipal, has evidenced such celerity in getting actual construction underway."

On the basis of our experience in New York State, I believe that a similar program can succeed and operate with benefit at the Federal level. This bill is an excellent one and well designed to provide positive assistance to private enterprise in closing the middle income housing gap. It is a logical supplement to other housing tools already available in the form of mortgage guarantees and urban renewal aids, as well as to our State Mitchell-Lama program. I am particularly delighted to note the provision for preference to State and local governments offering aid in site acquisition. As I indicated initially, the high price of land in urban centers is one of the principal barriers to the construction of moderate rental housing. By taking advantage of the write down under title I and utilizing such sites at least in part for housing receiving mortgage assistance, development costs will be held down, enabling Federal loan funds to be stretched further and the urgent need for moderately priced accommodations in the center of our cities to be more readily met. This is something which I have long advocated in conjunction with the operation of our own limited profit program and for the first time, it is now being considered for projects in Rochester and in Manhattan.

In light of the existing conditions in New York State particularly, I should like to advance several brief suggestions for the consideration of this subcommittee and the sponsors, all of which quite naturally revolve around the important central thesis of the existing bill.

First, I would recommend that the legislation make specific provision for the administration of the Federal program and the supervision and servicing of loans through a local agency, to be created at the option of the State government. In a State, such as New York, where a similar program is already underway, this would eliminate duplication of functions and achieve administrative economies. It would insure coordination of the Federal program and the funds available with State activity in the field. Precedent for such an amendment exists under title I of the National Housing Act of 1949.

Second, I would recommend that the possibility of mingling Federal and State mortgage loan funds be considered, as is presently done in the field of urban renewal. This might well serve to achieve lower rentals, should the interest rate on Federal obligations be lower, and to expand the volume of middle-income housing produced. This would require a modification of subsection (c) of section 6 so as to provide for participation by the State or the local government with the Federal Government in a single mortgage loan with equal priority. Servicing of the mortgage, as already indicated, could be done by the local agency.

Third, if a local agency is designated, eligible borrowers should be restricted to corporations or organizations formed only with the consent of the local agency pursuant to any applicable State statute.

Finally, I believe that consideration might be given to an amendment that would give specific recognition to the right of an eligible borrower to be relieved of regulation and supervision at the end of a reasonable period, such as the 20 years set by our New York State statute, upon payment in full of the outstanding mortgage loan. As in our State program, as I indicated earlier, this may well serve to encourage the construction of rental rather than cooperative housing.

In closing, I should like to express my appreciation to Senator Javits and to the subcommittee for being given this opportunity to appear and to express my strong and unqualified support for the legislation under consideration. I believe that its enactment will be of inestimable benefit in meeting the needs of our middle-income families.

STATEMENT OF JAMES W. GAYNOR, NEW YORK STATE COMMISSIONER OF HOUSING

Mr. GAYNOR. Mr. Chairman, if I may I would like to summarize my printed statement.

Senator SPARKMAN. Very good. The printed statement will be printed in the record.

Mr. GAYNOR. I should like to say first that we in New York State, representing as I do the executive side and Senator Mitchell the legislative side, heartily endorse S. 1342 of Senators Javits and Clark, and if I may I want to talk from our experience in the operation of a housing program.

We find that the greatest deficiency today in housing in urban centers is for the moderate-income group, and if I may say so, particularly deficient is the Federal housing program in this respect. These people, depending on what basis is used—and there are several bases, I think we would have to agree—represent better than 40 percent of our population today.

These are the skilled laborers, the white-collar wage earners, and small businessmen. Generally, they earn from \$4,000 to \$7,000 a year, possibly up to \$10,000 a year in some high cost areas. In our opinion—and I believe that you gentlemen will concur—they represent the chief support of our cities' civic life and economy. We owe to this income segment of our population a better break than they have yet received in housing.

The cities today face a problem. There has been for the past generation a loss to the suburbs, and the first result of the 1960 census in New York State indicates that in our third largest city in the past decade there has been a loss of 5 percent of its population, whereas its suburbs have increased 20 percent. If this flight continues, we are going to be faced in the urban areas with a program of housing designed to take care of low-income families in subsidized housing and the wealthy families in luxury housing.

I believe if you gentlemen consider the population increase that we face you will agree that we are now in about the same dilemma as we were in in the postwar years after World War II, when the returning veterans precipitated a housing crisis. This is the housing crisis that can be forecast. This is a population increase that I think we all can agree is coming in this next decade.

Senator CLARK. It is already here, is it not?

Mr. GAYNOR. Yes, sir; but it is only a shade of the rate of growth we will experience.

Our feeling is that the present rate of production of dwelling units currently estimated at somewhere between 1.1 million and 1.2 million per year is wholly inadequate. Figures of the Senate Banking and Currency Subcommittee indicate that we should be producing better than 2 million. It should be 1.8 million at least for the next decade, at any rate a substantial increase in the production of housing units is necessary.

Senator CLARK. I think we said a minimum of 1.6 million nonfarm permanent housing units, did we not?

Senator SPARKMAN. A minimum of 1.6 million.

Mr. GAYNOR. Your proposed Federal Limited Profit Mortgage Corporation is the first attempt on a Federal basis to provide the construction industry with financial assistance on a nationwide basis. We find that it is a practical program in New York State, as Senator Mitchell has pointed out, and of course he is the author of the legislation which was enacted in New York State in 1955. We have a program that is working. Also, as he has pointed out, we have an innovation in the new program of Governor Rockefeller's which

provides \$525 million in funds of a new State housing finance agency. This is particularly attractive and should be considered by those interested in the proposed legislation before your committee, because it invites the investment of an entirely new segment of the investing public. That is the trustee, the investment funds, rather than exclusively mortgage funds, which are handled by people who are expert in real estate.

We find that too small a portion of pension funds today are invested in housing, because the ordinary real estate mortgage is not attractive to a trustee. It is not negotiable and requires expert treatment on the part of the trustee. The mortgage corporation, through its issuance of securities, in turn based on mortgages, we think is the finest device to attract this money which now is not finding its way into the mortgage market.

We further find in New York State, as Senator Mitchell pointed out, that the elimination of direct State loans is of interest, because now we need no longer pledge the full faith and credit of the State.

Incidentally, I might add that New York State has an unprecedented housing program carried on over the past 20 years, and we have authorized over a billion dollars in low rent and middle-income housing.

For whatever it may be worth to you gentlemen, we have found that there are certain factors that enter into the producing of housing, and we suggest careful control of five principal cost factors can produce a reduction in rent. Mind you, there is no difference in the actual production of the housing. It is done by private enterprise. The State does not build; private builders build.

We have found that rents can be reduced up to \$25 per room per month if careful consideration is given to these five factors, and they are, briefly:

(1) The cost of financing. In New York State our bonds are 4 percent. We would expect we would be able to extend 4½ percent mortgage loans, which is 1½ or 2 percent below the going conventional rate.

Senator CLARK. Do you get this through the tax deduction feature?

Mr. GAYNOR. Yes, sir.

Senator JAVITS. Not only the tax deduction feature but also the high level of the credit risk which is involved in the loan.

Mr. GAYNOR. The second factor is partial and temporary abatement of local taxes on the project, which as Senator Mitchell has pointed out are permissible in New York State.

Incidentally, our record substantiates Senator Mitchell's example of the unprecedented increase in tax return to a community that has built this type of project.

Senator CLARK. Let me interject to make sure I understand. What you mean is construction of these projects in a community does not decrease but rather increases the tax base. Is that right?

Mr. GAYNOR. Yes, sir. This is particularly true when the project is built on vacant land. I might say we do not preempt the class A sites. We feel that with housing such as this we should use other than class A, leaving those to be full taxpaying private enterprise projects. In every instance in which we have built one of these projects on vacant land the taxes have increased, and in several examples

in New York City they have increased infinitely because they were on the delinquent tax rolls when they were taken over by our sponsor for construction.

The limiting of profit to 6 percent, incidentally, is not repugnant to the construction industry. We have 23 projects either built, in construction, or under immediate planning, and these by reputable builders. Builders will build for a limited profit if the other attendant factors are taken care of.

Senator CLARK. I think this is very important for this committee. You have no trouble getting reputable builders for a limited profit?

Mr. GAYNOR. It is a missionary job, Senator, but we think we have accomplished it, and we think it is going to be easier as we go along with the examples that other builders have found that this is a palatable type of investment.

Senator CLARK. We have never had any difficulty getting people to go into the public utility business where at least in theory there is a limited profit, have we?

Mr. GAYNOR. No. The fourth factor would be tight standards in planning, construction, and supervision during the design and construction, and the operation of the project. Incidentally, we concur with Senator Mitchell's proposal that you consider channeling funds through a State agency where one is established. This organization is already present in New York State.

Senator CLARK. This could be optional, could it not?

Mr. GAYNOR. Yes.

Site cost is the fifth factor. However, it is probably not as important as most people might conclude, unless you are in a high cost land area where a writedown is not only important but necessary.

Senator CLARK. Have you used this in connection with urban renewal?

Mr. GAYNOR. Yes, sir, and we would recommend an amendment to the Housing Act of 1949, section 107, that permits the credit to cities of its cost writedown as you presently authorize for public housing projects.

If I may summarize what can be done in these reductions in cost factors in relation to rent, and I must say that these are average, they will not be applicable in toto to any particular project. They are based upon a distillation of our experience throughout our program. But, generally, I can give you a measure of what can be done.

First, in financing, a 1-percent decrease in the interest rate will result in a \$2 decrease in the rental per room per month. Other effects of the financing factor will be the terms, whether you have level debt which you proportion, level amortization with which, of course, we have had more experience, and the period 50 years, or conventionally, 30 years or less. These will have a considerable effect on the rental and the rental savings.

The abatement of real estate taxes is rather difficult to appraise because it depends upon the local rates. It is only a general observation on our part that if school taxes are included in the abatement along with real property taxes, the 50-percent abatement can result in a reduction of up to \$4.50 per room per month. A 5 percent reduction down to a 6-percent limited return. In other words, if the rate is decreased from 11 percent to 6 percent, that reduction

of 5 percent, in turn, can result in a decrease of \$1.60 per room per month.

Actually, the average builder has a right to expect better than an 11-percent return on a purely speculative venture. A \$500 reduction in construction costs per rental room can result in a rental decrease of \$3.50 per room.

Senator CLARK. All these figures are based on your actual experience, are they not?

Mr. GAYNOR. Yes, sir.

Senator CLARK. They are not just opinions?

Mr. GAYNOR. No, sir, but I again qualify that they would not apply to any single project, but represent a composite experience we have had. Unfortunately, each project stands on its own, and usually, on a different basis in these five areas.

Senator CLARK. How many projects did you say you had?

Mr. GAYNOR. We have 23 now in the course of operation, and it will be a multiple of that in a matter of, I hope, months. The reduction in the cost of land depends, of course, on what the basic cost of land is. But, roughly, if a \$1 reduction per square foot in land can be achieved, that would represent a reduction of 30 cents per room per month.

The urban renewal breakdown could be substantial in the high land cost areas and actually would be necessary in the redevelopment area. If we apply all of these cost factors to a typical 4½-room apartment, we believe a reduction of up to \$60 per apartment per month can be achieved, which means that a conventionally financed house today, or apartment, costing \$140 to \$160 a month under these devices and considering these factors, could rent for \$80 to \$100 per month. This is our objective to achieve that rental for that income group.

Senator CLARK. What is your experience as distinguished from your objective on rents?

Mr. GAYNOR. Senator, I must qualify this because we operate both cooperative as well as rental projects. The cooperative will be, in the main, \$2 per room per month lower in carrying charges than a rental project because of the effect of the downpayment. Our carrying charges for cooperatives average \$21 per room per month. In our rental projects, approximately the same, but they will go up when our big rental project comes in, which we hope we can bring in somewhere below \$30 and probably closer to \$25 per room per month.

Senator CLARK. Could you give me a typical figure of a monthly rent for a 4½ room apartment in one of your projects?

Mr. GAYNOR. \$85 to \$95.

We have some recommendations that we would like to suggest in addition to Senator Mitchell's proposal that you channel funds through a State agency, if one exists, and our own proposal to amend the Federal Housing Act to provide credits for a municipality in its urban renewal program similar to that you now accord the subsidized housing projects.

We would suggest you might define the rental ranges that this program is hopeful of achieving. We would recommend that you delete the firm charges of one half of 1 percent for administration and 1 percent for inspection.

If I may say this as an administrator, where we ask the legislators, "Please do not legislate us into our operations, if at all possible." We would suggest that if you do so bind an administrator, it may require a subsequent act of Congress in order to bring the relief that experience indicates may be needed.

We think you should define eligible borrowers to include corporations that provide middle-income cooperative housing, but whose membership need not be comprised of moderate-income families or elderly persons as presently specified in the bill. I say this because the sponsor, the largest sponsor in this country of middle-income cooperative housing is staffed by people who I am sure have moderate incomes and some of whom might qualify as being elderly. But they do not necessarily move into these projects or sponsor these projects in their own behalf. They have sponsored thousands of dwelling units, tens of thousands of dwelling units, under our program for persons of moderate incomes. We think you should consider some recognition of that fact.

We would suggest, as Senator Mitchell did, that you permit the refinancing of a rental project. I might say we qualify this because a cooperative is owned by those living in it. There is no need there for refinancing unless it appears that a mortgage might be retired at a more profitable rate to the cooperators. But they are not interested in disposing of it on a capital gains basis, and we have found that this is something that should be considered because, as Senator Mitchell has pointed out, in New York State, we appear to have been unduly restricted and were producing mostly cooperative housing because an entrepreneur could not dispose of the rental housing.

We would suggest as the Senator did, after 20 years, you might permit the so-called dissolution of the company. This would enable the possibility of a capital gains treatment of the entrepreneur.

In conclusion, this program, in our opinion, is necessary. The proposed amendment, initially \$500 million, which is the size of New York State's program, is minimal, in our opinion. But we think it is adequate to test the feasibility of what you propose. As a public policy, we think it is a proper approach to the construction industry since it is one way to supply housing for this much-needed segment of our people at no direct tax cost.

There are tax features involved, but this has the direct tax features that are subsidized programs and backed by the mortgage credit of the governmental agency involved.

We heartily endorse this bill and would recommend its adoption.

Senator SPARKMAN. Thank you very much.

Any questions?

Senator CLARK. I have several, Mr. Chairman. I would ordinarily yield to Senator Javits, but I am going to have to go pretty soon.

Senator SPARKMAN. May I offer a suggestion. We are going to have to move along a little faster. We have a long list of witnesses. In fact, we have several more on this bill. So let us just keep that in mind in questioning and also during the presentation of further statements.

Senator CLARK. I would be happy to do that.

Senator JAVITS. Mr. Chairman, if I may state, there are two witnesses who will testify together for New York City and one individual

builder. I thought it would be a good idea to get one actual man that is behind the gun, and I will ask them to make it very brief.

Senator CLARK. You gentlemen make your answers as brief to my questions as you can. I will try to make them brief. But this, I do think, is important.

Under date of September 16, 1959, Mr. Norman P. Mason, the Administrator of the HHFA, expressed his strong opposition to this bill. I would like the brief comments of you gentlemen on the reasons he gave for opposing it so that we will have something in the nature of rebuttal when the committee comes to consider the bill. He says, in the first place, this bill—

would commit the Federal Government to supplanting the present satisfactory system of FHA-insured or VA-guaranteed private loans with the direct public loans, and it would do this for a large segment of the housing market which could readily obtain good housing without the extraordinary aids the bill would provide.

Which one of you would like to take that one?

Senator MITCHELL. I will say very, very briefly that without in any way trying to engage in any personal conflict with Mr. Mason, the facts in New York State are that the market has not been satisfied through those means.

Senator CLARK. He then proceeds—

Its liberal direct loan terms are coupled to an unrealistic standard of eligibility for "moderate-income" families.

Would one of you gentlemen comment as to whether our standard of eligibility is unrealistic?

Do you recall what it is? It says:

families of moderate income needs, families who cannot purchase or rent conventionally financed new housing with total monthly expenses of 20 percent of their normal stable income.

Mr. GAYNOR. The intent of our legislation has been to accomplish that aim. However, we do have limitations on the income limits, which are a function of the rent. That is to say, they may not exceed six times the rent, or seven times, in the case of a person having three or more dependents or who is a veteran.

Senator CLARK. Would you recommend any change in the eligibility requirements in our bill?

Mr. GAYNOR. It is difficult, Senator, for me, again, to comment because, naturally, I am not aware except as an individual of the national housing problems. In New York State, we find it necessary because there would be criticism that our housing might accommodate people who could find housing in the private market if there were not our eligibility restrictions.

Senator SPARKMAN. May I ask, there: Is that limit you state applicable to admission to the project or to staying in the project?

Mr. GAYNOR. Admission. Continued occupancy is based upon an increase in that factor which is permitted from 125 to 150 percent of the admission limits.

Senator CLARK. Mr. Mason comments:

It seems entirely unrealistic to base eligibility for housing under the bill upon inability to purchase or rent new, conventionally financed housing with expenditure of a given percent of income.

What this is based on is his feeling that old housing should also be taken into consideration. Would you comment on that?

Mr. GAYNOR. If old housing is available, it certainly should be taken into consideration. Our experience, Senator, in New York State where we have a very urban economy as well as a less urban economy, there are some areas where, apparently, housing for middle-income people is available. But in our highly populated urban areas, and particularly New York City, our experience has been that that housing is not now available.

Senator MITCHELL. I should like just to add that the experience in all our urban centers in New York State, based on actual examination of the facts and a survey of the needs and the prevailing accommodations that are available, would thoroughly refute that statement by Mr. Mason. I would indicate, as I mentioned, the possibility of your eligibility provision being conformed to the State eligibility provision, where there is a State one. This is the kind of a program that we must have.

Senator CLARK. Mr. Mason also says that this program would put sections 207 and 213 of the National Housing Act—those are FHA programs for cooperative and rental housing—out of business because many persons who would otherwise purchase individual homes financed by VA or FHA assistance would take advantage of the very liberal terms of this bill. I have no doubt they would, but why should they not? Would you have any comment on that?

Senator MITCHELL. I think where it is possible to obtain financing, and we have had our problems, as you know, in that connection, there has been no diminution insofar as the demand for section 207 housing is concerned in New York State. It treats with an entirely different category of individual and family. Those who are being forced, and the record is clear they are being forced, out of the cities into the suburbs with great dislocation problems, so we have no problem of competition between the two.

Senator CLARK. It has seemed clear to me that sections 207 and 213 just do not provide the answer for middle-income needs. Would you agree with that?

Senator MITCHELL. Certainly.

Senator CLARK. Mr. Mason comments, "The allocation of the authorized loan funds would present a virtually impossible administrative burden. It is important to note that these almost insurmountable administrative problems do not arise merely from detailed provisions of the bill, but rather from its basic defect, the substitution of direct governmental lending for the normal operations of the private mortgage market."

Have you gentlemen found insurmountable administrative difficulties in the administration of your program?

Mr. GAYNOR. No.

Senator CLARK. Do you see any reason why, on a nationwide basis, it would be any more difficult to administer? It might be somewhat more difficult, of course.

Mr. GAYNOR. It might be more difficult, but it has not been insurmountable in our experience.

Senator CLARK. I take it, Senator, that Governor Rockefeller strongly supports this program.

Senator MITCHELL. I cannot speak for him, but he has signed all our bills.

Senator CLARK. That would seem to speak for itself.

Senator JAVITS. I think Mr. Gaynor perhaps could add to that.

Mr. GAYNOR. The latest legislation was developed by a task force of people concerned with the problems of housing, people from public administration, banks, insurance companies, private enterprise, some 14, who recommended, among other things, that the Governor consider the establishment of this housing, financing \$525 million of the cost. Senator Mitchell sponsored the bill in our legislature, where it passed, and which the Governor signed. We are now in the process of establishing it as a functioning program at the present time.

Senator CLARK. Have any of your projects been constructed in small towns or cities, or have they been confined to the New York City metropolitan area?

Mr. GAYNOR. Not necessarily New York City, Senator, but they would be confined to larger urban centers.

Senator CLARK. What do you have upstate?

Mr. GAYNOR. We have three projects in Buffalo; we have two in Rochester, one in Syracuse. In Westchester County and in Long Island, we have projects, and the balance are in New York City.

Senator CLARK. It is the joint feeling of you two gentlemen that this program has worked and worked well in New York State, is that correct?

Mr. GAYNOR. Yes, sir.

Senator CLARK. You see no reason why it would not work elsewhere?

Senator MITCHELL. Insofar as we can forecast; on a national level.

Senator CLARK. Thank you, Mr. Chairman.

Senator SPARKMAN. Senator Javits?

Senator JAVITS. I have no questions, but could we have the single representatives?

Senator SPARKMAN. Thank you, gentlemen.

Senator JAVITS. I just wanted to thank my colleagues for appearing and to state, Mr. Chairman, my gratification that they have supported so completely this legislation which, as Senator Clark and I have put it before the committee, is based solidly upon proven experience in the great job New York has done in this field. I thank you.

Senator CLARK. I would like to add my commendation and very real gratitude to both you gentlemen for being willing to come down here and help us.

Senator SPARKMAN. Thank you very much, gentlemen. I certainly join with my two colleagues on the committee of that expression.

(The prepared statement of Mr. Gaynor follows:)

STATEMENT BY JAMES W. GAYNOR, NEW YORK STATE COMMISSIONER OF HOUSING

The greatest single deficiency in the Federal housing program to date has been the lack of a program to stimulate the construction of housing in the urban centers for that portion of the middle income group whose earnings are just above the traditional public housing market. This moderate income group represents over 40 percent of the population at present, and is growing at least as rapidly as the rest of our increasing population. It is made up of skilled labor, clerical and other white collar wage earners, and even some small business men. Annual incomes range from \$4,000 to \$7,500 in most parts of the country, and even up to \$10,000 in some high-cost areas. It is a self-

supporting group, and those who live in the cities are not only the chief support of civic life, but the foundation of the cities' economy.

A program should be undertaken at once to expand the housing inventory for this market. Otherwise we are ignoring a growing demand for moderate rental housing during the next few years that will rival the housing shortage of the post World War II period. The disruptive effect of that shortage on our cities' economic and social life resulted in costly, makeshift solutions, adopted under crisis conditions.

There is no need to repeat that experience. The construction industry, unaided or with the assistance of FHA insurance, can supply the market demands of the rest of the private housing market. The construction industry can, and will, also supply the moderate income market, given the minimum assistance provided in the Federal Limited Profit Mortgage Corporation bill. Whether we allow another housing crisis to develop within a decade, or adopt an orderly plan to expand the housing inventory, will be determined here and now.

The proposed Federal Limited Profit Mortgage Corporation is the first attempt to devise such a program that will give the construction industry this assistance on a nationwide basis. It is a practical program based on the kind of assistance that has been tested and found workable in New York State's limited profit housing program.

The origins of the New York State program have already been sketched for you by Senator Mitchell, who drafted, sponsored and promoted the legislation that initiated the program 4 years ago. The recent enactment by the legislature of Governor Rockefeller's \$525 million housing program for moderate income families expands that program through two innovations in housing finance that are pertinent to your considerations.

First, by creating the New York State Housing Finance Agency, which will raise funds for mortgage loans by selling its obligations to a broad investing public, we have the means to attract into housing finance funds from an entirely new source—those investors who would find the risk and long-term commitment of conventional mortgages unattractive, particularly the trustees of pension funds. Second, by eliminating the State from the business of making direct mortgage loans, the need for any further pledge of the State credit has been eliminated.

By creating a new and enlarged source of funds, Governor Rockefeller's program expands the State's pioneering housing program to a size that will be of significant assistance to our urban centers.

The key to the success of New York's program is contained in certain provisions that have enabled private builders to produce housing at rents, or carrying charges in the case of cooperatives, well below the range of unaided private housing. The objective is \$19 to \$29 per room per month, and the housing built or currently planned under that program to date generally has ranged from \$19 to \$25.

These rents have been achieved through careful control of the factors that determine the price of housing on the rental market. We believe that careful control of these same factors by the Federal Government will stimulate a building program throughout the country that obtains the same results.

First, and most important, is the cost of financing to the builder. We expect, under our new program, to sell the Housing Finance Agency bonds at approximately 4 percent because of exemption of the yield from Federal and State income taxes. Loans will be made with a premium charge of one-half percent, thereby providing the builder with a 90 percent mortgage loan at 1½ to 2 percent below the going rate in the State of New York for conventional mortgage money. The provisions of your bill that limit the interest rate on the obligations of the Federal Limited Profit Mortgage Corporation to 4 percent are consistent with our experience.

Second, some abatement of local real estate taxes is essential. The New York State law permits up to 50 percent abatement for 30 years. Although Congress cannot legislate this essential provision, it should be noted that it is essential, and should be established by the States as a matter of local option, as is the case in New York.

Third, the limitation of profit is another key factor. I do not agree with the pessimists who believe that the building industry, accustomed to substantial profits in the conventional housing market, will not undertake to work within the 6-percent limit proposed in your bill. We have had 4 years of experience, during which time 23 projects have been completed, put into construction, or

designed, and we have twice as many additional proposals now under consideration for financing. We have attracted reputable builders who work efficiently within our free structure and profit limit. The healthy competition of the free enterprise system has been worked effectively in this program throughout the State of New York. It will work throughout the Nation.

Fourth, tight standards are essential. Economies in design, construction, and management can be achieved through adequate control. Our New York State projects are subject to supervision, inspection, and audit during planning, construction, and the entire management period by the division of housing. The mechanics that provide this control for a Federal loan program should be incorporated in an amendment to the bill. In this connection I concur with Senator Mitchell's proposed amendment that would channel all loans for the Federal Limited Profit Mortgage Corporation through State operating agencies in those States that already have such an agency. Excessive costs and duplication of effort in administering such a program could be eliminated if the Federal program in New York were to be placed under State supervision. Neither State nor Federal funds would be involved in this supervision since your bill, like our own State program, would make a direct charge for supervision against the housing company.

Fifth, the site will be reflected in the overall cost, and, consequently, in rents. However, its effect on rents is the least of the five cost factors I have listed. Of far greater importance is its location, since it is one purpose of the bill under consideration to provide housing that will enable moderate income families to remain in our urban areas.

The urgent need for renewal of the central areas of the cities, including renewal with housing, is recognized in the Federal housing program undertaken through the Housing Act of 1949. The incentive of special credits to a city toward its share of written-down land costs, whenever an urban renewal area is rebuilt with low rent housing, is an important provision.

It would be highly desirable that housing financed under the proposed Federal Limited Profit Mortgage Corporation provide the same incentives to a city. Moderate income housing, for the wage earners who are the cities' chief support, as well as for the aging who prefer and require central locations, should not be relegated to available land on the outskirts of the city merely because it cannot compete with public housing in an urban renewal area. Therefore, the usefulness of the Federal Limited Profit Mortgage Corporation to the cities' general economy would be enhanced if, in conjunction with this bill, an amendment to section 107 of the Housing Act of 1949 were to be enacted to give equal write-down credits for moderate and low rent housing in urban renewal areas.

To summarize, the five factors that are prime considerations in moderate rental housing can be evaluated by rule of thumb, as follows:

1. For every decrease in interest rate of 1 percent, rents will decrease at least \$2 per room per month.
2. Fifty percent abatement of real estate taxes will reduce rents approximately \$4.50 per room per month.
3. Every 5 percent reduction in profit on 10 percent equity will reduce rents about \$1.60 per room per month; or assuming a standard 15 percent profit on investment for conventional housing, limiting profit to 6 percent will reduce rents about \$2.85 per room per month.
4. Tight standards that reduce construction cost \$500 per room will reduce rents about \$3.50 per room per month.
5. Site costs are affected by many variables, but all else being equal, every \$1 per square foot reduction in cost will reduce rents about 30 cents per room. The write-down benefits under urban renewal could therefore contribute a rental reduction of \$1.50 or more per room per month.

These cost reductions applied to the average 4½ room apartment mean a reduction in rent of over \$60 per month. In other words, the same builder who can produce a 4½ room apartment under conventional financing to rent at \$140 to \$160 a month, can, given all of the assistance I have outlined, produce that same apartment to rent at \$80 to \$100 a month. While it is improbable that all of those cost reduction factors would be applicable to the maximum in a given project, the figures indicate the importance of assistance to the construction industry.

The bill that would create the Federal Limited Profit Housing Mortgage Corporation is drawn to produce those results. The recommendations I make are minor, intended to make the program more workable. In addition to my en-

dorsement of Senator Mitchell's proposal to channel funds through existing State operating agencies, and my proposal for an amendment to the U.S. Housing Act to qualify moderate rental housing financed under the Federal Limited Profit Mortgage Corporation for urban renewal credits, I have four further suggestions.

1. Define the rent range in order that the program will achieve the results intended and serve that portion of the middle-income group whose incomes are just above the public housing market.

2. Delete set charges of one-half of 1 percent against mortgage loans for overhead and administration, and 1 percent for inspection during construction. While these charges are valid, and perhaps should be expanded to include a charge against rents for inspection during operation, it strikes me as unwise to establish rigid charges as a matter of law, requiring congressional action to change as costs change. Instead, I believe the program would be more workable if charges were made a matter of regulation by the administrators of the program.

3. Amend the definition of eligible borrowers to include sponsorship of cooperative projects by nonprofit corporations that produce housing for families of moderate income or elderly persons, but whose membership need not necessarily be comprised of such family or persons. As the bill is now written, sponsors of cooperative housing projects, such as the United Housing Foundation and others who have built under New York State's limited profit program, would not be eligible borrowers. Housing cooperatives are seldom organized by the tenants, and the bill, as presently drawn, will inhibit the development of cooperative housing under the Federal Limited Profit Mortgage Corporation.

4. Amend the bill to provide for the refinancing of a project after a period of time such as 15 or 20 years to provide an additional incentive to builders. We have found that a comparatively short-term investment that will enable a builder to take out his equity on a capital gains basis is a profit incentive that compensates for the 6 percent limit in his return. Without this incentive the bill is missing an essential stimulus to the production of rental housing.

The initial \$500 million program proposed in the Federal Limited Profit Mortgage Corporation bill is minimal, to say the least, in view of the Nation's growing population and housing requirements. It proposes, for the whole country, a program identical in size to Governor Rockefeller's program for New York State. It should be viewed as adequate, however, to test the feasibility of such a program on a nationwide scale. Our experience in New York has shown that it can work.

As public policy, we believe it is the proper approach to provide assistance to the construction industry, for this is the one way we can supply the housing needed by moderate-income families and aging persons at no cost to the taxpayers.

Senator SPARKMAN. The next two witnesses are Mr. Davies and Mr. Morris.

Senator JAVTS. Mr. Chairman, I would like to introduce to the committee Mr. Clarence Davies, who is chairman of the Housing and Redevelopment Board of the City of New York who will testify for the city in respect to our bill. Mr. Davies has a long and honored record and came to the rescue of our New York real estate activities when he was very badly needed.

I would like, also, to introduce Mr. Eugene J. Morris, a New York lawyer who represents here J. Anthony Panuch who was designated by the mayor of the City of New York as a special consultant or authority on housing. He made a very important report, entitled, "Building a Better New York."

I thought it might be just as well, like the State representatives, to have the city representatives together. I would suggest respectfully, Mr. Davies lead off.

Senator Clark. Fine. Would you please express my own personal regret that Mr. Panuch could not be here.

STATEMENT OF J. CLARENCE DAVIES, CHAIRMAN, HOUSING AND REDEVELOPMENT BOARD, NEW YORK CITY

Mr. DAVIES. I think, gentlemen, I can save your time by reading rapidly rather than attempting to summarize.

I am appearing here at the request of Mayor Robert F. Wagner to underscore the vital need for the various housing and renewal bills now being considered by this subcommittee to further the overall housing and renewal programs of New York and other cities. It is significant that the mayor has asked me to make this presentation because New York City's newly created board, in which all redevelopment, renewal, conservation, and middle-income housing programs are to be administered, is the product of an evolutionary process that has brought coordinated administration and long-range planning and programing into the urban housing area—a process which we hope will result in an omnibus bill this year containing the many broadening and perfecting proposals which are before you.

The legislation under consideration by this subcommittee represents a wide variety of tools, techniques, and aids which are designed—not to foster vague, untested programs—but rather to fill the existing gaps in our total approach and augment those aspects of our programs and operations which we have found to be weak. Of course, the lifeblood of the entire federally aided housing program for this Nation is the amount of funds that can be made available. In this regard may I reemphasize a point made by Mayor Wagner on several recent occasions. He said that urban renewal grants in the amount of \$600 million a year during the next several years are—

a minimum requirement for a program geared to the physical needs of the Nation's cities and to the need for continuity of long-range planning, programing, and research.

Senator CLARK. How much of that can you use in New York City?

Mr. DAVIES. We could use as much as we could get, sir, under our present program.

Senator CLARK. Right now?

Mr. DAVIES. Yes, sir.

Senator CLARK. The administration says you do not need anything.

Senator JAVITS. Let us translate the laugh into language, Mr. Davies.

Senator CLARK. The administration says there is no need for additional grant authorization for the coming fiscal year.

Senator JAVITS. I just wanted Mr. Davies to put his laughter into language because his laughter will not appear on the record.

Mr. DAVIES. We have sufficient applications now in planning and long range that would take every penny we can get. They are being presented to us on a daily basis, even though this board has only been in existence 2 weeks.

Senator CLARK. In other words, you could gobble up the whole \$600 million?

Mr. DAVIES. We could that, sir.

The newly established board, on which I am honored to serve, presents an exciting new challenge to those of use who have witnessed the phenomenal growth of the city of New York despite obstacles that

might have deterred or frustrated cities with fewer resources or less determination to maintain their preeminence. You gentlemen are aware of New York's continuous role in pioneering new housing programs and new techniques to provide decent and desirable housing for our residents. Since World War II the city of New York has built, is building, or has on the drawing boards, almost 216,000 units of housing under Federal, State, or local programs involving subsidies, capital grants, loans or local tax abatement. This huge program—which could house approximately the entire population of the city of San Francisco—has reached this degree of magnitude to a great extent because of an understanding and imaginative approach to our local problems by Federal officials.

But it should be clear that the city has not been standing by, idly waiting for Federal "handouts" in order to pursue its vigorous and much needed housing and renewal programs. Sixty percent of these 216,000 completed or planned units are the result of city and State programs and aids, rather than Federal assistance. In addition, we are continually developing new local legislation and administrative techniques to expand and improve these programs.

In developing a more coordinated approach to renewal and redevelopment programs, we have recognized that there are several problems—some of them peculiar to large metropolitan areas such as New York—which will require remedial legislative measures by the Federal Government. In terms of the vast programing involved, these legislative aids may seem minor, but they are no less important than Ben Franklin's proverbial nail—for want of which a shoe was lost, a horse was lost and a rider was lost. I am sure Mr. Franklin was not referring to legislative riders—but today the shoe is on the other foot.

A specific case in point is the kind of assistance New York City must receive to carry out effective relocation—both residential and commercial. While we support the increase proposed in S. 3042 in payments authorized under section 106(f) of the Housing Act, we do not feel that these give us the extent or flexibility of aids which are essential to accomplish an orderly, humane, and equitable relocation program in New York City. We have within recent months taken very significant steps in New York City toward such a relocation program through the creation of a bureau of relocation in the city's department of real estate, from which I have just resigned.

Further, we have adopted, by action of the State legislature and our board of estimate, a tenant's bill of rights which establishes uniform procedures and policies and a uniform schedule of benefits for residential tenants who are relocated from the sites of all public or publicly assisted undertakings. In order to extend the same schedule of benefits and policies to families relocated from title I sites, and to obtain Federal participation in the costs involved, we would respectfully request the Congress to give the Administrator of the Housing and Home Finance Agency discretionary power to include in gross project costs such benefits and costs as are customarily paid in a community by municipal agencies dealing with relocation.

Such authorization by the Congress could, and probably should, be permissive and flexible in application to meet varying needs in different cities. I cannot overemphasize the importance of this aspect of New York City's total housing and redevelopment program. We

have come to recognize, in New York City, a city of 8 million people where housing shortages exist, that relocation must be a positive tool in our housing program and not merely an unfortunate byproduct of renewal and redevelopment. It is a method by which we can find better housing and more wholesome environments for those who are now ill-housed and victimized by their surroundings. To suggest that relocation benefits should differ from project to project is unfair to the family, costly to the city, and detrimental to the progress of housing programs in which the Federal Government has invested large sums of money.

Turning to another aspect of relocation, we know from the studies which you gentlemen and other committees of the Congress have made of your increasing concern with the problems of displaced commercial establishments and small business. We, too, have been disturbed by the lack of adequate provision for the business tenant who is eligible for no compensation other than moving expense, but who frequently suffers from a substantial loss over a considerable period of time. We heartily endorse Senator Sparkman's bill, S. 2802, which calls for a comprehensive study of condemnation procedures as a necessary step toward achieving a long-range solution to this problem, but we believe that additional remedial measures should be enacted by this Congress. Specifically we should like to see the following provisions incorporated into legislation at this session:

1. Authorization of compensation for 3 months' loss of income up to a maximum \$1,500, calculated according to a formula based on known or ascertainable factors. In this connection we have developed such a formula, based on nationally recognized standards and indexes, and would welcome an opportunity to share our thinking with the Housing and Home Finance Agency. Such compensation could, at the discretion of the local public agency and with the consent of the administrator, be used for the purpose of underwriting a new lease or for participation by the relocated businessman in the development of new facilities.

2. The provision of specialized commercial relocation staff and services to aid displaced businesses, and the inclusion of the costs of such services in gross project costs. Although we are aware that some cities have made such services available, we believe that an expression of congressional intent in this regard would go far toward counteracting the prevailing impression that retail businesses are the major casualties of redevelopment programs.

3. A more liberal interpretation and application of eligible items included under moving expense and direct loss of property. This would permit a greater portion of the increased allowance for these relocation costs, up to \$5,000 as provided in S. 3042, to be made available to relocated businesses.

Senator CLARK. Let me interrupt you, Mr. Davies, to ask you to comment on a suggestion made here the other day by Mayor Dilworth that we should take the ceiling off and leave the amount of payment within the discretion of the administrators. He points out the situation in Philadelphia where, in connection with a relocation project near Independence Hall, there was an old printing establishment which had been there for over 100 years, in the same family. The

total cost of moving that printing machinery was somewhere over \$7,000. But the man would have been put out of business if he had had to have that moved.

Mr. DAVIES. I know of a similar case. All those in the printing business, particularly, and the heavy machine industry people, are hurt by this. I think we would find isolated examples of this, and it might be well to do that.

Senator CLARK. Senator Javits pointed out before, I think, the unusual case is the hardship case, and that is where the ceiling is meaningless. I would not think there would be too much opportunity for fraud. You could require complete disclosure in each of these cases.

Mr. DAVIES. We found under the title I program moving expenses are very easily checked. We have had no occasion, I think, to question or to find any real aberration in honesty in this kind of case.

We have one case where, if actual moving expenses had been allowed, and it was a heavy machine industry that was relocated, I think the costs would have amounted to several hundred thousand dollars. This is a real hardship case. Obviously, \$3,000 was nonsense.

Senator CLARK. So you are not wedded to the fixed ceiling?

Mr. DAVIES. No, sir; I am not. I am perhaps a little afraid of the consequences of it, but I think it perhaps might be isolated enough so that we could do it within reason.

4. The establishment of a revolving loan fund for long-term low-interest loans to assist businesses to relocate.

Some of these proposals have been advocated by Mayor Wagner in his testimony at previous hearings of your committee. These recommendations were made in anticipation of our current large-scale renewal programs. But these programs are now upon us, and the need for these additional relocation aids is imminent. The inability to provide adequate relocation assistance to small businesses most certainly will impair the speed and efficiency with which we can carry out our programs, and jeopardize others now on the planning boards. The city of New York has taken the necessary steps to establish the administrative machinery and the policies to make our relocation program effective. All we are asking is participation by the Federal Government in projects involving Federal funds.

Our new coordinated approach for dealing with the complex problems of building and rebuilding in an already mature city points up another aspect of concern which, in our opinion, has perhaps received too little attention from the Federal Government. I am referring to the near vacuum that had existed for some years in development of middle-income housing to fit the pocketbook of that vast category of Americans who neither qualify for low-income federally subsidized housing nor can meet the rental payments of privately financed construction.

Senator CLARK. I take it you do not agree with Mr. Mason that no such gap exists?

Mr. DAVIS. No, sir, I do not.

In New York City, for example, an income study conducted by the State in 1956 indicated that more than 88 percent of the city's 2,228,000 families had incomes of \$10,000 a year or less, and that more than 46 percent—almost half of the population—was in the \$5,000 to

\$10,000 a year bracket. Now consider this in relationship to the statistics we have in regard to new housing completed. In 1958, less than one-quarter of the private units completed was in the \$85- to \$125-a-month rental range. The average monthly rent per room in privately financed or title I multiple dwellings was \$47—or an average of \$155 per month per dwelling unit.

Cognizant of this problem, the city and the State have moved to establish and strengthen numerous legislative and administrative tools to stimulate the construction of housing in the moderate rental range. Through these programs we have completed more than 53,000 middle-income units. Almost an equal amount is approved or under construction. In terms of the need, however, this falls far short of the number of middle-income units necessary to serve the community. The gap between demand and potential supply in this area becomes sharply evident as we attempt to program urban renewal on a broader community basis, with the desirable goal of providing economically balanced neighborhoods.

Senator JAVITS. Mr. Davis, would you mind a minute? I understand Senator Clark has to leave in about 5 or 6 minutes, and I think I would like very much to have him hear the whole New York presentation. I have looked over your statement. It seems to me that you covered pretty much the basis of it.

Could you put the rest of it in the record and let Senator Clark ask you some questions?

Mr. DAVIES. Be very happy to.

Senator JAVITS. We had the State and city, and I would like to get Mr. Sachar on for about a minute to let Senator Clark hear the statement of a builder.

Senator CLARK. I certainly appreciate that, Senator Javits. Actually, I am going to take these presentations with me on my airplane trip and read them. I regret it very much but I have an important appointment back home I cannot avoid. But I do appreciate your doing that.

Actually, I do not think I have any questions for you, Mr. Davies, because you have answered pretty nearly all the ones I might have asked. I take it you generally concur with the answers to the questions which I asked Senator Mitchell and Mr. Gaynor?

Mr. DAVIES. Yes, sir, I do.

(The prepared statement of Mr. Davies follows:)

STATEMENT BY J. CLARENCE DAVIES, JR., CHAIRMAN, HOUSING AND REDEVELOPMENT BOARD, NEW YORK CITY

Mr. Chairman and members of the committee, my name is J. Clarence Davies, Jr. I am chairman of the Housing and Redevelopment Board of the City of New York. I am appearing here at the request of Mayor Robert F. Wagner to underscore the vital need for the various housing and renewal bills now being considered by this subcommittee to further the overall housing and renewal programs of New York and other cities. It is significant that the mayor has asked me to make this presentation because New York City's newly created board, in which all redevelopment, renewal, conservation and middle-income housing programs are to be administered, is the product of an evolutionary process that has brought coordinated administration and long-range planning and programing into the urban housing arena—a process which we hope will result in an omnibus bill this year containing the many broadening and perfecting proposals which are before you.

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Some of these proposals have been advocated by Mayor Wagner in his testimony at previous hearings of your committee. These recommendations were made in anticipation of our current large-scale renewal programs. But these programs are now upon us, and the need for these additional relocation aids is imminent. The inability to provide adequate relocation assistance to small businesses most certainly will impair the speed and efficiency with which we can carry out our programs, and jeopardize others now on the planning boards. The city of New York has taken the necessary steps to establish the administrative machinery and the policies to make our relocation program effective. All we are asking is participation by the Federal Government in projects involving Federal funds.

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In New York City, for example, an income study conducted by the State in 1956 indicated that more than 88 percent of the city's 2,228,000 families had incomes of \$10,000 a year or less, and that more than 46 percent—almost half of the population—was in the \$5,000 to \$10,000 a year bracket. Now consider this in relationship to the statistics we have in regard to new housing completed. In 1958, less than one-quarter of the private units completed was in the \$85 to \$125 a month rental range. The average monthly rent per room in privately financed or title I multiple dwellings was \$47, or an average of \$155 per month per dwelling unit.

Cognizant of this problem, the city and the State have moved to establish and strengthen numerous legislative and administrative tools to stimulate the construction of housing in the moderate rental range. Through these programs we have completed more than 53,000 middle-income units. Almost an equal amount is approved or under construction. In terms of the need however, this falls far short of the number of middle-income units necessary to serve the community. The gap between demand and potential supply in this area becomes sharply evi-

dent as we attempt to program urban renewal on a broader community basis, with the desirable goal of providing economically balanced neighborhoods.

The middle income family is, in a sense, the backbone of any community. We have recognized that New York, following a pattern common to many American cities, has lost more than 900,000 middle-income families during the past decade. Of course, a like number came into the city, but their income level was much lower. This significant change bears heavily upon the city's need to provide special services and facilities, and of course affects our general economy. It is a common bromide of the critics to infer that New York is becoming a city of the very rich and the very poor. While the statistics belie this, there is good reason to take the necessary steps to insure that the middle-income resident is not taken for granted at a time when construction costs and a tight housing market have placed him in a vise which we can and must remove.

The legislation introduced by Senator Javits and Senator Clark (S. 1342) would make available, on a national scale, and for the first time, Federal support for the kinds of programs that New York State and New York City have proved to be successful. On the basis of the numbers of units completed and planned, it is evident that we have had little difficulty in developing responsible and enthusiastic private sponsorship for the kind of moderate-rental housing that is so desperately needed to meet the pocketbook demands of nearly one-half of our city's population.

In this regard, I am sure New York City is not atypical, and that a federally backed program along these lines would bring new housing hope to America's forgotten majority—its middle-income families—and since our cities need to retain their middle-income families it would give, in addition, new hope to them.

Planning for renewal of our cities today requires an intelligent measure of where we stand and where we are going. We are severely handicapped by a lack of vital programs geared to carry out studies and research on a continuing basis. We have long since passed the stage where facts and figures in isolation can serve any purpose at all. We recognize that we must build now within the framework of the future or we will jeopardize the vast investments of government, in terms of time and skills, as well as the taxpayer's dollar. In New York we have moved quickly to take advantage of the amended Housing Act of 1959 which permits the allocation of funds to carry out community renewal studies as part of the overall urban renewal inventory of the city. We were doubly gratified by the speed and enthusiasm with which the Federal officials responsible for administration of this provision have acted to assure us of expeditious approval of our formal application.

There is no question that ongoing research is the good right arm of any program aids that we may consider. Unless we gain, through research, insight into the problems before us, the best tools will not be doing the most effective job. In addition, such insight depends upon the predictability of future programs and the availability of the necessary funds to carry them out.

I am sure you gentlemen agree that the great urban centers of this Nation cannot be expected to play blindman's bluff in planning for a better tomorrow. The increasing urbanization of our country and the ever-accelerating progress in terms of technology and social advance force upon us a need for greater teamwork and more comprehensive planning for the future—a future which seems to come upon us so much faster in these times.

I am mindful in our discussion today that the physical product of the programs that we conceive with the aid of existing and pending legislation will stand in our cities 30, 40, and even 50 years hence. Thus, even as we build for today, we have a toehold in the 21st century and we need wisdom and vision and the detailed knowledge gained through continuity of program and research to build an enduring span between the present and the future.

We have demonstrated in the past decade that we have the resource and the will to deal with the immediate problems before us. Vast slum clearance programs have wiped thousands of acres of blight from the face of our national urban centers. The once invincible enemy is showing some signs of capitulation. But even as we progress in these efforts, we recognize that new complexities in an increasingly urbanized nation prevent us from solving all our problems on local levels. The interdependence and interrelationship of our urban communities cry out for a broader national perspective. Senator Clark's bill which provides for the establishment of a Department of Housing and Metropolitan Affairs (S. 3292) points the way toward national recognition of the challenging urban problems that remain to be solved. That the coordination of matters affecting the Nation's cities be

carried out at Cabinet level is as inevitable as the population trend from the farm to the city. It is our hope that you prod this inevitability a bit to insure that we take full advantage of the powers and prestige of our National Government to help solve our urban problems while they are still capable of reasonable solution.

Senator JAVITS. Senator Clark, may I, at this point, bring Mr. Sachar up?

Would you come forward, Mr. Sachar?

Mr. Sachar has a firm called Sachar Development Corp., which is about to go into a large middle-income program in Manhattan, N.Y. I thought it might be useful to us to know he just authored a book called, "The Critical Shortage of Middle-Income Apartments and How It Can be Solved."

As a builder who has ventured into that field, I thought he might be of some assistance to us.

Senator CLARK. I think you and I welcome an egghead among the builders.

Senator JAVITS. Mr. Sachar, would you, before Senator Clark goes, give us, as briefly as you can, in a few minutes, an idea of your views?

STATEMENT OF LEWIS SACHAR, PRESIDENT, SACHAR DEVELOPMENT CORP.

Mr. SACHAR. First, let me say, in the main, I happen to favor the bill proposed by Senator Javits and Senator Clark.

In 1958 we Americans spent \$58 billion—approximately 13 percent of the gross national product—for expanding and renewing our urban areas.

This figure will grow throughout the years.

Some authorities think it will hit \$100 billion by 1970.

ACTION—the American Council To Improve Our Neighborhoods—after conducting an intensive case study of a city of about 300,000 population, estimates that we must spend \$100 billion a year for the next 10 years to eliminate our urban slums and create safe, sanitary, and decent living conditions for our urban population.

What is extremely startling is the fact that Federal, State, and local public expenditures for official redevelopment and urban renewal projects is less than \$1 billion a year at the present time.

I predict that if Federal aid to public housing isn't stepped up immediately we will have to spend between \$200 billion and \$250 billion a year in the 1970's and the 1980's.

If the Government does not play an active role—a dynamic role—in the battle to end urban decay and to save our cities we will leave our children and our grandchildren with an expensive and dangerous problem.

The problem of urban decay cannot be shrugged off.

During the last 20 years we have seen thousands of middle-income families leaving our cities for the suburbs.

Senator JAVITS. Mr. Sachar, may I interrupt to suggest that because time is fleeting, would you mind going right to that part of your statement, which starts, "I believe that our Federal urban housing program should be in two parts." I think that covers your suggestions, and I am very anxious to have Senator Clark hear them from you so he might ask you some questions.

Senator CLARK. As a matter of fact, I have already read it, Mr. Sachar, and I am in accord with it. I would like to ask you a question.

Mr. SACHAR. Go ahead.

Senator CLARK. This question would tie in with what some of the previous witnesses have said. Do you think it is possible to find builders who are willing to construct the kind of either rental or co-operative housing which is called for by the Javits-Clark bill with the limited dividend, limited profit feature in it?

Mr. SACHAR. You mean the 6 percent?

Senator CLARK. Yes.

Mr. SACHAR. Limited profit; yes. That is feasible because the 6 percent is a return on capital, and it makes other allowances as a return, also, for building. And the combination of the two is satisfactory. But there are some defects to that.

The defects are, particularly in New York City, in order to qualify for Mitchell-Lama or even the new Rockefeller bill, you must qualify by having tax abatement that goes along with it. In other words, if you cannot obtain tax abatements, you cannot qualify for the Mitchell-Lama bill nor for the new Rockefeller bill.

Senator CLARK. You think we should leave that out of the Federal bill?

Mr. SACHAR. Absolutely not, because in building middle-income housing, which rents from \$25 to \$30 a room, has four definite factors. The No. 1 factor is the high cost of money rates today. If carrying charges on mortgages are any higher than 5 percent, 3½ percent, we will say, for interest and 1½ percent for amortization, this can almost throw the entire middle-income housing program out of kilter.

The second is tax abatements.

The third is sufficient housing put on the given plot.

The fourth is the price of the plot itself.

Any one of these four factors are important. It is very important to have the ingredients of all four of these in order to have \$25 to \$30 a room housing.

At the present time, in New York City, in order to qualify for the Mitchell-Lama program, tax abatement must be passed by the city planning board, by the city council, and the board of estimate. If any one of the three groups decides that it does not want to have tax abatements in its area, whatever it might be, the entire program is thrown out for that particular developer.

Therefore, sometimes it takes as much as a year, 2 years, or 3 years for a developer to find out whether he has qualified for the Mitchell-Lama program or for the coming Rockefeller program.

Senator CLARK. How would you change that if you were drawing a Federal law?

Mr. SACHAR. Our suggestion is that all of this land that should be qualified for other than the Mitchell-Lama program or the Rockefeller program should be predetermined ahead of time, based on when borrowers or the city officials determine that this particular land in the foreseeable future stands very little chance of being put on tax rolls. Therefore, if we can put them on tax rolls on the basis of 50 percent taxes, this is a complete gain all the way through. But, at least, the builders will know by picking up this area they

have qualified without running the gantlet that takes almost a year and a half or 2 years.

Senator CLARK. Thank you very much.

Senator JAVITS, I am going to have to go. Senator Sparkman will be back. Will you preside until he gets back?

I would like to say, if they are in the room, to Dr. Alan Bonnell and Mr. Harold Taubin, director of the University Planning Office, that I am already familiar with your program and sympathetic to it and will read your testimony with interest. I wish I could stay to hear you, but I just cannot do it.

Mr. MORRIS. Senator Clark, before you go, there is one observation I would like to make. I think there is built into the bill we are discussing here, the Federal bill, the answer to the problem Mr. Sachar just raised. This bill does not require tax exemption. It does make available the financing reduction in cost and makes it available when you need it and when you can conveniently use it. It does not make it, however, mandatory, as we do in New York State. That is a very crucial element and one of tremendous importance to practical builders.

Senator CLARK. I am very glad you made that observation.

Gentlemen, I have to leave.

Senator JAVITS. I would like to introduce in the record, before I forget it, the statement of Irving Sherman, president, Federation of Section 213 Cooperatives, in favor of S. 3042, my bill to reduce the FHA premium insurance rate on section 213 cooperatives from one-half of 1 percent to one-fourth of 1 percent.

(The prepared statement of Mr. Sherman follows:)

STATEMENT OF IRVING SHERMAN, PRESIDENT, FEDERATION OF SECTION 213
COOPERATIVES

I am president of the Federation of Section 213 Cooperatives, the sole organization representing this type of federally insured housing. I am also president of Northridge Cooperative Section No. III, Inc., a 1,122 section 213 cooperative in Jackson Heights, N.Y.

The federation strongly supports S. 3042 introduced in the Senate by Senator Jacob K. Javits of New York. This bill proposes reduction of the FHA premium insurance for section 213 cooperatives from one-half of 1 percent to one-fourth of 1 percent.

In this connection, reference is made to a proposal endorsed by the FHA itself, presumably under the direction of former Commissioner Norman P. Mason and also on a recommendation made to the FHA, according to a report by the public-spirited Cooperative Advisory Committee on FHA. This proposal, it is advised, recommended to the Congress in 1959 that a mutual cooperative insurance fund, paralleling the highly successful fund established for section 203 mortgages, be set up for the section 213 mortgages.

Quoting from a statement made by Wallace J. Campbell, former Washington director of the Cooperative League of the U.S.A.: "Such a fund would make it possible to pass on to the consumer the economies which are made possible through cooperatives ownership and operation of housing developments. This technique would also make it possible for FHA to continue its current schedule of insurance but reduce the effective rate by refunds to the cooperative as the savings are earned. This procedure is already used in the mortgage fund covering single family homes in the overall FHA program."

Let us consider the following:

All knowledgeable and beneficial insurance ties up the collection of premiums with an experience factor. Merely to allow a premium fund to accumulate is an unconscionable wrong against the true principle of insurance. This is not insurance but squirrel nut collections. It begs the question of insurance as to when? How much? The FHA is as aware of this as anybody else and has acknowledged in section 203 premium refunds. Why not in section 213?

Consider further implications of a unilateral premium insurance fund:

Funds withdrawn from live sources and made sterile in spiraling and topheavy reserves wreak a wrong upon the economy. These funds penalize not only those who have no losses yet must continue to pay a high premium, but subtract from spendable sums that are rare in spendable sources. Another important point: It should not be overlooked by the Congress that unabated collections by a Government agency pose the very real danger of bureaucratic buildup. Year after year the FHA, almost alone of all Government agencies, has continued to show a surplus. Considerable personnel, new offices have been opened up in over 35 States. It is significant that this has been at the expense and not at the gain of the taxpayers in the cooperatives who are immediately concerned. Many of them have had and will continue to have rent increases. The premium payments, of course, are not the sole reason for these increasing charges in section 213 cooperatives (high tax rates and assessments and the inflated economy are principal causes) but patently, high premium payments hinder rather than promote liquidity. In this light, in the light of a drain, is not therefore the one-half of 1 percent now being paid by the section 213 cooperatives defeating its own purpose, namely, the purpose of insuring maximum reserves with minimum losses? One-half of 1 percent may not appear a lot of money to fight for in the overall cost picture, but for many of the large cooperatives in New York City this sum often means the difference between no net and a small net.

Is it then to argue that unless the premium insurance is reduced the section 213 cooperatives will pass over permanently into the red and will have no other recourse to reduced costs? Not at all. But it is undeniable and irresistible that should the premium be reduced solvency will be attained with less strain.

As the record will show the section 213 program, despite a bad start, is a successful one. Section 213 cooperatives are flourishing and working out their problems in a democratic manner. It is solely on the ground of equity rather than largess that the plea to reduce the premium insurance is made at all. Consider the following, extracted from a letter addressed to the United Housing Foundation by Harry E. Johnson, Chief Counsel, Cooperative Housing Section, Legal Division, FHA:

"Our record as of April 30, 1958, with regard to section 213 management-type projects are as follows: We have insured 159 projects covering 26,842 dwelling units and involving a total mortgage amount of approximately \$267,800,000. Of this number two projects have been closed. These two projects are the Booker T. Homes located in Seat Pleasant, Md., involving 92 units and an original mortgage amount of \$846,600. Inasmuch as the Booker T. Homes projects have not as yet been disposed by the commissioner we do not at this time know what loss, if any, will be sustained."

From the foregoing we can deduce how truly infinitesimal is the loss ratio to date in connection with section 213 housing.

In his testimony before the Senate Subcommittee on Housing on May 19, 1958, to which previous reference was made, Wallace J. Campbell, referred to the section 213 program in connection with the financing as follows:

"While this is small (total sum contrasted with overall FHA program) . . . the accomplishments are substantial enough to prove that an important job can be done and that part of the problem of middle-income housing can be met with fine, livable dwellings at no cost to the taxpayer. As a matter of fact, the program has brought into the FHA an estimated \$8 million more than the cost of the program to the FHA."

Very good for the FHA; but let us remember that the beneficiary was intended to be the American middle-income family which buys into a cooperative and not any government agency no matter how laudable and sound its operation.

To sum up: The Federation of section 213 cooperatives urges upon the Congress and upon the Senate Committee on Banking and Currency, specifically, favorable action on S. 3042. This bill is soundly conceived, has had ample investigation and research in the past as to its merit and equity and has for its objective ordinary justice in connection with the right and pursuit of a decent existence by a sizable element of American middle and lower middle income families.

Senator JAVRS. I must apologize to the other witnesses and promise we will be through with everything in 10 minutes.

Mr. Sachar, may I ask you to summarize your testimony. I would like to ask you this: You say, as a practical builder, in order for a middle-income program to be successful, there must be these four

elements—(1) money cost, which is covered by Senator Clark's bill and mine; (2) urban land allocated in advance at the perimeter of the cities; (3) tax abatement and; (4) zoning in advance so that the builder does not have to wait and delay. Is that correct?

Mr. SACHAR. Absolutely.

Senator JAVITS. If those four things are done, you say builders like yourself can really move into this situation in an enormous way?

Mr. SACHAR. No question about it because we will know ahead of time just exactly where we are heading for.

Senator JAVITS. We are very grateful to you. Though you have telescoped your testimony, I assure you it was far more important for Senator Clark to get it personally than it was for it to be given on the record.

Mr. SACHAR. I want to thank you very much for inviting us down.

Senator JAVITS. The statement of Mr. Sachar will be made part of the record.

(The prepared statement of Mr. Sachar follows:)

STATEMENT BY LOUIS SACHAR, PRESIDENT, SACHAR DEVELOPMENT CORP.,
NEW YORK, N.Y.

In 1958 we Americans spent \$58 billion—approximately 13 percent of the gross national product—for expanding and renewing our urban areas.

This figure will grow throughout the years.

Some authorities think it will hit \$100 billion by 1970.

ACTION—the American Council To Improve Our Neighborhoods—after conducting an intensive case study of a city of about 300,000 population estimates that we must spend \$100 billion dollars a year for the next 10 years to eliminate our urban slums and create safe, sanitary and decent living conditions for our urban population.

What is extremely startling is the fact that Federal, State, and local public expenditures for official redevelopment and urban renewal projects is less than \$1 billion a year at the present time.

I predict that if Federal aid to public housing isn't stepped up immediately we will have to spend between \$200 and \$250 billion a year in the 1970's and the 1980's.

If the Government does not play an active role—a dynamic role—in the battle to end urban decay and to save our cities—we will leave our children and our grandchildren with an expensive and dangerous problem.

The problem of urban decay cannot be shrugged off.

During the last 20 years we have seen thousands of middle-income families leaving our cities for the suburbs.

They have been propelled in their flight by the practically total unavailability in the city of adequate middle income apartments.

And as this important segment of our population leaves the city, urban blight creeps into the areas they have vacated.

And—the need for urban renewal and urban redevelopment spending becomes more important as real estate values and real estate taxes begin to drop.

It is truly a vicious circle.

And the prime cause is the shortage of good, well-designed apartments which middle-income families can afford to rent.

We must also mention that the shortage of middle income apartments will eventually have extremely injurious effects on our suburban communities.

It is important to remember that our inadequate urban housing has led to the shift of middle income families to suburbia.

The suburbs simply do not have the economic basis to provide mass housing.

Suburban families need schools, fire protection, police protection, sewerage. As residential housing grows in the suburbs the tax rate soars.

The suburbs do not have the industrial and commercial construction to absorb these taxes. The homeowner must absorb all of the tax increases. Many suburban homeowners may be taxed right out of their homes in the years to come.

Beyond the tax problem, the middle-income family, which moves to the suburbs, must move further and further away from the urban core—the place in which the head of the family works—in order to find a home which the family can afford.

We find today, in New York City, that many middle-income wage earners are traveling 2 hours to get to work.

This sort of commutation is expensive—is wasteful of man-hours—is physically tiring.

We must also consider the fact that as the suburbs extend further and further out into rural areas we lose our unspoiled country areas—our places of natural beauty which should be solely used for recreation and leisure activities.

These new residents of the farflung suburbs need more and better roads. And the cost of building these roads is enormous.

Wouldn't it make more sense to work immediately to end the shortage of middle-income apartments and, therefore, eventually minimize the need for heavy roadbuilding appropriations? Wouldn't the ending of the urban middle income apartment shortage diminish the exodus from the city and wouldn't it eventually give the suburbs the size and proportions necessary for healthy family living?

I believe that our Federal urban housing program should be in two parts:

I. It should stimulate the building of middle-income apartments by private builders.

II. It should provide the funds and the supervision for the rebuilding of the slum areas within our urban cores.

How to stimulate middle-income apartment construction?

There are three economic reasons why no private builder can build middle-income apartments at the present time—and by middle-income apartments I mean apartments that rent for \$25 to \$30 per room per month.

No. 1 is the high cost of money.

No. 2 lack of tax abatement on land used by builders of middle-income apartments.

No. 3 are local building codes which are totally unrealistic.

Let me deal first with No. 1.

At the present time builders are paying 5½ percent mortgage interest rates and 2½ percent amortization charges.

This adds up to 8 percent costs for money.

A builder must have 5 percent money costs—interest and amortization—if he is to build middle-income apartment housing.

In order to give builders this money cost, we must have a fund for a specific purpose of lending money to builders of middle-income units. This fund must be sponsored by the Federal Government.

Let us now deal with the cost of land.

Middle-income apartments should be built on urban land at the perimeter of the cities—land that is now vacant and adds very little to the tax rolls. This land is usually inexpensive and practical for middle-income building.

As for taxes * * * the cities must offer the builder tax abatement on this vacant, unused land if he builds middle-income apartments. The cities will gain needed taxes from this land and gain further taxes from bordering commercial development.

And the cities must zone this land in such a way that the builder can use density—can economically house families who want new, well-planned apartments.

I want to emphasize that this use of tax abatement and vacant land must be very closely coordinated.

In most cities today, a builder must untangle a time-consuming mass of redtape before he receives approval of tax abatement.

This means that a builder must buy land and then sit idly with it for 1, 2, or even 3 years before he can build.

No builder who is also a businessman can afford to do this.

Our cities must package its perimeter land beforehand. They must predetermine what land will receive the effects of tax abatements.

If they will do this, private builders will construct middle-income apartments. As for the urban core—the downtown areas—which are riddled with slums—Federal funds must be used in greater quantities, to develop this land for luxury apartments—for moderate-income apartments—and for middle-income apartments.

Close supervision and close cooperation between Federal, State and municipal officials is essential if this massive urban redevelopment is to be successful.

The program that I have outlined must start soon.

No money will be saved by waiting.

In fact—every day that we delay causes further decay and creates problems that are almost insurmountable.

I believe that it is our duty to save the cities now. We may never be able to do it again.

Senator JAVITS. Next, we have Mr. Eugene Morris, a distinguished New York attorney, who has been designated by J. Anthony Panuch, New York City's special consultant on its housing problems to represent him before us.

Mr. Morris, I have gone over your statement, and I would greatly appreciate it if, in the time which we have available, you would do two things—one, give us in a capsule, if you can, just what would be Mr. Panuch's conclusions, and, two, relate those conclusions to this bill. I hope that you will allow us to make your statement part of the record and speak from your own experience in respect to urban renewal itself, which would be very valuable. But I think we are interested in getting the governmental entities. So will you proceed in that way?

STATEMENT OF EUGENE J. MORRIS, CHAIRMAN, HOUSING SUBCOMMITTEE, REAL PROPERTY LAW COMMITTEE, ASSOCIATION OF THE BAR OF NEW YORK CITY

Mr. MORRIS. Mr. Panuch recommended, after a detailed analysis of the problem, as we have it in the city of New York that the program for middle-income housing be developed on an expanded scale, including the various aids which were described by the prior witnesses, and which I need not go into at this point. I think one of the reasons Mr. Panuch suggested that I come down and talk to you in his place, is that my experience, I think, transcends the experience of the average lawyer or the average builder or the average technician in the development of these projects.

In view of the highly technical procedures that are involved, it becomes necessary for technicians of various sorts to process these projects.

The technicians are the architects, the builders, the lawyers, the accountants, the real estate people, and so forth. However, all of it is generally coordinated through the lawyer because the lawyer is the one who has to be familiar with the requirements of the agencies and so forth. Therefore, what I am in a position to tell you about this program, I think is a conglomeration or consolidation of the experience of the various groups that participate in this type of redevelopment work.

I think, also, that it is important to recognize that this program is one which is profitable to all of those involved, and I am talking now as a practical man who gets in and does the work, the work of producing these projects. Actually, my firm has gone through the construction and the development. We manage approximately 40 projects of this sort at the present time. We know all the details of the problems that they run into.

I am equipped to say, as a result of that background and experience, that this program is not only a desirable one, as you propose it, generally, Senator Javits, in your bill, but it is an essential one. It is one we cannot do without. When we hear statements such as Mr. Mason made, indicating that there is not a need for this kind of thing, those of us who are out in the field doing the legwork and dirty work in connection with this stuff, know that that statement is wrong. We know that there is no way to produce middle-income housing in the areas that we are aiming at here without the sort of Government aid and assistance contemplated by your bill.

Actually, I need only point to one or two situations in New York which I think illustrate dramatically the importance and significance of the kind of thing we are talking about here. One is the situation with respect to Ellis Island that the Government, the United States is very much interested in at the moment. Ellis Island has been declared surplus. A group that I represent is interested in the redevelopment of Ellis Island. They want to develop it with middle-income housing.

It cannot be done at the present time under a program such as the limited-profit-housing companies' law. We have such a program in New York, but a very interesting question arises. The jurisdiction of Ellis Island is in a state of confusion. We do not know whether it belongs to the State of New York or the State of New Jersey. If it belongs to New Jersey, we cannot put up middle-income housing on Ellis Island unless the Javits-Clark bill passes.

If it belongs to New York, we do have a program, and we can go ahead with it. But we cannot find out whether Ellis Island belongs to New York or New Jersey for another year until the U.S. Supreme Court rules on it.

So we are practical redevelopers. We are ready to go in and redevelop Ellis Island, but we just cannot do it unless a bill like the Clark-Javits bill is enacted into law. That is a typical illustration of the need and importance and significance of the bill we are talking about.

A question was asked earlier about whether sections 207 and 213, under the FHA programs, can accomplish the job that is required. The answer is very simply and very categorically, "No, it cannot." What we must do, in our modern housing programs, is to aim housing, a-i-m it at the area of greatest need. And the only way housing can be aimed is by having the facilities and the programs to make it possible. The ordinary provisions of free enterprise where there is no Government assistance are inadequate. The section 207 and 213 programs can produce housing at \$40 a room today and not much less than that. There is no other way of producing housing between \$20 and \$30 a room. Unless programs such as we are talking about here are enacted into law, the hope of the middle-income exodus from the large metropolitan areas throughout the country is a forlorn one and nothing further can happen to it.

I have not addressed myself particularly to the situation with respect to the Panuch report because I believe that the Panuch report set forth in, "Building a Better New York," does one of the most dramatic jobs that has ever been done in such a presentation. It is a sharply defined delineation of the problems that are involved in creating, not only middle-income housing, but the entire slum clearance

problem itself and that Mr. Davies, who is now chairman of the new board, created in accordance with the recommendations of the Panuch report, in his report has set forth the modus operandi for accomplishing the things which are so desperately needed in this country and which can only be accomplished in the way that this bill, and the various other bills that are under consideration, propose.

Senator JAVITS. Mr. Morris, let me ask you one question. You would feel, therefore, that Mr. Davies' testimony is a fair reflection of the findings of the Panuch report?

Mr. MORRIS. They transcend that, again, in the sense that they put into effect or effectuate what Mr. Panuch has recommended in his report, and they do it, I would say, almost word for word from what I am able to understand of the contents and viewpoint of this committee.

Senator JAVITS. It is a fact that Mr. Davies' own job now, as the head of this new agency, this new consolidated agency, is itself the report of Mr. Panuch?

Mr. MORRIS. Yes; the chronology was that the mayor designated Mr. Panuch to make a survey and recommendations for a reorganization. His booklet, "Building a Better New York," contained both his survey and recommendations. They were then implemented by the Legislature of the State of New York, which then permitted effectuating his recommendations. As Mr. Davies said, 2 weeks ago, they started to do the job, and we all wish them well.

Senator JAVITS. Thank you very much, and I want to express my gratitude to the New York witnesses for giving us State and city backing for the bill, and to Mr. Sachar as a builder for helping us to present the case to the committee.

Thank you, Mr. Chairman.

Senator SPARKMAN. Thank you.

Thank you, gentlemen.

Mr. DAVIES. Thank you, sir.

Thank you very much, Senator Javits.

(The prepared statement of Mr. Morris is as follows:)

STATEMENT OF EUGENE J. MORRIS, CHAIRMAN, HOUSING SUBCOMMITTEE, REAL PROPERTY LAW COMMITTEE, ASSOCIATION OF THE BAR, NEW YORK CITY

INTRODUCTORY

Senator Javits invited J. Anthony Panuch to talk to this subcommittee about the bill, but unfortunately, Mr. Panuch will be away on May 20 and earnestly requested me, as an expert in the field, to appear in his place. A copy of this letter to Senator Javits is annexed as an exhibit to this statement.

Mr. Panuch was designated by Mayor Wagner to survey and recommend procedures for a reorganization of the urban renewal program in the city of New York. His report "Building A Better New York" is one of the outstanding documents in the field of urban renewal. It contains a careful analysis and evaluation of the middle-income housing program as it has functioned in the city of New York, along with recommendations for future procedures for the creation of middle-income housing. The comments contained in the report should be studied by all who are interested in the field. It should be noted, too, that the recommendations of the report have been implemented by the New York State Legislature and by the mayor of the city of New York and are now functioning in all areas of urban renewal in New York.

I am a senior member of the New York law firm of Demov & Morris which has been actively engaged in the practice of real estate law for almost 50 years. Increasingly, over the past 10 years, our firm's practice has been devoted to the field of middle-income housing and urban renewal in general (including shopping

centers, motels, office buildings, and conventional as well as FHA-financed projects).

EXPERIENCE WITH MIDDLE-INCOME HOUSING

We represent the sponsor of the middle-income cooperative housing project now under construction (under the New York redevelopment companies law) as part of the Lincoln Square title I project in New York, as well as many other groups engaged in the planning and development of other title I projects in New York and various parts of the country. We represent the sponsors of several middle-income projects being built under the New York State limited profit housing companies (Mitchell-Lama) law upon which the bill under consideration is patterned. In addition, both as general counsel and as special counsel, we represent over 40 middle-income housing projects (completed or in various stages of development) mainly in the New York area.

Our experience confirms the need for further Government aid in order to make up the deficiency in our Nation's housing created by the inability to satisfy the apparently insatiable demand for middle-income housing in our large urban areas. The ever-widening gap between supply and demand for this type of housing is one of the most urgent problems in today's economy.

Its solution demands a bold and imaginative legislative program along the lines of S. 1342.

THE PROVISIONS OF S. 1342

This proposed legislation creates a Federal limited profit mortgage corporation which would make direct loans to eligible borrowers or would enter into commitments to purchase mortgages on housing projects for moderate income families or for elderly persons. The mortgage loans would be made for a period of 50 years at interest rates equivalent to the rates at which tax-exempt Treasury bonds could be sold, not exceeding 4 percent. These loans would be made for 90 percent of development cost. An additional one-half percent servicing fee would be charged. Such loans would encourage the construction of rental and cooperative housing. A limitation of 6 percent would be placed on dividends payable on rental housing. In addition, rents and carrying charges would be regulated to ensure the retention of a middle-income level of rents for the project.

In making these loans, priorities would be given in areas where the projects receive real estate tax exemption, and title I assistance.

THE NEW YORK LIMITED PROFIT HOUSING COMPANIES LAW

Conceptually, the program is similar to the New York limited profit housing companies law (McKinney's Consolidated Laws of New York, Public Housing Law, art. 12, secs. 301 et seq.) and would achieve many of the same objectives, projected on a nationwide basis. The New York statute has proved a most effective mechanism for meeting the middle-income multifamily housing need through private enterprise with a slight assist by Government in lieu of public housing with complete ownership and control by Government.

NEW HOUSING MUST BE AIMED AT MIDDLE-INCOME LEVELS

Until recently, apartment housing was differentiated largely on the basis of age, depreciation and obsolescence. Most new apartment buildings were constructed for luxury occupancy with middle- and low-income needs being serviced on a "hand-me-down" basis. But, increasingly within the last few decades, it has become necessary to aim new apartment construction at a particular income category.

This new apartment housing, aimed at different income groups, must be viewed within the framework of the vast economic and political changes that have been occurring within the last few decades. Age and obsolescence no longer dominate and we find the need instead of newly infused concepts of subsidy or contribution by Government and private foundation.

The oldest houses have become slums which are unacceptable as housing even for low-income groups under our modern social concepts. Moreover, the need existing in low- and middle-income classifications is so great that it must be attacked with new construction simultaneously at all levels instead of allowing the old sifting-down process to operate exclusively. Indeed, the infection of slums spreading like an epidemic through the older areas of our cities, the explosive rise in population after World War II, and the skyrocketing of land,

building, financing and operating costs have compelled devices, never before employed, to aim the production of new housing directly at the area where the most acute need exists.

THE NEED FOR S. 1342

Low-income housing is adequately dealt with in the public housing program which involves total ownership, control and development by Government itself. Luxury housing, as always, can take care of itself in the ordinary free enterprise market. But the middle-income market remains turbulently unsatisfied. The FHA program, once helpful in meeting these needs under the sections 608, 213, and 207 programs, is no longer adequate. New devices, epitomized by S. 1342, must now supplement existing programs which have become inadequate. Thus, if the land-cost writedown and condemnation provisions of title I are reinforced by a wholly new arsenal of devices through S. 1342, involving low-cost, long-term financing, partial tax exemption, and limited profit ownership and Government supervision of construction and operation, we will return to a situation where new middle-income housing can again be built to meet the ever-growing need.

Let me illustrate by specific examples the necessity for S. 1342 and how it will work.

ILLUSTRATIONS OF THE NEED FOR S. 1342

On many occasions in the course of my experience as attorney for housing re-developers and promoters, I have encountered situations where a strong need existed for the development of middle-income housing, but where the techniques or methods were unavailable. As a result, worthwhile projects have never developed at all, or were started and then bogged down to the point where they are lying fallow today.

For example, in one of New York's neighboring States two title I projects were developed several years ago. Initially, they were soundly conceived, located in good areas and were approved by the necessary Federal, State, and city agencies. Tenants were relocated and the old buildings were demolished. However, when the projects reached the point where a redeveloper was selected to erect housing which would be readily rentable, it was found that costs had outrun the available rental market for the area and the projects languished and finally died. The ensuing public hue and cry to get "something done" served to embarrass the public officials involved, but did nothing to overcome the disparity between cost and need. If S. 1342 were to become law, both of these projects, in my opinion, would immediately come to life and provide housing for those who need it, provide activity for the building industry, and remove a frustrating local condition.

The new low-cost financing and possible tax exemption made available by the proposed Federal Limited Profit Mortgage Corporation would become the catalyst which would enable this type of housing to be built for the middle-income \$20 to \$30 a room tenant. It would permit the development of this sorely needed housing through private enterprise without any cash payment by Government.

Recently, I was requested on behalf of several clients to investigate the situation with respect to a contemplated title I project in the town of New London, Conn. We ascertained that an area of about 30 acres near the center of town was to be set aside for housing. Since the State of Connecticut has no program similar to the New York State limited profit housing companies law (Mitchell-Lama law), we determined that it would be impossible to develop the area privately with any housing which would rent for less than \$35 to \$40 a room, other than some units of FHA 221 relocation housing which might be used for a small part of the area to take care of the tenants being relocated. In a manufacturing and industrial area such as New London, Conn., populated largely by middle-income workers, the overwhelming need is for middle-income housing of the type that rents for between \$20 to \$25 per room, and there is little demand for multiple-family housing renting at \$35 a room and up; certainly not enough demand to permit private redevelopment of an area as large as 30 acres.

If the Federal Limited Profit Mortgage Corporation becomes law, it will permit the development of the type of housing that New London needs and which cannot be produced by any of the means currently available in Connecticut. In short, it will fill the gap between low-cost public housing which is entirely paid for and subsidized by Government, and the higher rentals resulting from ordinary FHA or conventional financing.

Only last week we were called in to look at a project in Paterson, N.J., under title I, where we encountered a situation similar to New London, Conn. The

client who asked us to investigate indicated that he would unhesitatingly sponsor the project if financing and tax aids were available to bring the housing in at middle-income levels; but without these aids rentals would have to reach about \$40 per room per month, and at those rates he would not be interested.

Over the period of the past several years, we have looked into a number of projects which involved the same problem. Invariably, our clients have refused to undertake their sponsorship. In some of these situations the projects have been developed for various commercial uses but without any housing at all.

In the Pratt Institute title I project located in Brooklyn, N. Y., the construction on the housing did proceed, but after completion of part of the project, it was difficult to obtain tenants for the high rental units, and consequently, the remainder of the project was not built. Now under discussion is the possibility of conversion of the remainder of the project to middle-income housing, which it should have been in the first place, and which clearly will be successful if handled under the New York State limited profit housing companies law.

Similarly, with respect to the redevelopment of Ellis Island, I represent a sponsor who has proposed the construction of a large middle-income housing project along with a number of adjunct education, health, and recreational reuses. But, because the jurisdiction of the island is uncertain (i.e. whether it is part of the State of New York or New Jersey after the Federal Government divests itself of title) we cannot proceed further with our proposed housing plans since there is no limited profit housing law in New Jersey and if the island is part of New Jersey the housing cannot be built at middle-income levels. Of course, if the Federal Government were to enact S. 1342 or some similar measure into law, this particular dilemma would be quickly resolved.

This pattern repeats itself throughout the country, and the illustrations which I have given can be multiplied in other areas of the United States.

HOW THE LIMITED PROFIT HOUSING LAW WORKS IN NEW YORK

In New York we have seen how a program involving Government financing and tax aids can work in practical application.

In the early 1950's before the sharp rise in financing, construction, and operating costs, these devices were not needed to produce fine middle-income housing. In the Morningside Gardens and Corlears Hook title I projects, we have seen successful middle-income title I projects carried to completion with minimum delay and maximum efficiency by private enterprise. These projects were undertaken without subsidy from the Government other than that afforded by title I land cost writedown and partial tax exemption under the redevelopment companies law.

Other projects which have been developed or represented by my firm and which are either completed or under construction demonstrate current application of these techniques.

We have participated in the promotion and development of a limited profit housing companies project being built under the supervision of the comptroller of the city of New York in the Bronx, known as the Hutchinson. This project is a 150 unit 14-story fireproof building, utilizing vacant land in an outlying area of the city. Partial tax exemption and Mitchell-Lama financing have resulted in a cooperative with carrying charges of approximately \$21 per room per month and a purchase price of approximately \$450 per room. This project, still under construction, was totally sold without any advertising immediately upon being offered to the public for sale. A copy of the documents describing this project is also available to any one who wishes to examine them.

We are also the attorneys for the Parkside Housing Cooperative in the Bronx, which is a New York State Mitchell-Lama project built on vacant land, and which has successfully operated as a middle-income cooperative for over a year now, with carrying charges of \$21 a room and a purchase price of about \$400 per room.

What we believe is the most advanced combination of all of the techniques of urban renewal which can be applied to the development of middle-income housing is the proposal submitted by a group represented by my firm to sponsor the Yonkers title I project in the State of New York. This project, which is clearing a slum area located in the center of the city of Yonkers, has been planned for redevelopment with approximately 450 units of middle-income housing and a shopping area fronting on South Broadway, which is the main street in the city of Yonkers. The shopping center will, of course, be developed

conventionally in the same manner as any center-of-town shopping area. The housing, however, is to be developed under a complex program involving title I condemnation and land cost writedown, New York State limited profit housing companies (Mitchell-Lama) financing, and partial tax exemption afforded by the city of Yonkers. As presently conceived, this project would result in rentals or carrying charges on a cooperative basis of \$25 per month per room, and a purchase price of approximately \$400 per room. A copy of the detailed figures is available for inspection in the proposal and brochure submitted to the city of Yonkers.

The Lincoln Guild Housing Corp., known as Princess Gardens, which is a middle-income project now being constructed in the dramatic Lincoln Square project in New York City, illustrates that where prime land is involved a project may still proceed on the old title I redevelopment laws technique, but they are few and far between. In this project 420 units of new housing are being furnished at less than \$30 a room carrying charge on a cooperative basis. A copy of the information bulletin, subscription agreement, and proprietary lease for this project is available for inspection by anyone interested in obtaining the details of how a project like this works out.

THIS TYPE OF HOUSING IS ATTRACTIVE TO BUILDERS AND DEVELOPERS

Middle-income projects conceived within the framework of the various programs described above constitute desirable investments for private enterprise. These investments are attractive because there is little risk involved for the entrepreneur in view of the great demand for this type of housing. The amount of promotion money required is relatively nominal, particularly where the projects are developed as cooperatives and the main work required in connection with the development of these projects is furnished by technicians. Architects, engineers, builders, real estate experts, real estate investors, attorneys, and accountants render their services to the project for fair fees and not with a view to making a financial killing out of the venture.

CONCLUSION

In my opinion if S. 1342 becomes law it will break the nationwide logjam which has existed for several years in the creation of new housing aimed at middle-income levels.

NEW YORK CITY, *April 29, 1960.*

HON. JACOB K. JAVITS,
*Senate Office Building,
Washington, D.C.*

DEAR JACK: 1. I have just returned to the city and have your letter of April 18 regarding S. 1342. I greatly regret that it will be impossible for me to testify in support of this bill, as I shall be in travel status during the week of May 9.

2. However, I strongly favor the bill which you have introduced with Senator Clark, and earnestly urge that the Subcommittee on Housing of the Senate Committee on Banking and Currency invite Mr. Eugene J. Morris, of the law firm of Demov & Morris, 1450 Broadway, to appear and testify on the necessity for the enactment of S. 1342.

3. In my opinion, he is the outstanding authority on the legal, financial, and administrative aspects of subsidized middle-income housing, whose expert testimony, based on the widest kind of practical experience, should prove invaluable to the deliberation of the subcommittee.

4. In my desire to insure his availability I conferred with him today on S. 1342. He is heartily in favor of it. He is prepared to testify during the week of May 9 in its support, if invited to do so, and has authorized me to advise you accordingly.

5. Mr. Morris is chairman of the Housing Subcommittee of the Real Property Law Committee of the Association of the Bar of the City of New York. He is the author of the chapter on middle-income housing of the Real Estate Encyclopedia soon to be published by Prentice-Hall. I enclose a reprint of his article on middle-income cooperative apartments, which appeared in November 1959 issue of the Practical Lawyer.

With all good wishes.

Faithfully,

J. ANTHONY PANUCH.

Senator SPARKMAN. Is Mr. Andrus here; Mr. Cowles Andrus? Will you come around, Mr. Andrus?

Mr. Andrus is president of the New Jersey Bank & Trust Co. of Passaic, N.J., and chairman of the Committee on Real Estate Mortgages, Savings and Mortgage Division, American Bankers Association, and is representing that association here today.

We are glad to have you, and you proceed in your own way.

STATEMENT OF COWLES ANDRUS, CHAIRMAN, COMMITTEE ON REAL ESTATE MORTGAGES, SAVINGS AND MORTGAGE DIVISION; ACCOMPANIED BY DR. KURT C. FLEXNER, DIRECTOR OF MORTGAGE FINANCE, AMERICAN BANKERS ASSOCIATION

Mr. ANDRUS. Good morning, Mr. Chairman and gentlemen of the committee.

Senator SPARKMAN. We have your prepared statement, and as I have stated to the other witnesses, the whole statement will be printed.

Mr. ANDRUS. I understand.

Senator SPARKMAN. If you wish to, summarize it.

Mr. ANDRUS. There may be some spots that I can. I would like to.

Senator SPARKMAN. Very good.

Mr. ANDRUS. In the first instance, I can summarize by simply reminding the committee that the banking industry has this very important role in the financing of homes in that, together with the savings banks, the commercial banks have approximately \$53 billion invested in mortgage loans, and their mortgages insured by FHA and guaranteed by VA represent about half of all mortgages in those categories.

We appreciate very much, at the outset, the opportunity to appear before the committee in the interest of the association, and I would like to introduce a gentleman that needs no introduction to this committee. On my left is Dr. Kurt Flexner, the director of mortgage finance of the American Bankers Association.

Senator SPARKMAN. It is a pleasure. He has been before us many times.

We are always glad to see you.

Mr. ANDRUS. S. 3379 requires the President to recommend to the Congress annually a national residential housing construction goal. The President is to indicate how existing law will be administered to achieve the goal and to recommend new legislation necessary to reach the number of units specified in the goal.

S. 3379 also directs the Housing and Home Finance Administrator to carry out a research program.

1. National housing goal: The American economy is essentially a market economy without overall governmental planning. The success of the economy so far as output and stability are concerned is heavily dependent on technological progress and intelligent monetary and fiscal policy. Since the economy operates as a whole rather than as a great many separate independent parts, what happens in each sector of the economy has a significant effect on every other sector of the economy especially when the sector in question is as important as the housing industry. If one sector such as the housing industry is planned while all others are permitted to operate more or less in a free market economy, intelligent fiscal and monetary policy designed to create economic stability will become increasingly difficult to achieve.

It seems to us that the best way to assure the Nation of an adequate supply of mortgage funds is to make the mortgage as an instrument of credit as desirable an investment as any other instrument of credit available to investors. That way all the funds available for investment in every sector of the economy will be allocated according to real demands, and housing construction will respond to an actual demand rather than to artificial stimulation.

The proposal, if adopted, would commit the administration to intervention and planning beyond the boundaries of the housing industry. It is impossible to assure results in one sector of the economy without the exertion of some control over other sectors which affect it. The concept of a national housing goal may be desirable if it is built into the framework of a free market economy. It might be advantageous to this extent for the Council of Economic Advisers to inform the President and in turn the Congress of the facts in regard to conditions of supply and demand in the housing industry and the relationship of these to economic stability. This should prove valuable in the formulation of monetary and fiscal policy the aim of which is to provide a high but stable level of general economic activity.

2. With respect to the research program, we think that a properly conceived and intelligently executed research program sponsored by the Housing and Home Finance Agency can make valuable contributions to the housing industry.

With reference to H.R. 10213, our general comments on the Emergency Home Ownership Act are as follows: The stated objective of H.R. 10213 is—

to halt the serious slump in residential construction, to increase both onsite and offsite job opportunities, to help achieve an expanding full employment economy, and to broaden homeownership opportunities for the American people.

The bill would add \$1 billion to FNMA's special assistance program and in addition create a special assistance fund of \$50 million for the purchase of section 213(i) mortgages. Other provisions of the bill would affect matters currently within the discretionary powers of FNMA management. These provisions appear to be intended to make FNMA funds more readily available and at a lower cost than they would be if they were left to the discretion of FNMA.

The central questions of concern to us in regard to this bill are: Does an emergency exist in fact which would make the enactment of this bill desirable, and are the specific measures recommended in the bill consistent with the sound operations of FNMA and in the public interest?

We have discussed in the following pages something of the mortgage outlook and, frankly, we do not see an emergency existing at the present moment that would suggest the desirability of this special stimulation.

With regard to the other provisions of the bill, we feel that at present there is an element of flexibility through the discretion which rests with the administrators of the different Government agencies, and we think they have used good judgment to date in their utilization of this discretion, and we are reluctant to see that translated to statutory requirement in some of these matters. Had they been less competent in the exercise of their authority, we would perhaps feel differently.

In summary, we cannot support the special assistance program for FHA-insured and VA-guaranteed mortgages provided by the bill, be-

cause we believe it would have undesirable effects on the housing industry and on the economy in general, and because we believe that no emergency exists at present. We oppose some of the other measures contained in the bill because we think it undesirable to replace administrative discretionary powers by rigid laws. This would tend to make the market mechanism ineffective.

S. 3541

FNMA short-term loans secured by FHA-insured or VA-guaranteed mortgages: Title I of S. 3541 authorizes FNMA to make short-term loans on security of FHA-insured or VA-guaranteed mortgages. Such loans would be for 12 months and renewable for an additional 12-month period. Loans may not exceed 90 percent of the unpaid principle balance of the mortgages pledged and shall bear interest at a rate consistent with the loan policies established by FNMA's Board of Directors.

With regard to this legislation, we would like to restate the position taken by the ABA before this committee last year on a similar proposal. This proposal is a definite departure from the original purpose of the secondary market function of FNMA which was to provide supplementary assistance to the private mortgage market. This proposal would place FNMA in direct competition with banks which are providing interim financing to mortgage dealers and project builders. We do not believe that it was ever contemplated that FNMA would engage in operations which compete with any group of private lenders.

Some contend this provision would merely be a substitute for a present practice which accomplishes the same result. It is claimed that under present practice when FNMA purchases mortgages, the seller can have an option to repurchase the mortgages at the same price at which the mortgage was sold to FNMA. It is contended that the only difference between this procedure and the new procedures proposed in S. 3541 is that in the first case he obtains funds temporarily from FNMA under a sale and repurchase agreement while under the new proposal he would borrow the money from FNMA secured by a pledge of similar mortgages. To the extent that the present practice is used as an indirect means of interim financing or "warehousing" of mortgages for the sellers, we deem it subject to the same objections as the procedure proposed in this bill.

Federal mortgage investment companies: Title II of S. 3541 authorizes the incorporation of Federal mortgage investment companies. These companies are to be privately owned. Their chief function is to be the origination, purchase, and servicing of mortgages which are insured by the National Housing Act or insured or guaranteed under the Servicemen's Readjustment Act.

The funds with which these companies are to operate are to come from capital and the sale of debentures which cannot exceed 20 times the amount of the company's capital stock. Although the chief function of these companies is to invest in Government-backed mortgages, they may also invest in conventional mortgages up to the amount of their capital equity.

The major aim of this act appears to be the creation of a mortgage bond which is expected to appeal to certain investors such as pension

fund trustees, who at present do not consider individual mortgages a desirable form of investment.

This bill was only recently introduced, and we have not had a chance to examine it very carefully or to discuss it in the appropriate committees. A preliminary examination indicates, however, that the creation of the proposed Federal mortgage investment companies would unnecessarily complicate an already very complex financial system. By selling bonds to the public these mortgage companies would compete with existing financial institutions which are already engaged in stimulating savings and in the investment of such savings in real estate mortgages.

Since the chief aim of this bill seems to be to create an instrument of credit that would prove desirable to certain potential investors, it appears to us that it may be preferable to develop a stronger mortgage or an instrument of credit backed by mortgages within the present framework of the financial system.

We have not had time, however, to study S. 3541 carefully, and before we can give a constructive appraisal of that bill, we will need time to evaluate it and discuss it in the appropriate committees.

We are confident that in committee, it would be felt that the prime essential here should be an exceedingly strong and trustworthy company, and I think you have that in existing institutions. Perhaps the creation of these ultimately many companies of this size might not give us stability that would be looked for by pension fund trustees, and so forth.

Senator SPARKMAN. You know, of course, that the bill was introduced just a week ago today by request and that the statement I made at the time was that I was introducing it without being fully familiar with the provisions themselves. I am sympathetic with the general objective, but I was doing it, hoping to get, as you are engaged in now, some discussion. We will appreciate your committee and your organization giving careful consideration to all its terms and giving us the benefit of the thoughts on it.

Mr. ANDRUS. Thank you. As you know, the Association is trying quite conscientiously and continuously to find ways of getting more money into the mortgage field.

Senator SPARKMAN. Yes.

Mr. ANDRUS. Maybe this is one that we are going to endorse when we get around to it. But, at the present time, we are not prepared to.

Senator SPARKMAN. Yes, sir.

Mr. ANDRUS. In that regard, S. 3500 would make the FHA title I home repairs and improvement program permanent and would remove the ceiling on the insurance authorization. We recognize that if the title I program should be made permanent, Congress could still review its operations and change or terminate it at any time.

Nevertheless, we believe it is advisable that there be an automatic review whereby Congress periodically would reevaluate the program to determine whether improvement could be made or whether there is need for continued insurance of this type of loan. In the absence of an automatic review, it seems quite possible that Congress might become occupied with its other duties and not appraise this program at regular intervals. We, therefore, recommend that Congress consider a temporary extension of title I rather than making it permanent.

S. 3276 extends the direct home loan program for veterans of World War II and Korean veterans to February 1, 1965, and continues the existing provision of law which increases the direct loan authorization by \$150 million annually.

The VA direct-loan program like the VA-guaranteed-loan program at its inception was predicated on the belief that returning veterans needed assistance in purchasing a home during a period of readjustment to normal civilian life. Sufficient time has elapsed to meet the basic purpose of the VA direct-loan program.

We feel that the program should be permitted to terminate on July 25, 1960, as presently provided, since veterans, like other citizens, can achieve good housing through FHA insurance or ordinary conventional mortgages.

S. 1342 creates a new Government-owned Federal Limited Profit Mortgage Corporation with authority to make 50-year-term loans for construction of housing for moderate-income families (who cannot obtain new housing financed otherwise) and for housing for the elderly.

This loans would be at subsidized interest rates. The Corporation would obtain most of its funds from issuance of tax-exempt obligations.

Although we are in agreement that housing for the elderly presents special problems, we do not believe that the time has come for the Federal Government to solve these problems through the establishment of a corporation that would serve as a lender of first resort. We believe that the role of Government should be to strengthen the private mortgage market rather than to replace it.

Facilities already exist which in our opinion have not yet been fully exhausted for finding solutions to problems in the area of moderate-income housing and housing for the elderly. We feel that better use can be made of sections 207 and 213 of the National Housing Act. We believe that the urban renewal program can also be used more effectively in this connection.

In the past, improved housing conditions were brought about by a movement of families into newer and better quarters as they reached higher economic levels. The quarters which they vacated were then occupied by a movement of families in the lower economic ranges. This seems an intelligent approach when it is considered that our ability to produce housing as well as anything else is limited by very practical, physical factors. If such a corporation as proposed in this bill is established with its primary purpose to finance moderate-income housing as well as housing for the elderly, it would seriously interfere with the historical method which we believe was a more practical one. The approach proposed in this bill would result in vacancies and shortages at the same time, since the funds that would be used for new construction of moderate-income housing and housing for the elderly would compete with other housing demands for the available supply of mortgage credit.

Mr. Chairman, I think it is interesting that the mortgage workshops being conducted by our association, first in New Orleans, subsequently in San Francisco and Chicago, indicate that there is a rising vacancy in the existing residential units, and we think that that is something that should not be overlooked. There is this pro-

vision of historic movement that we indicate here for the middle-income bracket which is very interesting in itself when you look over the country as a whole.

We are thoroughly impressed by the big cities' problems, and there seems to be a little feeling engendered that there is something about moving some part of your urban population out into the suburbs. But that has had a rather important effect on our economy, too. As you build new housing outside of your congested areas, it has all been very beneficial, too. As a lender, it used to be not too many years ago that it was deemed prudent to loan to an individual on a mortgage if his housing did not cost more than $33\frac{1}{3}$ percent of his income. Today, because he has to have a car or two cars, even though middle income, in some cases, and a television set and so forth, we do find that we are not using good judgment if we look at more than 20, 22 percent.

I think those are factors, taking over the whole country and not thinking just in terms of your congested big cities, that the American Bankers Association has to have in mind.

S. 1955, S. 3278, S. 3498

S. 1955 would radically change the objectives of the community facilities program by expanding the functions of the program, liberalizing its terms and by changing the formula for computation of interest rates so as to produce a rate as low as $4\frac{1}{8}$ percent. As amended, this program would now make the Government a lender of first resort rather than a lender of last resort.

It is our view that the role the Government should play in respect to community facilities is to provide necessary financing if private capital is not available at reasonable rates. If the Government rate, however, is artificially below the market rate, private enterprise would be deprived of the opportunity to finance such facilities. The enactment of S. 1955 could result in nearly \$1 billion worth of general obligation bonds and revenue bonds being purchased by the Federal Government. If this occurred, then the Government would merely be competing with private financing rather than complementing it on a reasonable basis.

Since during the last 5 years only \$74 million of the revolving fund was used up, it seems to us that the evidence is against increasing the fund by \$900 million to \$1 billion as proposed in S. 1955. This is substantiated by the administration's proposal that the loan fund authorization should be increased by \$100 million, a figure which is also proposed in S. 3498. We are especially concerned about the large increase in loan funds proposed in S. 1955, because we feel that with the artificially low interest rates communities will be encouraged to provide facilities which do not reflect legitimate needs.

You can all remember back, I think, to the communities that still stand in some areas with the gateways prepared and sidewalks and curbs and so forth and all grown back. They were in the wrong area, and we would not like to see a careless trend in that direction.

S. 3278 amends the existing public facility loan program by authorizing \$100 million for the purpose of constructing mass trans-

portation facilities in metropolitan areas. This bill revises the interest-rate formula in such a way that the rate charged would be tied to certain interest-bearing obligations of the U.S. Government. The resulting rate would be about $3\frac{1}{8}$ percent for the balance of 1960. Although we favor the encouragement of mass transportation facilities as proposed in S. 3278, we believe the program would be better served if the interest rate charged were commensurate with average interest rates on currently issued Government obligations of similar maturity. If funds are made available for the construction of mass transportation facilities, they should be made available via a reasonable interest rate. Otherwise such funds will be used up very quickly, not because they are not available in the private sector of the economy, but because the private sector cannot compete with interest rates that bear no relationship to the conditions of supply and demand.

S. 2911, S. 2950

S. 2911 would make an additional \$250 million available for direct college housing loans. S. 2950 makes an additional \$500 million available for such loans.

We recognize the need for an adequate supply of college housing, but believe that private lenders should be encouraged to supply the financing of such housing at reasonable rates insofar as practicable. We are not opposed, however, to direct Government loans for college housing, provided that such loans are made at interest rates which are commensurate with the prevailing interest rates at which the Government is borrowing on obligations with similar maturities and are not at a subsidized interest rate. Also, we believe that the direct loan program should be carried out in a manner consistent with the maintenance of overall economic stability.

S. 3292

S. 3292 would establish a Department of Housing and Metropolitan Affairs. We believe that the objective of the proposal has merit, but we are not prepared without further study to comment on the specific provisions of the bill.

Senator SPARKMAN. Thank you, Mr. Andrus. It is a very good, very helpful statement. We appreciate the manner in which it has been presented, and we appreciate your being here.

Mr. ANDRUS. Thank you. I appreciate the opportunity of being here.

Senator SPARKMAN. And you, Dr. Flexner.

(The prepared statement of Mr. Andrus follows:)

STATEMENT OF COWLES ANDRUS, THE AMERICAN BANKERS ASSOCIATION

My name is Cowles Andrus. I am president of the New Jersey Bank & Trust Co., Passaic, N.J. I appear today on behalf of the American Bankers Association as chairman of the association's committee on real estate mortgages.

As of December 31, 1959, commercial banks in the United States had invested \$28.2 billion in mortgage loans, while mutual savings banks had invested \$24.9 billion in such loans. Thus, the banks of the Nation, as of the end of last December, had approximately \$53.1 billion invested in mortgage loans. F.H.A.-insured and VA-guaranteed mortgage loans held by banks represent about one-half of all the Government underwritten mortgage credit held by private lending

institutions. This demonstrates that the banking industry has an important role in the financing of homes.

On behalf of our association I appreciate this opportunity to express our views with respect to some of the bills before your committee.

S. 3379

S. 3379 requires the President to recommend to the Congress annually a national residential housing construction goal. The President is to indicate how existing law will be administered to achieve the goal and to recommend new legislation necessary to reach the number of units specified in the goal.

S. 3379 also directs the Housing and Home Finance Administrator to carry out a research program.

1. *National housing goal*

The American economy is essentially a market economy without overall governmental planning. The success of the economy so far as output and stability are concerned is heavily dependent on technological progress and intelligent monetary and fiscal policy. Since the economy operates as a whole, rather than as a great many separate independent parts, what happens in each sector of the economy has a significant effect on every other sector of the economy especially when the sector in question is as important as the housing industry. If one sector such as the housing industry is planned while all others are permitted to operate more or less in a free market economy, intelligent fiscal and monetary policy designed to create economic stability will become increasingly difficult to achieve.

It seems to us that the best way to assure the Nation of an adequate supply of mortgage funds is to make the mortgage as an instrument of credit as desirable an investment as any other instrument of credit available to investors. That way all the funds available for investment in every sector of the economy will be allocated according to real demands, and housing construction will respond to an actual demand rather than to artificial stimulation.

The proposal, if adopted, would commit the administration to intervention and planning beyond the boundaries of the housing industry. It is impossible to assure results in one sector of the economy without the exertion of some control over other sectors which affect it. The concept of a national housing goal may be desirable if it is built into the framework of a free market economy. It might be advantageous to this extent for the Council of Economic Advisers to inform the President and in turn the Congress of the facts in regard to conditions of supply and demand in the housing industry and the relationship of these to economic stability. This should prove valuable in the formulation of monetary and fiscal policy the aim of which is to provide a high but stable level of general economic activity.

2. *Research program*

We think that a properly conceived and intelligently executed research program sponsored by the Housing and Home Finance Agency can make valuable contributions to the housing industry.

H.R. 10213

General comments on the Emergency Home Ownership Act (H.R. 9371)

The stated objective of H.R. 10213 is "to halt the serious slump in residential construction, to increase both onsite and offsite job opportunities, to help achieve an expanding full employment economy, and to broaden home ownership opportunities for the American people." The bill would add \$1 billion to FNMA's special assistance program and in addition create a special assistance fund of \$50 million for the purchase of section 203(i) mortgages. Other provisions of the bill would affect matters currently within the discretionary powers of FNMA management. These provisions appear to be intended to make FNMA funds more readily available and at a lower cost than they would be if they were left to the discretion of FNMA.

The central questions of concern to us in regard to this bill are: Does an emergency exist in fact which would make the enactment of this bill desirable, and are the specific measures recommended in the bill consistent with the sound operations of FNMA and in the public interest?

Before attempting to answer those questions, I shall undertake briefly to describe the mortgage outlook for 1960.

The mortgage outlook

Present indications are that housing starts will decline somewhat during 1960. The most common prediction at present is that housing starts will decline from about 1,375,000 in 1959 to 1,200,000 in 1960.

During the last 10 years housing starts exceeded an average annual rate of 1,200,000. Like every other industry, residential construction experienced fluctuations, but in no year during this 10-year period were starts below 1 million, and in 1959 they reached an estimated 1,375,000. Mild fluctuations are commonly considered adjustments to which a market economy is subject. Adjustments serve to make corrections in prices and output according to the real factors of supply and demand. The fact that housing starts are not likely to fall below the 10-year average of 1,200,000 during 1960 leads us to believe that no emergency exists at present in the housing industry which would justify the passage of H.R. 10213. In fact, we believe that if the Government were to intervene at present in the manner prescribed in this bill, it would tend to overprotect the housing industry which would lead to inefficiencies and rising costs, and in the long run to less housing.

The introduction of the emergency provision of H.R. 10213 seems untimely to us for another reason. The mortgage market has eased somewhat in recent weeks and it is expected that mortgage money will be available in adequate amounts during the second half of 1960. If FNMA were to purchase mortgages at par to the extent of a billion dollars as provided in H.R. 10213, it is not at all certain that such funds would be used for housing construction at all. The situation would be different if mortgage money were really scarce and such funds were to enter the market. As it is, it may well be that the emergency act would produce little more than a special subsidy for holders of VA and FHA mortgages who sold them to FNMA.

Other provisions of H.R. 10213

Section 5 of the bill would amend section 302(b) of the National Housing Act compelling FNMA to purchase all mortgages offered during the year following the passage of this bill so long as the mortgage is not in default and is otherwise eligible. We have no objection to this provision of the bill providing the market mechanism is permitted to operate freely in a way that will let the true assessment of a mortgage purchased be reflected in the price that is paid for it.

Section 6 amends section 302(b) of the National Housing Act and prescribes the terms and conditions under which FNMA may sell mortgages. Although this is intended as a stimulant to mortgage credit, it would in fact be undesirable because it would interfere with FNMA's administrative judgment in matters of secondary market operations. It is, we believe, unwise to make the law a substitute for administrative determination. We, therefore, oppose this provision.

Section 7 amends section 303(b) of the National Housing Act by fixing for 1 year purchases of FNMA stock at 1 percent of the unpaid principal of the mortgages sold to FNMA. At present the range is from 1 to 2 percent and the actual rate within this range is left to administrative discretion. Such stock purchases have a twofold purpose: to transfer the ownership of the common stock to private enterprise and to discourage the practice of using FNMA as a dumping ground. Since conditions change from time to time, the determination of the stock-to-mortgage ratio should be left to the discretion of FNMA management which should be permitted to retain the present necessary flexibility.

Section 8 amends section 305(b) of the National Housing Act by requiring FNMA under its special assistance functions to pay not less than par for any mortgage it purchases. This, of course, makes FNMA a primary mortgage market for FHA and VA loans and would unduly stimulate offerings to it. It is also significant that the billion dollar additional purchasing authority of FNMA proposed in this bill, coupled with the par purchase provision, would necessitate equivalent sales of government obligations by the Treasury which would accentuate the Treasury's competition for available mortgage funds in the private sector of the market and would also make it more difficult for FNMA to market its own obligations needed to provide funds for its secondary market operations. We, therefore, oppose this provision.

Section 9 amends section 305(b) of the National Housing Act by fixing the maximum charge FNMA may impose on commitments and purchases under the special assistance program at 1 percent. Presently, FNMA has the power to fix such charges and fees, and we believe that changes in market conditions make it highly desirable that FNMA continue to exercise its discretionary power

on such matters. This is vital if FNMA is to serve as a secondary market and not as a lender of first resort.

In summary, we cannot support the special assistance program for FHA-insured and VA-guaranteed mortgages provided by the bill, because we believe it would have undesirable effects on the housing industry and on the economy in general, and because we believe that no emergency exists at present. We oppose some of the other measures contained in the bill because we think it undesirable to replace administrative discretionary powers by rigid laws. This would tend to make the market mechanism ineffective.

S. 3541

FNMA short-term loans secured by FHA-insured or VA-guaranteed mortgages

Title I of S. 3541 authorizes FNMA to make short-term loans on security of FHA-insured or VA-guaranteed mortgages. Such loans would be for 12 months and renewable for an additional 12-month period. Loans may not exceed 90 percent of the unpaid principal balance of the mortgages pledged and shall bear interest at a rate consistent with the loan policies established by FNMA's Board of Directors.

With regard to this legislation, we would like to restate the position taken by the American Bankers Association before this committee last year on a similar proposal. This proposal is a definite departure from the original purpose of the secondary market function of FNMA which was to provide supplementary assistance to the private mortgage market. This proposal would place FNMA in direct competition with banks which are providing interim financing to mortgage dealers and project builders. We do not believe that it was ever contemplated that FNMA would engage in operations which compete with any group of private lenders.

Some contend this provision would merely be a substitute for a present practice which accomplishes the same result. It is claimed that under present practice, when FNMA purchases mortgages, the seller can have an option to repurchase the mortgages at the same price at which the mortgage was sold to FNMA. It is contended that the only difference between this procedure and the new procedures proposed in S. 3541 is that in the first case he obtains funds temporarily from FNMA under a "sale and repurchase agreement" while under the new proposal he would borrow the money from FNMA secured by a pledge of similar mortgages. To the extent that the present practice is used an indirect means of interim financing or "warehousing" of mortgages for the sellers, we deem it subject to the same objections as the procedure proposed in this bill.

Federal mortgage investment companies

Title II of S. 3541 authorizes the incorporation of Federal mortgage investment companies. These companies are to be privately owned. Their chief function is to be the origination, purchase, and servicing of mortgages which are insured by the National Housing Act or insured or guaranteed under the Servicemen's Readjustment Act.

The funds with which these companies are to operate are to come from capital and the sale of debentures which cannot exceed 20 times the amount of the company's capital stock. Although the chief function of these companies is to invest in Government-backed mortgages, they may also invest in conventional mortgages up to the amount of their capital equity.

The major aim of this act appears to be the creation of a mortgage bond which is expected to appeal to certain investors such as pension fund trustees, who at present do not consider individual mortgages a desirable form of investment.

This bill was only recently introduced, and we have not had a chance to examine it very carefully or to discuss it in the appropriate committees. A preliminary examination of this bill indicates, however, that the creation of the proposed Federal mortgage investment companies would unnecessarily complicate an already very complex financial system. By selling bonds to the public these mortgage companies would compete with existing financial institutions which are already engaged in stimulating savings and in the investment of such savings in real estate mortgages.

Since the chief aim of this bill seems to be to create an instrument of credit that would prove desirable to certain potential investors, it appears to us that it may be preferable to develop a stronger mortgage or an instrument of credit backed by mortgages within the present framework of the financial system.

We have not had time, however, to study S. 3541 carefully, and before we can give a constructive appraisal of that bill, we will need time to evaluate it and discuss it in the appropriate committees.

S. 3500

S. 3500 would make the FHA title I home repairs and improvement program permanent and would remove the ceiling on the insurance authorization. We recognize that if the title I program should be made permanent Congress could still review its operations and change or terminate it at any time.

Nevertheless, we believe it is advisable that there be an automatic review whereby Congress periodically would reevaluate the program to determine whether improvement could be made or whether there is need for continued insurance of this type of loan. In the absence of an automatic review it seems quite possible that Congress might become occupied with its other duties and not appraise this program at regular intervals. We, therefore, recommend that Congress consider a temporary extension of title I rather than making it permanent.

S. 3504

We recommend approval of S. 3504 which would remove the limitation on the aggregate amount of FHA general mortgage insurance authorization. If this limitation is removed homebuilders, the home financing industries, and home buyers will no longer have to speculate as to whether mortgage insurance will be available. This would permit more intelligent advance planning by the homebuilding industry and would aid in stabilizing this important segment of our national economy.

S. 3276

S. 3276 extends the direct home loan program for veterans of World War II and Korean veterans to February 1, 1965, and continues the existing provision of law which increases the direct loan authorization by \$150 million annually.

The VA direct loan program like the VA-guaranteed loan program at its inception was predicated on the belief that returning veterans needed assistance in purchasing a home during a period of readjustment to normal civilian life. Sufficient time has elapsed to meet the basic purpose of the VA direct loan program.

We feel that the program should be permitted to terminate on July 25, 1960, as presently provided since veterans like other citizens can achieve good housing through FHA insurance or ordinary conventional mortgages.

S. 1342

S. 1342 creates a new government-owned Federal Limited Profit Mortgage Corporation with authority to make 50-year term loans for construction of housing for moderate income families (who cannot obtain new housing financed otherwise) and for housing for the elderly.

These loans would be at subsidized interest rates. The Corporation would obtain most of its funds from issuance of tax-exempt obligations.

Although we are in agreement that housing for the elderly presents special problems, we do not believe that the time has come for the Federal Government to solve these problems through the establishment of a corporation that would serve as a lender of first resort. We believe that the role of government should be to strengthen the private mortgage market rather than to replace it.

Facilities already exist which in our opinion have not yet been fully exhausted for finding solutions to problems in the area of moderate income housing and housing for the elderly. We feel that better use can be made of sections 207 and 213 of the National Housing Act. We believe that the urban renewal program can also be used more effectively in this connection.

In the past, improved housing conditions were brought about by a movement of families into newer and better quarters as they reached higher economic levels. The quarters which they vacated were then occupied by a movement of families in the lower economic ranges. This seems an intelligent approach when it is considered that our ability to produce housing as well as anything else is limited by very practical, physical factors. If such a corporation as proposed in this bill is established with its primary purpose to finance moderate income housing as well as housing for the elderly, it would seriously interfere

with the historical method which we believe was a more practical one. The approach proposed in this bill would result in vacancies and shortages at the same time, since the funds that would be used for new construction of moderate income housing and housing for the elderly would compete with other housing demands for the available supply of mortgage credit.

PUBLIC FACILITY LOANS

S. 1955, S. 3278, S. 3498

S. 1955 would radically change the objectives of the community facilities program by expanding the functions of the program, liberalizing its terms and by changing the formula for computation of interest rates so as to produce a rate as low as 4½ percent. As amended, this program would now make the Government a lender of first resort rather than a lender of last resort.

It is our view that the role the Government should play in respect to community facilities is to provide necessary financing if private capital is not available at reasonable rates. If the Government rate, however, is artificially below the market rate private enterprise would be deprived of the opportunity to finance such facilities. The enactment of S. 1955, could result in nearly \$1 billion worth of general obligation bonds and revenue bonds being purchased by the Federal Government. If this occurred then the Government would merely be competing with private financing rather than complementing it on a reasonable basis.

Since during the last 5 years only \$74 million of the revolving fund was used up, it seems to us that the evidence is against increasing the fund by \$900 million to \$1 billion as proposed in S. 1955. This is substantiated by the administration's proposal that the loan fund authorization should be increased by \$100 million, a figure which is also proposed in S. 3498. We are especially concerned about the large increase in loan funds proposed in S. 1955, because we feel that with the artificially low interest rates communities will be encouraged to provide facilities which do not reflect legitimate needs.

S. 3278 amends the existing public facility loan program by authorizing \$100 million for the purpose of constructing mass transportation facilities in metropolitan areas. This bill revises the interest rate formula in such a way that the rate charged would be tied to certain interest-bearing obligations of the U.S. Government. The resulting rate would be about 3½ percent for the balance of 1960. Although we favor the encouragement of mass transportation facilities as proposed in S. 3278, we believe the program would be better served if the interest rate charged were commensurate with average interest rates on currently issued Government obligations of similar maturity. If funds are made available for the construction of mass transportation facilities they should be made available via a reasonable interest rate. Otherwise such funds will be used up very quickly, not because they are not available in the private sector of the economy, but because the private sector cannot compete with interest rates that bear no relationship to the conditions of supply and demand.

S. 2911, S. 2950

S. 2911 would make an additional \$250 million available for direct college housing loans. S. 2950 makes an additional \$500 million available for such loans.

We recognize the need for an adequate supply of college housing but believe that private lenders should be encouraged to supply the financing of such housing at reasonable rates insofar as practicable. We are not opposed, however, to direct Government loans for college housing provided that such loans are made at interest rates which are commensurate with the prevailing interest rates at which the Government is borrowing on obligations with similar maturities and are not made at a subsidized interest rate. Also, we believe that the direct loan program should be carried out in a manner consistent with the maintenance of overall economic stability.

S. 3292

S. 3292 would establish a Department of Housing and Metropolitan Affairs. We believe that the objective of this proposal has merit but we are not prepared without further study to comment on the specific provisions of the bill.

Senator SPARKMAN. Next, is Mr. R. Manning Brown, Jr., vice president in charge of real estate and mortgage loans, New York Life Insurance Co., and chairman of the Subcommittee on Housing and Mortgage Lending of the American Life Convention and Life Insurance Association of America. He is accompanied by Dr. James J. O'Leary, director of economic research, Life Insurance Association of America. Since getting your statement, I notice you are accompanied by my longtime friend and young schoolmate, Ehney A. Camp of Birmingham.

We are glad to have all of you gentlemen with us.

STATEMENT OF R. MANNING BROWN, JR., VICE PRESIDENT IN CHARGE OF REAL ESTATE AND MORTGAGE LOANS, NEW YORK LIFE INSURANCE CO., AND CHAIRMAN, SUBCOMMITTEE ON HOUSING AND MORTGAGE LENDING OF THE AMERICAN LIFE CONVENTION AND LIFE INSURANCE ASSOCIATION OF AMERICA; ACCOMPANIED BY DR. JAMES J. O'LEARY, DIRECTOR OF ECONOMIC RESEARCH, LIFE INSURANCE ASSOCIATION OF AMERICA; AND EHNEY A. CAMP, JR., VICE PRESIDENT AND TREASURER, LIBERTY NATIONAL LIFE INSURANCE CO., BIRMINGHAM, ALA.

Mr. BROWN. Thank you, Senator Sparkman.

Senator SPARKMAN. We have your statement, and as I have stated to others, it will be printed in full in the record. You proceed as you wish to summarize it or discuss it.

Mr. BROWN. We thought we would just read the early part, which has to do with some observations in the capital market and then ask your permission to file the rest, if that meets with your approval.

Senator SPARKMAN. Very good; it will be printed in full.

Mr. BROWN. Fine.

I am R. Manning Brown, vice president in charge of real estate and mortgage loans, New York Life Insurance Co. My associates are Ehney A. Camp, Jr., vice president and treasurer, Liberty National Life Insurance Co., Birmingham, Ala., and Dr. James J. O'Leary, director of economic research, the Life Insurance Association of America, New York City. This statement is being made in behalf of the American Life Convention and the Life Insurance Association of America. These two associations have a combined membership of 284 life insurance companies which hold 98 percent of the assets of all life insurance companies in the United States. We welcome the opportunity to express our views on some of the bills before this committee.

The vital interest which the life insurance companies have in sound housing and mortgage policy can best be illustrated by the fact that life insurance companies since 1946 have made a total of \$46 billion of residential mortgage loans, of which \$13.5 billion were FHA mortgages, \$10.5 billion VA mortgages, and \$22 billion were uninsured mortgages. On the basis of this \$46 billion total, if we assume an average mortgage of \$10,000, the life insurance business since 1946 has provided the financing for the purchase of 4,600,000 homes by the American people.

The funds flowing from these companies into the mortgage market represent the savings of 110 million policyholders, and these savings in turn have contributed much to the enormous growth of homeownership in this country. As managers of these savings, the life insurance companies are vitally concerned with the soundness of the mortgage market, and even more so with the stability of the purchasing power of the dollars represented by life insurance policies. A decline in the value of the dollar penalizes the millions of policyholders because their claims are in fixed dollar amounts. Accordingly, inflation tends to reduce the flow of saving through life insurance. This means, of course, that it reduces the availability of residential mortgage credit from life insurance companies. I would like to emphasize this point strongly, and we would be glad to document it for the committee if you desire. There is a real danger that Congress, in its efforts to stimulate residential construction, may undertake programs of an inflationary nature that may actually contribute to a reduction in the availability of private saving going into home mortgage loans. We believe that a number of provisions in bills before this committee are inimical to a sound home mortgage market and have serious inflationary implications, and our statement will be directed to them. Most of our remarks will be addressed to H.R. 10213.

THE ISSUES RAISED BY H.R. 10213

The title given to H.R. 10213 in section 1 is the "Emergency Home Ownership Act," and the purpose of the bill is "to halt the serious slump in residential construction, to increase both onsite and offsite job opportunities, to help achieve an expanding full-employment economy, and to broaden homeownership opportunities for the American people." Toward this general purpose, the bill provides for an additional \$1 billion for mortgage purchases under FNMA's special assistance program, as well as the creation of a \$50 million special assistance fund for the purchase of mortgages insured under section 203(i). It also provides for a number of changes in the operation of FNMA which are aimed at making FNMA funds more readily available and at lower cost to users of FNMA facilities.

The basic issues which are raised by the bill are—

- (1) Is there an "emergency" in home building or in the general national economy which makes another billion-dollar injection of FNMA funds in the broad public interest?
- (2) Would the changes in FNMA operation, as provided in the bill, jeopardize its sound operation?

We do not believe that this legislation should be enacted because there is not now, or in the foreseeable future, any emergency in home building or in the national economy which would make another billion-dollar injection of FNMA funds in the broad public interest. Rather, present indications are that the volume of residential construction will be at a substantial level this year without any new appropriation of funds for FNMA. To provide FNMA with large additional funds this year would be harmful to the public interest because it would be inflationary. Furthermore, we believe that the various changes in FNMA operation, as provided in the bill, would jeopardize its sound operation. The reasons for this general position are set forth in the following discussion.

Early this year economists almost unanimously predicted a serious decline in 1960 in the availability of residential mortgage financing. This concern was not justified. To illustrate, table 1 shows the net increase in 1-4 family mortgage debt outstanding in 1958-59 by types of holders.

As will be seen, there was a pronounced increase in residential mortgage financing in 1959, with the net increase amounting to \$13.6 billion, as compared with \$10.1 billion in 1958. Here, Senator Sparkman, I would like to point out this is a net increase and does not include the repayments from existing mortgage portfolios, which is growing each year.

Senator SPARKMAN. Yes. I know.

Mr. BROWN. The 1959 figures was considerably higher than any other net increase in residential mortgage debt in our history, with the 1958 figure next highest. The figures in the third column of the table, prepared by Dr. O'Leary and his staff, represent the best informed estimates of available funds from various sources in 1960. These figures bring together the consensus of close observers in the various institutions listed and take account of current trends. As is apparent, the \$12.2 billion total estimated for 1960 is somewhat below the record high of 1959, but by no means does it represent anything of an "emergency" nature.

The somewhat lower figure estimated for the savings and loan associations in 1960 is based on the belief that there will be a slowing down of advances by the home loan bank system. The current commitment position, and the rate of new commitments, indicates that the life insurance companies will increase their net holdings of residential mortgages about the same amount this year as last. This figure may turn out to be low. The modest decline estimated for the mutual savings banks is based on the belief that liquidity needs and a slower growth will reduce somewhat their acquisition of mortgages. The sharply reduced figure in 1960 for the commercial banks is based on the belief that with a growth in commercial and consumer loans in the balance of this year, commercial bank activity in the residential mortgage market will be curbed. The item "Federal agencies" refers to the net increase in mortgage holdings by FNMA and by VA through the direct loan program. It is highly significant that, on the basis of past legislative authority, these agencies now have the capacity to increase their residential mortgage holdings by \$1.3 billion in 1960, which they will undoubtedly do.

Accordingly, considering the fact that the \$13.6 billion figure in 1959 was a record total, it is hard to see how a decline to about \$12 billion this year would constitute an "emergency" situation. The money available should easily support a 1.2 million level of housing starts, and probably somewhat higher. It is widely recognized that residential mortgage credit is easing, and we expect this to be reflected in starts now that good homebuilding weather is with us.

There has been much public discussion of whether housing will get a "fair share" of the total capital funds this year. Table 2 shows the net sources of capital funds and the uses of these funds in 1958 and 1959, with a rough estimate for 1960. It is interesting to see how large a share of the total funds the residential mortgage market received in each of these 2 years. The third column in the table

presents the estimates we have put together after having consulted with a large number of qualified observers in the various fields of the capital market. There is little doubt that corporate bond financing will be somewhat higher this year, because of an expansion of plant and equipment spending by business and industry, but the total demand on the capital market probably will rise only moderately this year because corporations have large profits and depreciation reserves to plow back into capital expansion, and they now have large holdings of short-term Government securities which can be used in part for expansion.

Although the net increase of consumer credit will be high, it will not run quite as high as in 1959 because of mounting repayments. The big feature of the table is the fact that it now appears that this year the Federal Government will be able to pay off \$2 billion out of a cash surplus, as compared with a net increase in its debt of \$8 billion in 1958 and \$7.9 billion in 1959. Thus, this year the Federal Government will actually be repaying \$2 billion to the total available funds in the capital markets, whereas in 1958-59, it placed a huge drain of nearly \$16 billion on the capital markets. Naturally, this development should contribute much toward reducing the upward pressure on interest rates. This is a powerful reason why it is essential to hold down Federal spending and to preserve a Federal surplus.

Coming to the availability of funds for 1-4 family mortgages, despite a moderate decline to about \$12.2 billion this year, it is difficult to see how anyone could contend that residential construction is not getting its "fair share" of capital funds.

If any "emergency" exists at the present time in the housing field, it does not grow out of a shortage of financing. In some parts of the country there is evidence that new houses are going unsold. In the face of this, it would be unsound to pour a billion dollars of Government fund into the mortgage market to provide an artificial stimulus to housing.

We submit, therefore, that there is no "emergency" in the residential field, in the sense of a shortage of financing, which justifies the measures set forth in H.R. 10213. Instead, these measures should not be enacted because they would have a serious inflationary effect, especially on housing itself.

With your permission, sir, we would like not to read the rest of the statement in the interest of saving time. If you do have any questions on what I have read or any part of the remaining statement—

Senator SPARKMAN. You have made it quite clear.

I am interested in your discussion of the outlook. I have been very interested in the figures that you have given. Following your table 2, you talk about the \$2 billion that the Government would be paying on its debt rather than draining \$16 billion away. That would have a considerable effect, but where is that shown? I do not see that reflected in table 2, or would it be?

I see. Your minus 2 carried in the third column would reflect that, would it not?

Mr. BROWN. Yes, sir; that is where it would be reflected.

Senator SPARKMAN. Very good. I overlooked that in looking at the table. You feel, then, that the mortgage market for the year ahead is favorable?

Mr. BROWN. I would certainly say that the outlook is favorable, yes.

Senator SPARKMAN. I wonder if you would project that over the next 10 years. Are you familiar with the report that our subcommittee made on the mortgage credit situation, to which Dr. O'Leary was one of our leading contributors? I presume you are familiar with that.

Mr. BROWN. Yes, we have read it with a great deal of interest.

Senator SPARKMAN. Do you feel that we are justified by our concern as to whether or not there will be adequate mortgage credit over the next 10 years? I do not know whether I should say "concern" or not. Of course, I think we will take care of it. I think the American economy will take care of whatever situation may arise. But it has become an increasingly serious problem. Do you agree with me in that?

Mr. BROWN. I certainly do. I think it is a very necessary part of the economy to see that we do find funds to do a reasonable level of housing. But it cannot be viewed by itself. I think we have to recognize that there are lots of things that must be done, and it all has to be done within the framework of what we hope will be a sound financing program.

Senator SPARKMAN. I think you are completely correct, and I think that is perhaps one of the mistakes we make sometimes in trying to think of these various programs as being independent economic factors when, as a matter of fact, they are all intertwined.

Mr. Camp, do you have any comment?

Mr. CAMP. I would like to make one very brief comment with particular reference to this question of adequacy of financing. But before I do that, if I may take the opportunity to say that each time I come here, I swell with pride over the fact that our Senator from Alabama is playing such a big part in this field. I know how interested you are and how much time you devote to it. As one of your constituents, I want to thank you for that because it is an extremely important matter.

Senator SPARKMAN. You have been here a good many times, and we are always glad to see you. You always have a contribution to make. As I have often said, you and your company, have really shown the way in carrying on a good home mortgage program.

Mr. Camp used to report to me that his company held mortgages from every county in Alabama except one, and that got a little old. So I said to him one time, "I want you to be sure to place a mortgage in that one county." So, later on, he reported to me they had one there now. So every county in the State of Alabama has mortgages in his insurance company.

Mr. CAMP. That is the reason I thought, Senator, maybe a few statistics—I will not take but a moment to give them to you—of our particular situation right now would be of interest to you because you know how hard we try to get mortgages. I am thinking of FHA mortgages because we are predominantly an FHA lending company.

The reason I do not feel that there is any emergency, looking at it from our operation, we have liberalized our terms just about as far as we can liberalize them to stimulate the new business flowing to us. At the end of April, we had mortgage commitments outstanding

of \$5.5 million, whereas, at the end of April, a year ago, those commitments were \$11 million.

To give you some perspective there, for example, in a high point back in 1955, those commitments were \$21 million. So even though we have tried to stimulate the flow of business, and even though we have brokers able to serve every one of those counties in Alabama, the business is not flowing to us. I have had the feeling that a big part of the problem is, and I do not know that our statement emphasizes this sufficiently, that there is not the demand at this time for housing.

Let me make two comments on that point, and I will be through. Just before I left the office yesterday, this communication arrived, which is a printed communication from Housing Securities, Inc., and that is Tom Coogan, whom you know well. He was in selling mortgages in this letter, and he says:

The homebuilding industry, for many reasons, is having a difficult year. Sales of housing have been slow. Starts are off quite sharply, and there are no signs of a substantial upturning. We believe that very few FHA and VA mortgages will be available later this year.

Then, he ends by recommending that we go ahead and buy now and get them while we can because the mortgages will not be available later.

Finally, one thing entering into this lack of demand, we get the impression that in many localities, there are quite a few vacancies, houses unsold. We had a report come in about a week ago prepared by the Chamber of Commerce of Huntsville, and I thought you would be particularly interested in that. Maybe you know more about that than I do. And I want to ask your advice on investment problem when I get through presenting you with these figures.

This report showed that there are 549 vacancies. It was prepared by the chamber of commerce in Huntsville. As you know, our company has continued to invest in Huntsville because we have felt like it was on a sound basis, even though some companies withdrew from there.

At the end of 1959, we had \$4.25 million invested in mortgages in Huntsville. As someone who is interested in an Alabama company, should we, for example, continue to make loans there with 549 vacancies?

I am really asking for advice.

Senator SPARKMAN. I may say, while I was at home, I talked to someone in the chamber of commerce. As you know, we have had a very tight situation. They told me they were pretty well caught up now. They did not feel there was a surplus of housing, but it was a matter of adjusting between a very tight situation and one in which they were pretty well caught up.

You might be interested to know that NASA's representative, testifying before us just recently—

Mr. CAMP. Pardon me, Senator, who was that?

Senator SPARKMAN. NASA, the National Aeronautic and Space Administration, which has moved into Redstone Arsenal. As you know, they contemplate moving in, or at least employing 1,000 additional people, and they anticipate that will mean 500 families moving into Huntsville. So they asked us to extend section 809 to make the

essential civilian employees of NASA eligible to the same extent as the essential military employees now are, as you know.

You have seen the census reports from Huntsville, have you not?

Mr. CAMP. No, sir; I have not. What do they show?

Senator SPARKMAN. Right at 75,000.

Mr. CAMP. That is wonderful.

Senator SPARKMAN. The 1950 report was 16,000.

Mr. CAMP. That is wonderful. I know you are proud.

Senator SPARKMAN. And it is going to continue to grow. I feel sure of that.

I do believe we ought to use caution. I do not believe in overbuilding at any time or any place, and I would not advocate it for the country as a whole. But there are certain facts that we must keep in mind, and this applies all over the United States. We know that families are being formed. We know about the rate at which they are being formed. We can always use that as a base from which to start in estimating the number of starts that ought to be made in the following year.

Other factors, of course, add to it. So I do not believe, with the building rate that we had last year or that may be contemplated this year, there is any likelihood of our overbuilding. Our subcommittee in that mortgage credit study, you know, estimated that during the 1960's—that is, during the 10 years starting about 1961—we might expect to be built a minimum number of 16 million houses, or an average of 1,600,000 a year.

Most people have said that we were quite conservative. So I stress the fact that we said that it would be the minimum, not necessarily what would be needed, but what we could expect to be built during that time. What we were trying to arrive at was the level of mortgage credit that would be required for the 10 years and we just had to make an estimate of the number of dwelling units that would reasonably be expected to be built. In order to avoid any misunderstanding of the purposes of this study in arriving at an estimate of dwelling unit starts for the decade beginning in 1961, I should like to enter this statement on this in the record.

(The statement referred to follows:)

DEMAND VERSUS NEED FOR NEW HOUSING CONSTRUCTION IN THE 1960'S

The subcommittee study on mortgage credit estimated a minimum production of 16 million new nonfarm permanent dwelling units during the decade beginning in 1961.

This estimate was a necessary step in estimating mortgage credit requirements for the decade, which was the basic purpose of the study.

This was not a housing need study.

A need study would estimate the number of new units required to provide decent housing for all American families regardless of ability to pay for such quarters.

The basic difference between a "need" estimate and the estimate made by the subcommittee involves the assumption made about the elimination of substandard housing. A "need" estimate probably would have assumed that all substandard housing would be eliminated by 1970, whereas the subcommittee estimate assumed that the present number of substandard units would be cut in half by 1970. This was an arbitrary assumption. It was based upon the trend of housing improvements as reported by the Census Bureau's December 1956 survey, and a projection of that trend through the next 10 years. According to the census survey, substandard housing was reduced by nearly 4 million from 1950 to 1956. From this, an estimate was made that it was reduced an-

other 1½ million from 1957 to 1960, or a total of 5½ million during the 10-year period. Based on these data, a projection was made by the staff that substandard housing would be reduced from 11.5 million in 1960 to 5.5 million in 1970. Of this 5.5 million, about one-half was estimated to be in farm and rural areas.

Table 11 in the subcommittee report illustrates the sources of demand for new construction during the past 10 years based on Census Bureau figures, and projections of these data for the next 10 years. It may be noted that the estimate of new construction for the 1960's is 17.8 million for all housing, and 16 million for nonfarm permanent housing. The 17.8 million includes estimates for farm housing, temporary housing, and seasonal new construction. This was done partly in anticipation of the new census definition which will eliminate the distinction between farm and nonfarm housing, and will include seasonal and temporary housing. Average new construction for the 1960's is estimated to be 1.78 million per year. The annual rate is expected to gradually increase from about 1.5 million at the beginning of the decade to over 2 million at the end of the decade.

MR. CAMP. Specifically, though, to get my little investment help here, you feel that in Huntsville, we could continue to invest safely?

Senator SPARKMAN. Yes, I surely do.

MR. CAMP. In the face of the 549 vacancies unsold?

Senator SPARKMAN. I do.

MR. CAMP. I am glad to get that. That is a little additional information I am picking up here.

Senator SPARKMAN. I used to be president of the Chamber of Commerce of Huntsville. But I do believe in the future of it. I surely do.

Thank you very much. We appreciate your remarks.

Doctor, did you have anything to add?

Dr. O'LEARY. Let me just say one thing very briefly. I realize it is very late. I would like to reiterate something that we said in our statement, which I think is very important. That is that the life insurance companies would heartily agree with the goals that your study committee set for housing in terms of the social needs.

Our big problem is how to find the money for that along with the other things that have to be done, as Mr. Brown said. My word of caution says it would be worth the while of this committee to take a look at the flow of savings through life insurance. This is something I say in a measured sort of way, but I think, in the last several years, with the concern that we have had about inflation, the flow of savings through life insurance has slowed down considerably.

If we are to do this housing on a sound basis, the money ought to come from life insurance companies and institutions of that sort. My concern here is that in our efforts to do all the things, for example, that we find in bills before this committee, you may take steps that will kill off the flow of savings through life insurance companies in some of these other forms. I think that is the basic dilemma that we find ourselves in.

Senator SPARKMAN. I would agree with you that it is something to be considered. In other words, it is a matter of maintaining the proper balance.

Dr. O'LEARY. We have some figures on savings through life insurance, and you would be surprised at the impact that the fear of inflation has had on the life insurance business. Our cash flow has been seriously affected in the last several years, and you can trace it to only one source, and that is the fear of inflation. Policy loans have in-

creased. These are the sort of things that concern the insurance business. We are not opposed to any of your social objectives; we love to see houses built, and this should be clear.

Senator SPARKMAN. We certainly do not want a program that would destroy the supporting fabric.

Thank you very much, gentlemen.

(The prepared statement of Mr. Brown is as follows:)

STATEMENT OF R. MANNING BROWN, JR., VICE PRESIDENT IN CHARGE OF REAL ESTATE AND MORTGAGE LOANS, NEW YORK LIFE INSURANCE CO., IN BEHALF OF THE AMERICAN LIFE CONVENTION AND THE LIFE INSURANCE ASSOCIATION OF AMERICA

I am R. Manning Brown, vice president in charge of real estate and mortgage loans, New York Life Insurance Co. My associates are Ehney A. Camp, Jr., vice president and treasurer, Liberty National Life Insurance Co., Birmingham, Ala., and Dr. James J. O'Leary, director of economic research, the Life Insurance Association of America, New York City. This statement is being made in behalf of the American Life Convention and the Life Insurance Association of America. These two associations have a combined membership of 284 life insurance companies which hold 98 percent of the assets of all life insurance companies in the United States. We welcome the opportunity to express our views on some of the bills before this committee.

The vital interest which the life insurance companies have in sound housing and mortgage policy can best be illustrated by the fact that life insurance companies since 1946 have made a total of \$46 billion of residential mortgage loans, of which \$13.5 billion were FHA mortgages, \$10.5 billion VA mortgages, and \$22 billion were uninsured mortgages. On the basis of this \$46 billion total, if we assume an average mortgage of \$10,000, the life insurance business since 1946 has provided the financing for the purchase of 4,600,000 homes by the American people.

The funds flowing from these companies into the mortgage market represent the savings of 110 million policyholders, and these savings in turn have contributed much to the enormous growth of homeownership in this country. As managers of these savings, the life insurance companies are vitally concerned with the soundness of the mortgage market, and even more so with the stability of the purchasing power of the dollars represented by life insurance policies. A decline in the value of the dollar penalizes the millions of policyholders because their claims are in fixed dollar amounts. Accordingly, inflation tends to reduce the flow of savings through life insurance. This means, of course, that it reduces the availability of residential mortgage credit from life insurance companies. I would like to emphasize this point strongly, and we would be glad to document it for the committee if you desire. There is real danger that Congress, in its efforts to stimulate residential construction, may undertake programs of an inflationary nature that may actually contribute to a reduction in the availability of private saving going into home mortgage loans. We believe that a number of provisions in bills before this committee are inimical to a sound home mortgage and have serious inflationary implications, and our statement will be directed to them. Most of our remarks will be addressed to H.R. 10213.

THE ISSUES RAISED BY H.R. 10213

The title given to H.R. 10213 in section 1 is the "Emergency Home Ownership Act," and the purpose of the bill is "to halt the serious slump in residential construction, to increase both on-site and off-site job opportunities, to help achieve an expanding full employment economy, and to broaden home ownership opportunities for the American people." Toward this general purpose, the bill provides for an additional \$1 billion for mortgage purchases under FNMA's special assistance program as well as the creation of a \$50 million special assistance fund for the purchase of mortgages insured under section 203 (i). It also provides for a number of changes in the operation of FNMA which are aimed at making FNMA funds more readily available and at lower cost to users of FNMA facilities.

The basic issues which are raised by the bill are:

(1) Is there an "emergency" in homebuilding or in the general national economy which makes another billion dollar injection of FNMA funds in the broad public interest?

(2) Would the changes in FNMA operation, as provided in the bill, jeopardize its sound operation?

We do not believe that this legislation should be enacted because there is not now, or in the foreseeable future, any emergency in homebuilding or in the national economy which would make another billion dollar injection of FNMA funds in the broad public interest. Rather, present indications are that the volume of residential construction will be at a substantial level this year without any new appropriation of funds for FNMA. To provide FNMA with large additional funds this year would be harmful to the public interest because it would be inflationary. Furthermore, we believe that the various changes in FNMA operation, as provided in the bill, would jeopardize its sound operation. The reasons for this general position are set forth in the following discussion.

THE PROSPECTIVE AVAILABILITY OF RESIDENTIAL MORTGAGE FINANCING FROM PRIVATE LENDERS IN 1960

Early this year economists almost unanimously predicted a serious decline in 1960 in the availability of residential mortgage financing. This concern was not justified. To illustrate, table 1 shows the net increase in 1- to 4-family mortgage debt outstanding in 1958-1959 by types of holders.

TABLE 1.—*The net increase in 1- to 4-family mortgage debt outstanding, 1958-59, by types of investors holding such debt, and estimates for 1960*

[Billions of dollars]

	1958	1959	1960 ¹
1- to 4-family mortgages (total net increase).....	10.1	13.6	12.2
Savings and loan associations.....	4.9	6.8	6.3
Life insurance companies.....	.9	1.2	1.2
Mutual savings banks.....	1.5	1.3	1.2
Commercial banks.....	1.3	1.5	1.0
Corporate pension funds.....	.1	.1	.2
State and local funds.....	.1	.3	.3
Federal agencies.....	(²)	1.6	1.3
All other investors.....	1.3	.8	.7

¹ Estimate.

² Less than \$50,000,000.

As will be seen, there was a pronounced increase in residential mortgage financing in 1959, with the net increase amounting to \$13.5 billion, as compared with \$10.1 billion in 1958. The 1959 figure was considerably higher than any other net increase in residential mortgage debt in our history, with the 1958 figure next highest. The figures in the third column of the table, prepared by Dr. O'Leary and his staff, represent the best informed estimates of available funds from various sources in 1960. These figures bring together the consensus of close observers in the various institutions listed and take account of current trends. As is apparent, the \$12.2 billion total estimated for 1960 is somewhat below the record high of 1959, but by no means does it represent anything of an "emergency" nature.

The somewhat lower figure estimated for the savings and loan associations in 1960 is based on the belief that there will be a slowing down of advances by the Home Loan Bank System. The current commitment position, and the rate of new commitments, indicates that the life insurance companies will increase their net holdings of residential mortgages about the same amount this year as last. This figure may turn out to be low. The modest decline estimated for the mutual savings banks is based on the belief that liquidity needs and a slower growth will reduce somewhat their acquisition of mortgages. The sharply reduced figure in 1960 for the commercial banks is based on the belief that with a growth in commercial and consumer loans in the balance of this year, commercial bank activity in the residential mortgage market will be curbed. The item "Federal agencies" refers to the net increase in mortgage holdings by FNMA and by VA through the direct-loan program. It is highly significant that, on the basis of past legislative authority, these agencies now have the capacity to increase their residential mortgage holdings by \$1.3 billion in 1960, which they will undoubtedly do.

Accordingly, considering the fact that the \$13.5 billion figure in 1959 was a record total, it is hard to see how a decline to about \$12 billion this year would constitute an "emergency" situation. The money available should easily support a 1.2 million level of housing starts, and probably somewhat higher. It is widely recognized that residential mortgage credit is easing, and we expect this to be reflected in starts now that good homebuilding weather is with us.

There has been much public discussion of whether housing will get a "fair share" of the total capital funds this year. Table 2 shows the net sources of capital funds and the uses of these funds in 1958 and 1959, with a rough estimate for 1960.

TABLE 2.—Sources and uses of funds in the capital market

[In billions of dollars]

	1958	1959	1960 ¹
Sources of funds:			
Life insurance companies.....	4.9	5.1	5.2
Savings and loan associations.....	6.2	8.3	7.2
Mutual savings banks.....	2.4	1.5	1.4
Corporate pension funds.....	2.7	3.3	3.6
Commercial banks.....	15.2	4.3	5.0
Federal Reserve banks.....	2.1	.3	.5
State and local funds.....	1.3	2.7	2.8
U.S. investment accounts.....	-.9	-1.7	.5
Federal loan agencies.....	.8	2.5	2.0
Corporations.....	5.1	8.6	3.2
Fire and casualty companies.....	.9	1.2	1.2
Foreigners.....	(²)	4.5	1.2
Individuals and others.....	3.2	15.3	8.9
Total sources.....	43.9	56.8	42.7
Uses of funds:			
Corporate bonds.....	5.9	4.3	4.6
Corporate stocks.....	2.1	2.3	2.2
State and local government issues.....	5.9	5.1	5.1
U.S. Government securities.....	8.0	7.9	-2.0
Federal agency issues.....	-.5	2.4	1.2
Mortgages:			
1- to 4-family.....	10.1	13.6	12.2
Other.....	5.2	5.6	5.0
Business credit.....	4.4	6.8	7.0
Consumer credit.....	.3	6.3	6.0
All other credit.....	2.6	2.6	1.4
Total uses.....	43.9	56.8	42.7

¹ Estimate.² Less than \$50,000,000.

It is interesting to see how large a share of the total funds the residential mortgage market received in each of these two years. The third column in the table presents the estimates we have put together after having consulted with a large number of qualified observers in the various fields of the capital market. There is little doubt that corporate bond financing will be somewhat higher this year, because of an expansion of plant and equipment spending by business and industry, but the total demand on the capital market probably will rise only moderately this year because corporations have large profits and depreciation reserves to plow back into capital expansion, and they now have large holdings of short-term government securities which can be used in part for expansion. Although the net increase of consumer credit will be high this year, it will not run quite as high as in 1959 because of mounting repayments. The big feature of the table is the fact that it now appears that this year the Federal Government will be able to pay off \$2 billion out of a cash surplus, as compared with a net increase in its debt of \$8 billion in 1958 and \$7.9 billion in 1959. Thus, this year the Federal Government will actually be repaying \$2 billion to the total available funds in the capital markets, whereas in 1958-59 it placed a huge drain of nearly \$16 billion on the capital markets. Naturally, this development should contribute much toward reducing the upward pressure on interest rates. This is a powerful reason why it is essential to hold down Federal spending and to preserve a Federal surplus. Coming to the availability of funds for 1- to 4-family mortgages, despite a moderate decline to about \$12.2 billion this year, it is difficult to

see how anyone could contend that residential construction is not getting its "fair share" of capital funds.

If any "emergency" exists at the present time in the housing field, it does not grow out of a shortage of financing. In some parts of the country there is evidence that new houses are going unsold. In the face of this, it would be unsound to pour a billion dollars of Government funds into the mortgage market to provide an artificial stimulus to housing.

We submit, therefore, that there is no "emergency" in the residential field, in the sense of a shortage of financing, which justifies the measures set forth in H.R. 10213. Instead, these measures should not be enacted because they would have a serious inflationary effect, especially on housing itself.

EXCESSIVE STIMULATION OF RESIDENTIAL CONSTRUCTION THIS YEAR WOULD BE
INFLATIONARY

During the balance of this year general business conditions should be strong and rising, based on the following forces:

(1) A substantial rise of plant and equipment expenditures by business and industry. All of the surveys point to a 14-percent increase of plant and equipment expenditures this year, to the highest annual rate on record.

(2) A rising volume of consumer spending especially for automobiles and durable consumer goods. Personal incomes are at record levels, and various surveys indicate that consumers are planning heavy spending this year. Current reports on retail sales and automobile sales are bearing out this expectation.

(3) Federal spending will remain at record peacetime levels.

(4) State and local government spending is moving to a new high from the current annual rate of about \$45 billion.

(5) The rate of residential construction, although somewhat lower than in 1959, will still remain high, at least 1.2 million starts.

(6) There is likely to be a resumption of the rise in business inventories in coming weeks.

(7) American exports are showing a rise this year.

With these forces at play, the majority of economists and business analysts in the country are convinced that our national economy will be strong and will move to a higher level of output as the year goes on. Gross national product passed the \$500 billion annual rate for the first time in our history in the first quarter of this year. Our basic problem during the balance of this year will be to prevent a fresh outbreak of rising prices and another round of depreciation in the value of the dollar. This is the nature of the problem which lies ahead of us, as we see it. It is the threat of further inflation, not the problem of stimulating job opportunities through stimulating housing, as assumed in H.R. 10213.

Under the economic conditions now developing, as we view the situation, the injection of an additional billion dollars of FNMA funds into the residential mortgage market would clearly be inflationary for two main reasons. First, this billion dollars of spending for housing, with the multiplying effect it would have on expenditures for furniture, washing machines, and other durable consumer goods, not to mention State and local government spending, would be an addition to the already high demand for all types of goods and services, thus acting to push up prices. Secondly, for the U.S. Treasury to provide FNMA with an additional billion dollars this year would, of course, remove a billion dollars from the projected Federal surplus. Not only would this have an inflationary impact because of the higher Federal spending, but it would seriously hinder the Federal Government from using fiscal policy to combat an unsustainable boom in business. It is widely recognized that in the postwar period one of the basic causes of inflation has been that Federal budget surpluses have not been employed to aid in preventing unsustainable booms. This has forced too great a reliance upon monetary restraint.

As is apparent in table 2, the huge Federal borrowing occasioned by big deficits in 1958 and 1959 was a very important factor behind the rise of interest rates from mid-1958 to the present. This was also true of earlier postwar years. There is much talk today about high interest rates on home mortgages. Current rates are the inevitable result of the fact that the overall demand for capital funds has been running ahead of the supply. A big part of this over-demand has been heavy Federal borrowing. Through a Federal surplus this year, and by the repayment of debt, the U.S. Treasury can exert a powerful effect toward easing credit. Under the circumstances, it does not make sense to

cut into this surplus by adding a billion dollars to Federal spending through an FNMA appropriation. In the end, FNMA purchases will do nothing to provide any ease in the mortgage market and will ultimately act to aggravate the problem of rising home prices.

Accordingly, we do not believe that the FNMA appropriation provided for in H.R. 10213 is in the public interest. It cannot be justified as needed to meet an "emergency." It would be inflationary. And instead of easing the capital market, it would actually contribute to higher interest rates.

THE CHANGES IN FNMA OPERATIONS PROVIDED IN H.R. 10213 ARE UNDESIRABLE

There are several changes in FNMA operations provided for in H.R. 10213 which we believe would jeopardize the sound functioning of FNMA. These amendments, discussed below, would all contribute to making FNMA a primary market and dumping ground, which runs counter to the original legislative intent and would not be in the public interest. We do not believe it would be desirable to enact these amendments even on a temporary basis, particularly because they cannot be justified on emergency grounds, as noted earlier.

Section 5 would amend section 302(b) of the National Housing Act to require FNMA, during the year following enactment, to purchase any mortgage which is offered to it regardless of the type of housing covered, so long as title to the property is good and the mortgage is otherwise eligible and not in default. We believe that FNMA should not have its administrative discretion circumscribed in this manner. FNMA should always have administrative discretion to take the quality of construction and the credit worthiness of the borrower into account in the case of mortgages it purchases.

Section 6 would amend section 302(b) of the National Housing Act to require that FNMA, during the year following enactment, sell any of its mortgage holdings only on a cash basis, and at prices not less than the acquisition prices. This limitation would be most undesirable because it would prevent FNMA from functioning effectively as a true secondary market facility. FNMA should at all times have the power to dispose of its mortgage holdings in accord with market conditions, as well as to purchase mortgages, if it is to retain the advantage of operating on a revolving-fund basis.

Section 7 would amend section 303(b) of the National Housing Act to fix the amount of FNMA stock which a person is required to purchase when selling a mortgage to FNMA, during the year following enactment, at 1 percent of the unpaid principal amount of the mortgage. Under existing law FNMA has administrative discretion to fix this requirement at any point between 2 and 1 percent of the unpaid principal amount. FNMA should not be deprived of administrative flexibility in this matter. The basic purpose of this stock purchase requirement is to insure that FNMA is not used as a dumping ground and that it be used as a secondary market only after sellers have actively sought private purchasers. We do not believe that this amendment would be sound because it would contribute, along with other of the amendments, to making FNMA a dumping ground.

Section 8 would amend section 305(b) of the National Housing Act to require that FNMA, in the performance of its special assistance functions, during the year following enactment, shall not pay less than par for any mortgage. This would be totally unwise because, under present market conditions, FNMA would be compelled to operate as a primary market for mortgages and it would certainly become a dumping ground. It has been a most desirable thing for the mortgage purchases by FNMA to be close to the going market prices. If it should be required to purchase at par, under present market conditions an additional FNMA appropriation would be speedily used up as FNMA actually operated as a market of primary resort.

Section 9 would amend section 305(b) of the National Housing Act to provide that the maximum charges or fees which FNMA may impose for its commitment and purchase of a mortgage under the special assistance program, during the year following enactment, shall be 1 percent of the unpaid principal amount of the mortgage, with one-fourth being collected at the time of commitment and the remainder at the time of purchase. Under existing law FNMA has full discretion to fix these charges and fees. We believe that FNMA should not have its discretionary authority eliminated in this matter. Market conditions are subject to change, and FNMA should have administrative authority, in matters such as fees and charges, to adjust to changing conditions.

Here again, if FNMA sets its fees and charges substantially below those prevailing in the private mortgage market, the effect will be to make FNMA a market of first resort, which was not intended in the basic act.

VIEWS ON S. 3379

I would like to comment briefly on S. 3379, most of the provisions of which we think are constructive and desirable.

We have serious doubts, however, about the wisdom of section 1, which provides that the President shall submit an annual or biannual report to the Congress setting forth (1) the minimum number of housing units which should be started during the calendar year, or such year and the following year, (2) the manner in which existing law will be administered to achieve this objective, and (3) any legislative recommendations to achieve the objective. This provision raises some difficult questions about how far, within the framework of a free market system, the Government should go in planning economic activity. There is clearly general agreement that the Government must be concerned with implementing broad economic objectives, such as high employment of our resources, and vigorous economic growth without price inflation. The Employment Act of 1946 has set forth broad objectives such as these. Virtually everyone agrees that Federal Reserve policy, fiscal policy, debt management policy, and other Federal policies, including housing policy, should be directed to achieving these broad national economic objectives.

At the same time, however, we think that it would be unwise, as is provided in section 1, that the executive department of the Government be required to set fixed goals in a particular area of the national economy—housing—and be under the compulsion to work toward these goals despite developments in other sectors of the national economy. In order to work successfully to achieve the basic objectives of vigorous economic growth without inflation, the Government must have flexibility of the many policy measures which it can use to this end. It should not be bound rigidly to a particular objective in housing.

If the Federal Government is to be required to set goals with respect to housing, why should it not set goals with respect to other economic activity such as the number of new industrial plants, or even the number of automobiles? How far can this go without submerging our free market system? We can plan all of the elements of our national economy that we want if we are willing to become a controlled and regimented society. We believe, therefore, that it would be a mistake to require the President to set fixed housing goals each year, along with the means to achieve them. This does not mean, however, that under the terms of the Employment Act of 1946 he should not be required to place housing policy within the framework of flexible Government policies to achieve our broad national economic objectives.

We believe that the other provisions in S. 3379, those for housing research, encouragement of improved design and technology in housing construction, and farm housing, are constructive and desirable.

S. 1955

Section 201 of S. 1955 would authorize the Housing and Home Finance Administrator to make loans to municipalities or other political subdivisions of States to assist in the provision of "essential public works" where credit "is not otherwise available on equally favorable terms or conditions." In order to carry out the provisions of this section, the Administrator would be authorized to issue obligations to the Secretary of the Treasury in an amount not to exceed \$1 billion.

With the great difficulty which this country has experienced in holding down Federal spending, we do not believe that this program should be undertaken, particularly in the present general economic environment. This program would mean another drain of \$1 billion on the U.S. Treasury, and we would have the same opposition to it as the FNMA appropriation in H.R. 10213.

S. 1342

S. 1342 would provide for the creation of a Federal Limited Profit Mortgage Corporation to assist in the provision of housing for moderate-income families and for elderly persons. To carry out the purposes of the bill, the Corporation would be authorized to issue and have outstanding obligations in an amount not to exceed \$500 million, with the President given discretion to authorize addi-

tional amounts up to \$1,500 million. The obligations would be guaranteed by the U.S. Treasury and would be issued at an interest rate not to exceed 4 percent.

It is a little difficult to see how this proposed Corporation could market any obligations today at 4 percent when the U.S. Treasury itself cannot find a market for its own direct obligations at the ceiling rate of $4\frac{1}{4}$ percent. The bill has the basic objection that it would provide for the issuance of up to \$1.5 billion of bonds guaranteed by the U.S. Government. Since the end of World War II the great proliferation of Government insured and guaranteed mortgages, FNMA debentures, home loan bank debentures, Government-guaranteed ship loans, and many others, has cut the ground out from under the ability of the U.S. Treasury to sell its own direct obligations. The result has been that despite strenuous efforts by the Treasury to sell long-term bonds, today 80 percent of the marketable Federal debt falls due in 5 years or less. Close to \$80 billion of this debt comes due in one year. This is not a healthy situation, to say the least, because it arms the public with excessive amounts of highly liquid assets—very close substitutes for cash—and makes it very difficult for the monetary authorities to cope with inflation. For this reason alone, we do not believe it wise to enact S. 1342. The objectives are most desirable, but study should be made to determine whether they cannot be carried out under existing FHA programs.

S. 3276

This bill would extend the VA direct home loan program until February 1, 1965, continuing the \$150 million annual addition to the funds available to the program. The present termination date for this program is July 25, 1960. Here again, the authorization of such funds would constitute an additional drain on the U.S. Treasury at a critical time. These funds would be used in turn to support a noncompetitive interest rate.

Alternatively, if the VA rate were raised so as to come into line with the FHA rate, the VHMCP would be brought back into the picture. We believe that VHMCP can do a successful job of making VA and FHA credit available in remote areas in small towns if allowed to function within the framework of market forces.

Legislation has been introduced in the House which would bring the VA rate more into line with the FHA rate and we hope that this legislation will be given careful consideration.

SUMMARY AND CONCLUSIONS

1. We do not believe that an emergency exists with respect to the availability of residential mortgage credit which requires the program set forth in H.R. 10213. Rather, present indications are that the volume of residential construction will be at a substantial level this year without any new appropriation of funds for FNMA. The best informed sources expect that the flow of residential mortgage credit from private investors will not be appreciably reduced this year as compared with the record flow in 1959. FNMA and the Veterans' Administration already have \$1.3 billion from prior authorizations to make available in the mortgage market this year.

Accordingly, this is not the time to provide FNMA with a new authorization of a billion dollars. The injection of additional FNMA funds into the mortgage market in large amounts this year would have serious inflationary consequences because it would add this spending to the already great pressures of demand throughout the national economy. Moreover, should FNMA be provided with another billion dollars, Federal spending would be increased by this amount and the possibility of achieving a Federal budget surplus thus reduced. This would be most unfortunate not only from the viewpoint of employing fiscal policy to combat inflation, but it would also reduce the opportunity for the Federal Government to retire some of its outstanding debt this year. Federal debt retirement, through which the Government actually supplies funds to the capital market, could be a powerful means toward easing conditions in the capital market. Thus, a big FNMA appropriation would not only be inflationary, but it would also be self-defeating as a means of easing the mortgage market and capital markets generally.

Many of the provisions of H.R. 10213 would amend the functioning of FNMA toward making it a primary market for mortgages and a dumping ground at artificially high prices and charges. This would cause FNMA to operate unsoundly and counter to the original legislative intent, so that these amendments should not be adopted.

2. Most of the provisions of S. 3379 are constructive and desirable, but we question the desirability of section 1, which would require the President to set specific housing goals each year. In order to work successfully to achieve the basic national economic objectives of high employment and vigorous economic growth without inflation, the Government must have flexibility with respect to the many policy measures which it can use to these ends. The Government should not be bound rigidly to a particular objective in housing.

3. In view of the great difficulty which this country has experienced in holding down Federal expenditures, we do not believe that the program of loans to municipalities, provided for in section 201 of S. 1955, should be undertaken. This program would mean another drain of \$1 billion on the U.S. Treasury, and we would have the same opposition to it as the FNMA appropriation in H.R. 10213.

4. S. 1342, providing for the creation of a Federal Limited Profit Mortgage Corporation, has the basic objection that it would call for the issuance of up to \$1.5 billion of bonds guaranteed by the U.S. Treasury. The ever-expanding volume of federally guaranteed obligations, to which this program would add substantially, has undercut the ability of the U.S. Treasury to sell its own direct long-term bonds, with serious inflationary implications. The objectives of the bill are most desirable, but study should be made to determine whether they cannot be carried out under existing FHA programs.

Senator SPARKMAN. The next and last witness, is Mr. Vito P. Battista.

Mr. Battista, will you come around?

Mr. Battista, I do not like to hurry you up, but it is getting late, and I have another meeting to attend.

STATEMENT OF VITO P. BATTISTA, LEGISLATIVE CHAIRMAN, NEW YORK COMMITTEE OF PROPERTY OWNERS ASSOCIATIONS

Mr. BATTISTA. I have to catch a train, myself, Senator.

I will tell you, Senator, this is very important because not only did I come from New York, but I think I am going to give you a different point of view than our conferees from New York City.

My name is Vito P. Battista, architect, city planner, and educator, representing the New York Council of Property Owners Associations, and New York State Taxpayers Associations.

In private practice, I am a housing, institutional, and urban planning consultant, as well as an architectural critic and lecturer. I was an architectural designer for the New York World Fair 1939, Inc., the Department of Public Works, City of New York, the office of Henry V. Murphy, architect, and many private corporations. I have planned numerous large institutions and public buildings—schools, hospitals, courthouses, libraries, firehouses, seminaries, universities, et cetera—and was co-designer for the preliminary planning of the Brooklyn Civic Center and Brooklyn Supreme Court Building.

I have been active in teaching, as well as in administration. I am a graduate of Carnegie Tech (B. Arch.), MIT (M. Arch.), Fontainebleau School of Fine Arts, and Beaux Arts Institute of Design. During my academic studies at Carnegie I won the Hornbostel Prize and the AIA prize; and at Fontainebleau was awarded the MIT prize. I was also the recipient of a scholarship to MIT for graduate study.

I have worked in civic organizations and am the founder of an architectural scholarship fund. I was president of the Brooklyn Society of Architects and also director of the New York Society of Architects and New York State Association of Architects. In the professional field, I was winner of several architectural competitions and

have also contributed many original and constructive ideas in city planning to the local community as a public service.

I want to thank you for this opportunity in allowing me to speak. I am sorry our Senator from New York is not here to ask me questions.

Gentlemen, the homeowners and taxpaying groups of New York City and New York State which I represent preach tax conservation as the first rule of government. Our demands for tax reduction and the protection of the tax dollar can be achieved through unremitting economy in government, the elimination of wasteful and inefficient practices therein, and the termination of the politically inspired and excessively subsidized housing programs. Specifically, we propose (a) an immediate cessation of the use of public moneys for subsidized housing projects.

I may state at this time, Senator, we have \$1.5 billion worth of property in New York City, on which \$60 million a year is not being paid in taxes. We also have these people who own automobiles and have parking lots and have all the community services, while we, the full homeowners, cannot get these services, and we pay full taxes.

SENATOR SPARKMAN. Mr. Battista, may I apologize for breaking in here. As I said, I have this longstanding engagement. I am going to carry your statement with me. I will read it, and I am going to ask Mr. Cash, who is our staff director, to ask you such questions as may be required.

I apologize for leaving the committee, but I had no idea that all of the first witnesses were going to take so long. I will take your statement with me, and I appreciate your appearing.

I may say we have had some testimony from representatives of property owners before.

MR. BATTISTA. But not what I am going to give you, Senator.

SENATOR SPARKMAN. We fully welcome yours, too, but I want you to know that you have not been alone. We have had others.

MR. BATTISTA. Thank you, sir.

We advocate the return of existing subsidized housing to the property tax rolls; the elimination of vote-getting tax shelters for special groups which redound to the disadvantage of the taxpaying public at large.

(1) Rent control for most of the tenant residents of New York City is a notorious example of tax favoritism at the expense of every homeowner, cooperative owner, and new housing tenant in our State. Rent control is tax evasion because artificially depressed rents severely limit the amount of real estate taxes which the public treasury should be deriving from such properties. Low rents, politically inspired, prevent taxable assessed valuations from rising on rent-controlled properties but raise the realty tax rate for all properties instead, and that, as a direct consequence, increases the real estate taxes paid by the homeowner and the rest of the taxpaying citizenry. Rent-controlled tenants, many of whom are of substantial means, are thus granted substantial tax exemptions which must come out of the pockets of the rest of the State.

(2) Tax abatement extended to developers of Government-assisted housing especially where the abatement is granted for periods in excess of 3 years and usually for as long as 25 years is an equally notorious example of the built-in tax shelter. We can cite examples of high

income city officials tenanting tax-abated apartments with river views while struggling homeowners sweat to scare up the additional real estate taxes assessed against them.

I may say at this time, gentlemen, in New York City we have a condition, Corlears Hook, which is a good example of people making \$15,000 and \$20,000 a year who have large terraces overlooking the East River and are getting full tax abatement. How can you expect the rest of the productive citizens and the citizens throughout the whole United States, the homeowner, to compete with such tax giveaways. I may say at this time that a lot of these fellows living there are the so-called liberals that we read about. In other words, they are liberal with the taxpayer's money.

We also have a situation in Brooklyn, sir, the Pratt Housing, which I am very familiar with because I come from New York City. There is a situation where they tore down many acres of slums. Many buildings were torn down. Many businesses were thrown out; many tenants were thrown out. For 5 years, nothing has been done. Then, they built a few buildings, and they cannot rent them, naturally. As a result, nobody is paying taxes on this land. I think this is unfair to the rest of the taxpayers, especially the homeowners.

What about the Bash houses in Brooklyn, another place where they are giving 70-percent tax abatement. Another one is Jamaica Race Track, 65-percent abatement. And we have had full taxpaying builders who offered to build and pay full taxes.

Fred Trunk wanted to pay full taxes; John Reynolds wanted to pay full taxes. Yet, they were not given the privilege to build here and pay full taxes. But they were given to favored people in Government, while the other taxpayers pick up the tax tab.

(3) The substantial number of persons now residing in tax-sheltered, rent-controlled, and tax-abated housing, especially in New York City, has seriously compromised the taxing power of the community. If the mayor of New York City would ask for the elimination of these political tax shelters, he would have all the tax revenue required to meet his swollen budget. As it is, however, he prefers to ask the upstate homeowners and taxpayers to furnish more State aid for the city's tax evaders. It has been estimated that New York City is losing between \$100 million to \$150 million a year in real estate tax revenues because of rent control and tax abatement policies.

The so-called housing crisis in the State of New York is essentially the result of loss of confidence on the part of the building industry. Private enterprise cannot operate and will not operate in a socialistic climate in direct competition with public housing, subsidized housing, tax-exempt housing, and politically inspired rent controls. Investment capital will not take on the additional risk of operating against political irresponsibility and restriction.

The current campaign of villification against property owners in the city of New York is a vicious example of what the supplier of private residential housing must face in our State. The vast housing slums in New York City, which is the core of our housing problem, is a direct result of wartime rent controls perpetuated, as a matter of cowardly politics, for 18 long years of decay.

Mind you, 18 years of rent control in New York City. No wonder these fellows want all the Federal budget in order for them to build more houses. They are the liberals, at the taxpayer's expense.

New York State is not entitled to any further Federal aid for housing until they eliminate rent controls which are the prime cause of the slums, of the deterioration that exists there today. Then, private enterprise can do the job or provide the needed funds instead of having to ask the taxpayers of the rest of the Nation to do so.

What are some of the evils of rent control? This is very important, and I only have a few pages.

Slums are created because owners cannot keep up with skyrocketing building maintenance costs and taxes, causing tenants who are willing to pay for decent housing to live below their standards.

Shortage of apartments results from underoccupancy and withdrawal of units from market, thus depriving many growing families of suitable accommodations at fair prices.

We say, "eliminate rent control," and we will have no shortage in New York City. The population has decreased, not increased. That is a very important factor. The population in New York City has decreased. The last census in 1957 indicated we had lost approximately 150,000 people.

High-income hogs hoard low-rent apartments and deprive the average family of bargaining for them in a free market. Example: Hulan Jack, borough president of Manhattan, lives in a rent-controlled apartment; Joseph Sharkey, majority leader of the New York City Council, both high-income officials, hog rent-control apartments. That's a few examples. I just bring the city officials in to show you that these people are so interested in living in these rent-controlled apartments so that the rest of the people could pick up their taxes.

Land barons use rent-control-caused deterioration as an excuse for their land grabs under title I and other Government programs, thus depriving many low-income families of good housing at fair rents. For example: Greenwich Village, and the East Side of Manhattan.

Freedom of contract between tenant and owner is destroyed by bureaucrat-administered rent controls which provides an un-American climate dangerous to private enterprise.

Unequal rents are caused by rent control regulations which are impossible to administer. Thus, the least desirable apartments pay more than the most desirable apartments in the same building.

Class hatred is created by rent controls which sets tenants against owners and vice versa. In reality, they have common interests such as good housing and preserving good neighborhoods.

Building booms have resulted in every city and State in the country when controls were removed. Shortages disappeared overnight.

I only may tell you gentlemen that if you look at the New York Times, Sunday's Times, you will find more apartments in the city of New York than you have hair on your head. There are plenty of apartments, but you have to pay the economic rent.

We must charge the mayor of the city of New York with a calculated attempt to destroy private residential housing in that city so that the same may be replaced with the aforementioned collectivized public and quasi-public housing. The mayor and his socialistic advisers are seeking to create a housing empire consisting of a public housing commissariat, title I land baronies, labor union and political housing grants, and other features that go with socialist housing. And this operation can only proceed while public attention is diverted by

a scapegoat. The present antilandlord campaign is nothing more than a coverup for the destruction of private residential housing in New York City.

It may well be too late to restore the confidence of private builders in our public leaders. Unless and until this Congress puts an end to Government interference in the housing field, New York City will become another Paris slum.

Rent control has created the same effects wherever it has been applied—the necessity for owners to neglect repairs they cannot afford, thus promoting the growth of slums; permanent, built-in, self-perpetuating shortages which are used to justify the demand for more and more public housing; and the discouragement of private capital which might otherwise invest in new rental housing. Wherever controls have been removed, tremendous apartment building activity has taken place.

Gentlemen, I have a book here of about 100 testimonials throughout the whole United States which shows clearly that removal of rent control has caused no great problems. In fact, it created building booms. We have a building boom in the city of New York, but it is in commercial building because, in commercial buildings, rent control was intelligently handled.

We, therefore, urge the U.S. Senate Subcommittee on Housing to have New York State follow the example of every other State in the Union, and eliminate this vicious, socialistic, deterrent to the end of the housing shortage.

We, therefore, homeowners and property owners of New York State, urge the U.S. Senate not to extend any further Government aid in housing to New York State.

For we, the homeowners, pick up the tax tab.

Why does New York City, the richest city in the country with less than 5 percent of this country's population require such large Federal funds for public housing? In fact, we heard the commissioner this morning from New York City. He said he will take all the funds you can give him. I can tell you, all the money in Fort Knox will not satisfy this group in city hall.

The obvious answer is rent-control-caused deterioration and shortage. Eliminate rent controls and you eliminate the deterioration and shortage in New York City.

You gentlemen owe at least this much to the constituents of your own State, before you throw their tax money down the New York City public housing rathole.

Gentlemen, it is up to you to decide whether New York City and State return to the principles that made our country great—private property and private enterprise or become a carbon copy of the First Soviet Socialistic Republic in the United States.

I may tell you gentlemen, this morning I listened to these previous speakers, and they were hiding the facts from this committee. I support Mr. Mason in his remarks, and I say that if you continue to interfere in the housing situation in New York City, this will be the end of private housing in the city of New York.

Thank you, and God bless you for listening to me.

Mr. CASH. Thank you very much, Mr. Battista. I would like to ask you to state for the record whether the rent control laws and the tax

abatement laws about which you speak are State and local laws rather than Federal.

Mr. BATTISTA. At this time, they are a State and local. Unfortunately, or fortunately, rather, the U.S. Congress saw the need of removing rent controls in 1950. But, unfortunately, the State of New York and the city of New York have seen fit to put it off.

In the State of New York, I can tell you that, out of 62 counties, only 18 have rent control, and 5 of them are in New York City. They keep these rent controls on for the purpose of coming in and getting all these tax giveaways.

New York City can start eliminating rent control gradually if it wants to. It is on the books; it can do so. But all these people that came here today have a vested interest in these programs. They are either on a government payroll or represent interests which are going to benefit by it.

So I say this: Extend no further aid to New York until they come in with clean hands. Start eliminating this. Why have the people in Alabama pick up the tax tab for the people in New York? These great liberals over there are living on other taxpayers' backs.

As I told you, Corlears Hook is a wonderful example of people making \$20,000 a year living in these beautiful balcony apartments, paying no taxes. I say to you if that is what we are leading to, you are socializing us completely. You are destroying the productive citizens in these United States.

Mr. CASH. Is Corlears Hook a Federal project?

Mr. BATTISTA. It is a limited dividend project. I do not know whether it is Federal or not.

Mr. CASH. It is not a Federal project.

Mr. BATTISTA. It is in New York City; that is all I can tell you. Private housing, which was title I, they tore down all these buildings right down to the ground. They have a sign there saying they are going to build in January, but they left off the year. It is one big garbage dump in the heart of the country. I think it is criminal, and these people come down here and ask for more aid. They do not know how to handle the housing situation in the city of New York, and they are making no attempt to do so.

Mr. CASH. We thank you very much, Mr. Battista, and I know the committee will be interested.

Mr. BATTISTA. Certainly. I am going to leave a few catalogs here so you can see my background. Of course, I would like to have a copy of the record, if I can get it.

Mr. CASH. We will certainly send you one.

Mr. BATTISTA. Of course, I spoke other than the text here. I certainly pray and hope that this committee will consider what I have to say because the taxpayers and homeowners throughout the State are very much alarmed at what is happening in the Federal Government.

Thank you.

(The prepared statements of Mr. Taubin and Mr. Bonnell follow:)

STATEMENT OF HAROLD TAUBIN, DIRECTOR, PLANNING OFFICE, UNIVERSITY OF PENNSYLVANIA, PHILADELPHIA, PA.

Dr. Gaylord P. Harnwell, president of the University of Pennsylvania, has asked me to express his regrets at not being able to personally present a state-

ment for the university. This hearing unfortunately coincides with a previously scheduled meeting of the university trustees.

The University of Pennsylvania wishes to express its appreciation for the legislative and administrative foresight which resulted in the creation of the present section 112 of the National Housing Act.

We have carefully examined the present section 112 in order to determine how its stated objective of promoting the public welfare and the proper development of the community, through urban renewal action in the vicinity of an educational institution, will be accomplished. We have conducted this examination in conjunction with other representative members of the American Council on Education's Special Committee on Urban Renewal and with our sister institutions in the West Philadelphia Corp. The University of Pennsylvania wishes to take advantage of the opportunity offered by this hearing to respectfully call the committee's attention to the following considerations.

1. We have been informed by the Urban Renewal Administration that the present section 112 does not permit the inclusion of teaching hospitals among the educational institutions that are eligible for assistance under its provisions. We consider this to be an unfortunate oversight; one that needs to be corrected by amendatory action. We believe that a hospital that carries on teaching functions, even though it may not be directly under the management or control of a university, is carrying out educational activities which should qualify it for urban renewal assistance under the provisions of section 112.

2. The Commonwealth of Pennsylvania has created the general State authority with power to, among other things, acquire land and construct buildings and facilities that are required by a State-aided institution of higher learning. The University of Pennsylvania is one of the assisted institutions in this state-wide program. Although (in this instance) the expenditure for property acquisition is chargeable to a State agency, such expenditures are made for the purpose of acquiring and using property that is in effect a physical part of the university's property acquisition and building construction program. Such expenditures, therefore, actually provide a form of direct local assistance to the urban renewal effort which is completely within the spirit and intent of the present section 112. Unfortunately, the present phrasing of section 112 does not permit an administrative interpretation which recognizes such expenditures as local grant-in-aid credits. Since there may be other States which at present, or in the future, will conduct similar programs, it is suggested that a general amendment which will deal with this question as a general consideration is warranted.

3. The American Council on Education has, after careful study, proposed several qualifying amendments to the present section 112 which, we believe, are consistent with the original intent of Congress when it enacted the present section 112 last year.

(a) The first ACE proposal would make it clear that expenditures made by an educational institution for property acquisition from a local public agency would be eligible as a local grant-in-aid if, in connection with the acquisition and disposition of such property, a Federal capital grant under title I has not been made to the local public agency.

(b) The second ACE proposal would make it clear that expenditures for the relocation of occupants from buildings which, under the plan, are to be rehabilitated for educational uses are also eligible as a local grant-in-aid credit.

(c) The third ACE proposal would make it clear that property acquisition, etc., expenditures made by an educational institution before the urban renewal plan or the development plan receives all necessary approvals will be allowed as a local grant-in-aid when under the plan, upon approval, such land and structures are to be redeveloped or rehabilitated for educational uses; and when the acquisition, relocation, and demolition expenditures have been made within 5 years from the date of authorization for the loan or capital grant project.

RECOMMENDATION

In accordance with the above comments, we respectfully recommend that Senate bill 3458, as introduced by Senator Joseph S. Clark on May 2, 1960, be enacted to correct the current oversight with regard to the eligibility of teaching hospitals.

It is also respectfully recommended that the present section 112 be amended in the manner proposed by section 4(e) of Senate bill 3509, as introduced by

Senator Clark on May 9, 1960. The latter section 4(e) provides for amendments that would take account of the clarifying proposals submitted by the American Council on Education; including a provision which would qualify assistance received from State agencies as local grant-in-aid credits.

On behalf of the University of Pennsylvania, I wish to thank you for the opportunity that has been afforded by this hearing to present this statement.

STATEMENT OF DR. ALLEN T. BONNELL, VICE PRESIDENT, THE WEST PHILADELPHIA CORP.; VICE PRESIDENT, DREXEL INSTITUTE OF TECHNOLOGY, PHILADELPHIA, PA.

I am appearing in behalf of two organizations: the West Philadelphia Corp. and Drexel Institute of Technology. The West Philadelphia Corp. is a nonprofit development corporation established to insure the preservation and attraction of educational, cultural, health, and professional institutions of the highest order; and the protection, rehabilitation, and further development of residential areas enhanced by adequate schools, churches, recreational facilities, and public services. Five major institutions were responsible for founding the corporation on July 9, 1959. These institutions are: Drexel Institute of Technology, the University of Pennsylvania, Presbyterian Hospital, the Philadelphia College of Osteopathy, and the Philadelphia College of Pharmacy and Science. Dr. Gaylord P. Harnwell, president of the University of Pennsylvania, is president of the corporation.

The corporation area accounts for a population of 101,362. There are 35,000 dwelling units in the area, of which 27 percent are owner occupied. The five founding institutions enroll 27,000 persons and employ an additional 11,000 persons in various capacities. There are 11 private nursing homes in the corporation area, 9 parochial schools, 6 public schools, 3 private schools, 7 specialized homes and institutions, 29 churches and convents, and 7 major hospitals. There are eight active neighborhood civic associations with progressive programs of neighborhood conservation.

The corporation founding institutions anticipate extensive improvements and expansion. In view of this I have been asked by the corporation to speak a word in behalf of strengthening section 112 of the Housing Act of 1949 as amended in 1959. Specifically this is the provision dealing with urban renewal areas involving colleges or universities. This amendment made it possible for the existing program of title I Federal loans and grants to local public agencies for slum clearance and urban renewal to expedite the urgently needed expansion of the Nation's urban colleges and universities. Just as important, the amendment makes it possible to establish, in the areas immediately adjacent to college and university campuses, a neighborhood environment which is wholesome and enhances the proper functioning of such institutions.

Therefore, on the behalf of the West Philadelphia Corp. I would like to request the subcommittee's consideration of the following points which, in our opinion, would make section 112 operate more effectively:

1. We strongly recommend that hospitals be made eligible in the provisions of section 112. In this regard, the corporation supports Senate bill 3458 introduced by Hon. Joseph S. Clark on May 2, 1960. It is very clear to us that the total environment of an area like West Philadelphia cannot be protected and improved unless the seven hospitals in the area participate fully in the rehabilitation and development of our immediate area. Further, the relationships between hospital facilities, teaching functions of our institutions, and research facilities grow closer with every passing month. Therefore, it would seem logical to recognize these relationships in the Federal programs of aid affecting expansion and development.

2. Pennsylvania has created a general State authority which has the power to acquire land and construct thereon improvements needed by universities and medical colleges receiving State aid. Under section 112 of title I, as amended in September 1959, the expenditures made by the general State authority for the acquisition of land are not clearly eligible even when made for the educational uses of an eligible educational institution as provided in section 112. We believe this is only an oversight of language and not of intent. Therefore, we recommend that section 112 be further amended to grant eligibility to expend-

itures made by any public authority established by any State under the conditions and for the provisions outlined in section 112.

It may be of interest to the members of the subcommittee to know that the five founding institutions of the corporation have in the last 5 years purchased lands in the amount of \$2,851,707. It is our expectation that the next 5 years will equal or surpass that amount. In addition, through informal sources we have learned that the hospitals in our area plan to expend close to \$2 million in the next 5 years for land acquisition and related improvements. A large part of our area has already been certified as a redevelopment area and is now under preliminary study. The corporation and its institutional members are expending funds and staff effort to cooperate with the local public agencies to carry out the best possible land reuse plans for the area.

On behalf of the corporation and my own institution, Drexel Institute of Technology, I wish to extend sincere thanks for allowing me to present these views.

Mr. CASH. The subcommittee will recess until Monday at 10 o'clock.

(Whereupon, at 1:20 p.m., the committee recessed, to reconvene at 10 a.m., on Monday, May 23, 1960.)

HOUSING LEGISLATION OF 1960

MONDAY, MAY 23, 1960

U.S. SENATE,
COMMITTEE ON BANKING AND CURRENCY,
SUBCOMMITTEE ON HOUSING,
Washington, D.C.

The subcommittee met, pursuant to recess, in room 5302, New Senate Office Building, at 10:07 a.m., Senator John Sparkman (chairman of the subcommittee) presiding.

Present: Senators Sparkman, Clark, Williams, Muskie, and Bush.
Also present: Senator Engle.

Senator SPARKMAN. Let the subcommittee come to order, please.

Our first witness this morning is the Honorable Richard C. Lee, mayor of New Haven, Conn. Mayor Lee, we have had the privilege of having you before us on previous occasions, and you have always given us helpful information. We welcome you again. You proceed in your own way.

STATEMENT OF RICHARD C. LEE, MAYOR, NEW HAVEN, CONN.; ACCOMPANIED BY HAROLD GRABINO, AMERICAN MUNICIPAL ASSOCIATION

Mayor LEE. Mr. Chairman, members of the committee, my name is Richard C. Lee. I am mayor of the city of New Haven. I am testifying here this morning as mayor of New Haven and on behalf of the American Municipal Association as chairman of its urban renewal committee.

The American Municipal Association represents more than 13,000 municipalities from all regions of the country. Its members have given a great deal of time and thought to considering the urban renewal and related programs of public housing, FHA housing insurance, and highway construction.

I would like to submit for the record at this time a copy of the 1960 legislative recommendations of the AMA.

Senator SPARKMAN. That will be received.

(The material referred to follows:)

THE NATIONAL MUNICIPAL POLICY, AMERICAN MUNICIPAL ASSOCIATION

* * * * *

14. HOUSING

Every person should have a decent home. The greatest number of homes are in cities and most of the people live in cities. Decent homes tend to make good citizens. Good homes are the best basis for an economically sound and socially desirable city. The municipal government, in cooperation with other

governments, controls the conditions upon which homes are constructed. Home-building can be encouraged or discouraged by municipal government activities. Municipal support for decent homes should be an active and not a passive part of community activity. Municipal governments, on a national scale, should lead a movement to provide good housing for all the people. Municipal governments through their organizations should support, in principle, all reasonable efforts to provide and improve the housing of urban dwellers. We therefore resolve:

Public housing

14-1. The 1950 census revealed that there were 10 million substandard non-farm housing units. President Eisenhower's Advisory Committee on Government Housing Policies and Programs pointed out that local governments with their limited taxing powers are not in a position to provide standard housing for the low- and middle-income groups in our population. Private enterprise has also failed to provide adequate shelter for these income groups.

Public housing was designed to serve a cross-section of families having low incomes and living in substandard shelter, not through choice, but because they could not afford standard housing provided through normal private channels. That basic purpose must be continued, although more emphasis is required on the specialized needs of the large family, the senior citizens, and the fatherless family.

There is particular need for adequate guidance, counseling and social work services to assist families with adjustment to urban life and to treat the needs of problem families. There is also a need for adequate protective services, particularly in large-scale projects.

Efforts should be made to integrate public housing into the normal total community making use of rehabilitated homes as well as new structures. In size and scope it should be adequate not only for those needs but to provide relocation housing for families that are being displaced through urban renewal and high-way program activities.

We urge that the time limits for communities to use their public housing commitments be extended whenever possible and that unused units not be dropped from the total authorization for the program but instead be made available to other cities.

The local program should be adequate in size and scope to meet normal demands as well as peak demands of families displaced by urban renewal, the high-way program and other public actions.

Cities should continue to seek greater local autonomy in planning, developing, and managing the public housing program to fit local conditions.

The public housing program should be strengthened by restoring the original authorization for the total number of units set forth in the 1949 act.

Housing in built-up urban areas

14-2. American cities desperately need more middle-income housing. This is supposed to be one of the prime responsibilities of FHA. Yet the amount of FHA insured new sale or rental housing in built-up urban areas is insignificant.

Current federally aided financing and mortgage insurance programs do not meet the needs of families most in need of housing. A large portion of these families are provided for neither in the home ownership nor in the rental housing programs of the Federal Government.

Not only low-income families but even moderate income families are having great difficulty in obtaining new homes within their means.

In order to better serve the housing needs of families in the middle income range, and in order to better meet the need for a comprehensive Federal housing program to meet effectively the Nation's total housing requirements, an effective program, including a direct Government loan to the extent necessary to make good homes available to middle income families at costs they can afford, is essential.

The Congress is urged to initiate such a middle income program without further delay.

The amount of rehabilitated housing with FHA insurance under sections 220 and 221 is negligible. FHA has failed to make broad scale rehabilitation of an effective instrument in renewing our cities. A prompt administrative and legislative review of the reasons for this failure are urgently needed.

Federal debenture insurance for rental housing

14-3. The Congress is urged to enact legislation which will assist in the financing of new rental housing by authorizing the development and use of a

federally insured debenture of a type suitable for purchase by private pension funds, college endowments, and other similar sources of investment capital.

Congressional investigation of housing and urban renewal programs

14-4. Ten years after the adoption of the Housing Act of 1949, we believe it is time for the Congress to launch a comprehensive investigation of all phases of the housing and urban renewal programs.

This investigation should cover all Federal housing programs, the federally aided low-rental housing, proposed middle housing programs, all existing FHA programs, and housing for the elderly. It should include as well a comprehensive review of the urban renewal program. The congressional investigation should deal with three aspects of the problem.

First. Need. A reexamination of the extent of slums, blight, and substandard housing which these programs seek to meet.

Second. Program. A reexamination of the effectiveness of the programs authorized by the Housing Act of 1949 as amended to meet these various needs.

Third. Administration. An investigation of the administrative policies and procedures through which the legislation is being presently carried out by the executive branch.

14-5. We protest the administrative practices of the Public Housing Administration and the IHHFA which are frustrating the intent of the Congress that there be "a decent home and a suitable living environment for every American family."

Specifically, we protest administrative policies which would (1) abolish the preliminary loan for preparing public housing applications, (2) restrict cost limitations to \$17,000 per unit without due regard for site acquisition and demolition costs, and (3) require that public housing in built-up urban areas be constructed as cheaply as the cheapest FHA housing constructed on open land."

We therefore advocate that both the executive and legislative branches of our Federal Government complete the various studies of all forms of transportation and recommend a national transportation policy as a guide to legislative and administrative decisions in the field of transportation.

Recognizing that the plight of our commuter railroad systems is so desperate that action cannot await the results of a lengthy comprehensive study, we favor the passage by the next Congress of a program of long-term federally guaranteed low interest loans to municipalities, other public agencies or railroads for new equipment and improvements, conditioned upon use of such equipment and facilities for high speed mass transit connections between suburban areas and core cities and within such cities. Federal assistance to high speed transit and commuter railroads should not have the effect of increasing the base by which rates are determined nor should any local or State assistance to such carriers increase the carriers' liability for Federal income taxes.

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30. URBAN RENEWAL

Spreading slums and blight threaten to engulf American cities bringing misery to tens of millions of our fellow citizens and periling our municipal governments with bankruptcy. There are a million more slum dwellers than farm dwellers in America today. Local and State governments do not have the resources to finance unaided the massive urban renewal program which is required if this shame of American cities is to be destroyed. Large-scale and continuing Federal assistance is urgently required unless and until such time as the Federal Government restores to the States and to local governments the resources and taxing power which would eliminate the need for Federal assistance.

Urban renewal is an essential device for preserving the economic health of our urban communities. Not only do 70 percent of the American people live in cities, more than 75 percent of Federal revenues from all sources come from cities. If cities are to continue through their manufacturing and commercial activities to contribute so much to the wealth and prosperity of our Nation they must be given the help they need to root out their industrial and commercial, as well as their residential, slums and blighted areas.

We strongly urge the president of AMA to seek an early opportunity to discuss with the President of the United States and his top advisers the administration's policy with respect to housing and urban renewal programs. We would urge that he express on behalf of the AMA our disappointment at the very limited program the President himself has been willing to sponsor; and at his veto of the very fine legislation adopted by the Congress on housing and urban renewal in 1959; and finally our concern at the restrictive policies and negative attitude

with which the executive branch carries out the programs authorized by the Congress.

Our concern is heightened by the fact that cities all over America have demonstrated their willingness to do their share in rebuilding themselves. More than a thousand local workable programs on urban renewal have been approved. Cities have demonstrated that there is a pent-up demand for urban renewal and that they have the funds and willingness to do their share. In the light of the contribution the cities make toward the overall economy of the United States and the threat of their deterioration, this should be a matter of urgent national attention on a par at least with the attention and financial resources which the President and the Congress have given agricultural problems.

The establishment of an adequate Federal program of urban renewal is the top priority of the 1960 national legislative program.

30-1. The President is urged to appoint a new advisory committee with full representation of mayors and other municipal representatives to study and recommend a national, workable program designed to eliminate slums and blight throughout America through Federal and local cooperation.

30-2. Increased Federal aid should be made available to municipalities for slum clearance and urban renewal.

30-3. We urge the president of the AMA to seek an early meeting with the Administrator of the IHHFA to determine what his agency's policies are going to be with respect to planning grants and capital grants.

We urge the Congress to make it clear that capital grant reservations are to be made available to municipalities on the basis of applications made and indicated willingness to put up the local one-third share of net project cost.

We again urge the Congress to make it clear that the responsibility for devising workable urban renewal projects and their execution is a local responsibility not to be hamstrung by Federal administrative regulations.

30-4. Recognize the long-term needs of urban renewal and authorize a 10-year program with an annual authorization of additional capital grant reservation funds of \$600 million a year with a provision for acceleration of up to \$150 million if local demand requires a larger authorization in any given year.

30-5. Authorize the Urban Renewal Administration to accept certifications of the local public agency as to local action taken in meeting the requirements of the Federal law.

30-6. The Congress and the Administration are both urged to take all possible steps to effectuate more expeditious and efficient processing on the part of the Federal Housing Administration of applications under section 220 for mortgage insurance on new residential construction and rehabilitation housing in urban renewal project areas.

30-7. We urge the Congress to adopt clarifying amendments to section 112 of the 1959 Housing Act concerning university participation in the urban renewal program to insure that the legislative intent of fostering sound development of educational institutions be carried out. Section 112 as presently constituted is unworkable in most instances.

30-8. We vigorously protest the administrative policy which has delayed capital grant progress payments and thereby raised interest costs for the localities and the Federal Government in carrying out the urban renewal program.

30-9. Relocation difficulties faced by small businessmen should be relieved by raising the ceiling of the dollar amounts of business relocation payments, providing mortgage insurance assistance to help finance new locations and having a workable program of small business loans. We urge the Congress to erect appropriate legislation in these areas at the next session.

30-10. The American Municipal Association urges the Housing and Home Finance Agency to investigate the possibility of greater delegations to the field offices by the various agencies of the Housing and Home Finance Agency to the end that the work of these agencies and municipalities can be accomplished more expeditiously and economically.

30-11. We recommend an immediate and joint study by the Bureau of Public Roads and the Urban Renewal Administration for the purpose of developing maximum coordination in the planning and execution of urban renewal and arterial highway projects in order to effect enormous economies in highway right-of-way cost through property acquisition and utility relocation by local public urban renewal agencies and the minimization of potential blighting effects of limited-access highway by application of redevelopment programs in areas adjacent to such thoroughfares. The results of such a study should be implemented by effective action and the development of legislation for presentation to the Congress.

Family and business relocation payments should be made available to those displaced by the interstate highway program on the same basis as they are under the urban renewal program.

30-12. Congress should be urged to enact legislation which would (1) direct the Administrator to encourage the utilization of State agencies, through appropriate technical assistance, to aid small communities in undertaking urban renewal programs; (2) to authorize grants to local governments for the preparation or completion of community renewal programs.

Urban planning assistance

30-13. Problems of urban growth and development are among the most formidable facing the Nation. The urban planning assistance program created under the Housing Act of 1954 has done a creditable job in assisting smaller local governments and metropolitan areas in meeting the diverse problems posed by population growth and physical expansion. We deplore the failure of the Congress to appropriate even the minimal funds recommended by the Administration to keep this productive program operative.

We urge the Congress to appropriate funds for this important program in the amount of at least \$5 million annually.

Research

30-14. Lack of basic information in the field of urban renewal has handicapped public officials at all levels of government in the formulation of urban renewal programs and policies adequate to cope with the problems of slums and blight. The need for such information is particularly acute at the national level.

We recommend an immediate appropriation of \$200,000 by the Congress to provide funds for the administration of the \$5 million research program which has already been approved by the Congress.

We recommend a continuing program of federally financed urban research on a scale commensurate with the fine research programs undertaken by the Bureau of Agricultural Economics.

30-15. We recommend that steps be taken to urge the platform committees of both major parties to include strong housing and urban planning planks in their 1960 platforms based upon the AMA policy statement.

30-16. One of the America's most valuable sources of moderate priced housing is the existing supply of middle-aged housing in urban neighborhoods outside urban renewal areas.

Each year more of this housing is lost to blight because adequate mortgage financing is not available for rehabilitation. The FHA title I home improvement loan program is not adequate for this purpose. Conventional mortgage sources are unwilling to take the risks involved.

We propose the establishment of a new program of mortgage insurance, similar in legislative intent to the section 220 program, which would be available for housing rehabilitation anywhere outside an urban renewal area in a city which had in effect an approved workable program.

We believe such a program could be a major means of preventing the spread of slums and blight and that it would represent a major long-range saving to both Federal and local governments by making expensive clearance unnecessary.

* * * * *

Mayor LEE. I would particularly like to call your attention to Resolutions Nos. 14 and 30, which deal with housing and urban renewal. The establishment of an adequate Federal program of urban renewal is once again, in 1960, the No. 1 priority of the AMA's 1960 legislative program. But to speak bluntly, gentlemen, it seems to us as mayors that it has been far from the No. 1 priority of either the Congress or the administration.

This is my fifth successive yearly visit to this committee. During those 5 years, we have made only halting progress at best, and I cannot help but recall that nearly 5 years ago the then Housing Administrator, Albert Cole, declared as follows:

If we have not by 1960 at the outside begun to take across-the-board action, it may be too late. The people of any city without a comprehensive plan of action underway within the next 5 years at the latest will face municipal bankruptcy in 1965.

The year 1960 has come and is nearly half gone. It has been more than a decade since the Housing Act of 1949. As a nation, we have failed to take across-the-board action. We have not made any net gains in our fight against slums. We have not yet set in motion on a national scale a comprehensive plan of action to save our cities. Time is rapidly running out.

Here and there in some of our cities—and I am pleased to report that New Haven is among them—great progress has been made, but I am afraid the 1960 census will reveal that there are as many or more slums and blighted areas in America today as there were 10 years ago. Moreover, many older in-town urban neighborhoods are slipping into blight, thereby wasting away our largest supply of decent, moderate-priced housing.

What we really have gained in the past decade is experience and know-how in making urban renewal work. Out of that experience, both local and Federal, we have developed over the years a set of tools and the capability to do the job on a broader national scale.

(1) The concept of the Federal loan and grant with local decisions and local responsibility has proved a workable framework for the urban renewal program.

(2) Rehabilitation, first introduced in the Housing Act of 1954, sets our objectives of preventing slum formation and preserving older neighborhoods.

(3) The technical amendments of the 1959 Housing Act permitting early land acquisition and encouraging the participation of universities and other institutions have made the entire program more attractive and flexible from the local point of view.

(4) The legal requirements for the urban renewal plan have been simplified and the Urban Renewal Administration under Mr. Walker's leadership has endeavored to streamline administrative regulations.

There is certainly room for improvement, particularly with respect to rehabilitation. However, we should no longer view urban renewal as an experimental program to be tested cautiously every step of the way. We have more than a decade of experience. Scores of cities in America have already demonstrated their capacity to put these tools to work and scores more are ready and willing to join the fight.

Commissioner Walker stated the case very vividly and forcefully before the U.S. Conference of Mayors just 10 days ago, when he said:

You must give your urban renewal program top priority. Urban renewal is no longer a nebulous concept. Urban renewal is no longer a theory. Urban renewal is real. You can see it, you can touch it. And it is here to stay. Urban renewal requires extraordinary effort.

In accord with this call to action, we as mayors and you as legislators must rededicate ourselves to the objective of erasing slums from the American scene. This should be our goal for the decade of the 1960's.

At this point, I would like to discuss with you several aspects of the legislation pending before you.

1. THE LEVEL OF THE FEDERAL PROGRAM

The measure of the congressional authorization should be the demonstrated willingness of the cities to do their share over the long haul. The AMA has urged a 10-year, \$600-million-a-year program as the most desirable long-term approach. We mayors and other local offi-

cials need to have the confidence that if we are ready to do our share and take the necessary risks, political and otherwise, to get bold and imaginative program underway, the Federal Government is prepared to lend its support and do its share as well.

The need for this \$600-million, 10-year program has been amply demonstrated by a recent joint AMA and U.S. Conference of Mayors survey and by the rate at which cities have shown the capacity to absorb capital grant funds. To my knowledge, this is the only accurately based estimate of national need and capacities that has been developed in this field.

The AMA survey shows that there is an immediate demand for more than \$1 billion, more than half of which cannot be met by existing authorizations. Moreover, on the basis of the relatively small number of communities able to make estimates as to future needs at this time, a \$600 million annual authorization of Federal grants is fully justified.

I would like at this time to submit for the record a summary of the AMA survey.

Senator SPARKMAN. The summary will be included as a part of the record. (See p. 386.)

Mayor LEE. The AMA staff is available to meet with the committee's staff to go over the survey method and results in detail if you should desire them to do so.

We mayors are practical people. We have to be. It is now May 23. We must recognize that we cannot realistically expect the needed long-term program commitment to be authorized by the Congress at this session.

Next year will bring a new President to Washington, and every indication I have been able to gather from the publicly reported statements of all of the various candidates indicates that whomever he may be our new President will be strongly committed to an expanded urban renewal program.

This in itself is a very healthy and encouraging sign. However, the urgent and immediate need for substantial additional capital grant authority must be met now if we are to keep the program in the action stage.

Two years ago, as you know, there was no housing legislation at all, and as a result the entire program was set back. And last year we had to face two Presidential vetoes before any legislation was enacted.

Many cities have had to cut back projects to meet artificial budgetary limitations. Others, particularly those just getting started, have had to face the uncertainty of whether there would be any capital grant authority available at all.

Consequently, of the legislation pending before you, we strongly urge the adoption of Senator Clark's bill, S. 3509, which calls for an immediate authorization of \$600 million in capital grant authority. Senator Clark terms his proposal a "1-year transition bill, to tide us over until a new administration takes office."

The AMA survey shows an immediate unmet demand for \$517 million. Moreover, project applications have been received and approved by the URA at a greatly increased rate in recent months. A \$600 million authorization for this transition period is the minimum program we need at this time to keep the urban renewal program moving forward.

2. REHABILITATION

Rehabilitation has been in the law for 6 years. And yet only a handful of neighborhoods across the country are being saved from the steady encroachment of blight. The amount of housing rehabilitated is negligible.

From the local point of view, we know what must be done to encourage the confidence of homeowners that their neighborhood has a stable and attractive future. We must vigorously enforce housing codes, improve the level of municipal services, build new schools and parks, among other things, in our older neighborhoods. And we are doing all of these things as fast as we can in our renewal projects and throughout our older neighborhoods.

After 6 years of experience and experimentation, I believe we are at the turning point in rehabilitation. We need to have a major breakthrough in our tools and techniques for rehabilitation if we really are going to preserve the older neighborhoods in our cities.

There are two proposals before you which, in my judgment, can help provide that breakthrough:

(a) *Pilot rehabilitation in urban renewal projects.*—The critical point in a renewal project is to stimulate private rehabilitation and investment where they otherwise would not be made. We need to be able to demonstrate in an older neighborhood just what can be done with our older houses through actual rehabilitation.

One of the best ways to achieve this demonstration is through actual purchase, rehabilitation, and resale of dwellings within the neighborhood. Senator Clark's bill would provide for pilot rehabilitation of up to 50 units within a renewal project, and I strongly urge support of this provision.

(b) *Mortgage insurance in older neighborhoods.*—Not all of our urban housing in need of attention and rehabilitation is included within the formal framework of urban renewal projects. By far the largest source of private, middle-income housing in our cities is located in our older urban neighborhoods. This supply of decent housing must be preserved and improved.

The FHA mortgage insurance program has played a major role in the development of suburban areas. The FHA mortgage insurance principle should be fully used in our central cities as well.

We wholeheartedly endorse the provisions of S. 3509 which widen the scope of the FHA section 220 mortgage insurance program and make it available in older neighborhoods.

3. MIDDLE INCOME HOUSING

In the area of new moderate-cost housing, we must face one serious fact—it just is not being built. We in AMA have come to the realization that new middle-income housing can be provided only with some form of Government assistance. Our 1960 policy statement includes specific recommendations in this area.

It seems to me that the Javits-Clark bill, S. 1342, which provides for direct mortgage loans would be a good point of departure toward the stimulation of new moderate cost construction.

4. PUBLIC HOUSING

Publicly assisted housing is the largest means through which low-income families can be rehoused decently. A substantially larger number of units are needed to take care of the minimum number of families whose relocation is required by slum-clearance, public highway, and other programs.

At the same time we must find new and fresh approaches and encourage local flexibility. In particular, we endorse the concept of scattered-site public housing units and rehabilitation for public housing use. We endorse the provisions of S. 3509 which permit the sale of public housing and which encourage housing for the elderly.

I would also urge your consideration of a stepped-up program of social work and guidance counseling for public housing families. Many families desperately require education and training once they are removed from the chaos of the slums or when they are strangers in the city. Some cities are doing a little in this respect. New Haven is one. Most cities are doing nothing. The Congress has an opportunity and a responsibility to develop this program on a widespread basis.

This is a presidential election year. Thus far, in more than a decade, we have not been able to arouse the attention and concern of the American people to the growing dimensions of slums and blight. For this the Congress must share responsibility with the administration and with local officials.

A comprehensive and bold plan of action on a national scale to erase slums from America should be our most important domestic task. I assure you, gentlemen, that we in the cities of America are ready to do our part.

Senator SPARKMAN. Thank you, Mayor Lee. Let me ask you about just one matter, and then I will ask the other members of the committee to submit questions.

You, speaking for the American Municipal Association, urge our making \$600 million available for the next fiscal year. The testimony that we had from the agency was to the effect that at the rate applications are coming in the amount that is now available will be ample to run through the next fiscal year. In fact, if I recall correctly, Mr. Walker gave us the positive assurance that no application would be denied funds during the next fiscal year. You probably have read his testimony.

Mayor LEE. As a matter of fact, Mr. Chairman, I talked to Mr. Walker about this about 10 days ago. The AMA has a different set of figures. As a matter of fact, there will be a conference between the AMA and Mr. Walker on this very conflict, on the facts as he stated them on May 13 in Chicago on just the point you made, and the viewpoint which we express here formally for the AMA this morning.

Senator SPARKMAN. There will be a conference today?

Mayor LEE. That is right.

Senator SPARKMAN. I hope you will discuss that point. That certainly will be a matter of considerable interest to the committee, as to what should be done—whether we should add additional urban renewal funds or rely on the testimony that has been given to us to the

effect that sufficient funds are already available. We will be interested in knowing the outcome of the conference between you and Mr. Walker.

May I say that great confidence has been expressed in Mr. Walker by members of this committee and by others who have observed his work. It is believed that he is really trying to do a good job in the field of urban renewal. Do you share that view?

Mayor LEE. I do. I only met Mr. Walker once, Mr. Chairman, but I spent about 45 minutes with him a week ago Monday, 2 weeks ago today, and was very much impressed in him and his grasp of the program and his desire to make it one of the outstanding programs in the domestic level in this country.

Senator SPARKMAN. Senator Bush?

Senator BUSH. Mr. Chairman, I am sorry I was not here to greet Mayor Lee when he started and express my admiration for the vigorous work he has done in this field as mayor of New Haven. I am familiar with more than his work as the head of the mayors committee, but he has been before us in that connection, too, and is a very able advocate.

I was going to suggest that we take the mayor up on his comment that his staff, being with him, is available to meet with the committee staff to go over their survey, and so on.

I presume this same staff is going to go over this whole business with Mr. Walker. Is that right?

Mayor LEE. The AMA staff is, Senator; yes.

Senator BUSH. I do not think that we need duplicate that, but I do think it will be very interesting to hear the result of the conference.

Mr. Chairman, I would like to ask the mayor to go back to his testimony where he speaks of families desperately requiring education and training once they are removed from the chaos of the slums or when they are strangers to the city. He says, "Some cities are doing a little in this respect; most cities are doing nothing. The Congress has an opportunity and a responsibility to develop this program on a widespread basis."

Would you explain a little more fully what your views are in that connection? I do not quite understand that.

Mayor LEE. Senator, when the concept of public housing was developed in the early days of the New Deal and carried on these past 25 years by succeeding administrations, it was basically one devoted to the brick and steel, concrete and mortar which these structures represented. Unfortunately, it is not enough to provide these new buildings with antiseptic kitchens and sanitary toilets. Families who are slum oriented and who have lived for months or years or decades are not automatically better citizens simply because they are given better housing. This has been proven in cities all over America, including, I am sorry to say, in New Haven.

These families need guidance. They need social counseling, some of them psychiatric assistance. They need counseling on the most elementary level including such things as balanced diets and homemaking and personal and mental hygiene.

We have been doing this in New Haven for 3 years, and we have been doing it as part of our slum clearance program, Senator. It has been working very well, but we are only working in one area of

the city. We have seven housing projects, and we have taken a hard core, apparently irreconcilable families who have created serious moral and legal and other adjustment problems for us. We have centralized them, and we are working with them with a staff of people who are specialists. But the great tragedy is that this problem is many years old and, unfortunately, I am sure hundreds of thousands of families who needed this kind of assistance all over America never got it. The result is that in many areas, I regret to say, public housing is little more than a jungle.

Senator BUSH. I agree that sometimes it is that, and I have seen that even within our own State, although I think conditions have improved there in the last 2 or 3 years, from what I have heard recently.

But this type of dealing with these individuals is really social counseling, is it not? Is that not what it amounts to? Is that not pretty much of a local responsibility?

Secondly, how do we, the Congress, in your view have the opportunity and responsibility to develop the program? What do you suggest in that connection?

Mayor LEE. Well, I think we had an enlightened social concept of what Federal aid and assistance is in the beginning of the Federal public housing program, and this is merely another phase of the same problem. In other words, I think that the people who conceived public housing hoped that to do this would be enough to make these people better citizens. Actually it is not enough. Many people in America have recognized this important failing of the program. But support for change has not solidified to the point where it has been sufficient to convince the Congress of the need to amend housing legislation. As a matter of fact, I think it could be done by administrative regulation rather than by law.

Senator BUSH. I still am a little unclear as to where the responsibility of the Congress lies in connection with this social problem at the local lever. That is the point I do not quite get.

Mayor LEE. It is part of the same program. It is part of the same problem. My feeling is that when you set up a program like this it is just like rehabilitation. It is just like urban renewal and slum clearance and redevelopment. When you set up a program for slum clearance, you not only provide for the write-down and purchase of properties and money to demolish, and so on, but you also provide for money to move those families to better quarters. And this is just another step in that same fashion.

Senator BUSH. We are talking about increased allowance for moving expenses for displaced families. That responsibility belongs here. But that again seems to me to be a rather different thing than this business of counseling. I am just not quite clear what we should do about that.

Mayor LEE. Well, I think the answer is inevitably money.

Senator BUSH. I beg your pardon?

Mayor LEE. I think the answer is inevitably money. We attempt to have a total program in slum clearance, rehabilitation, and renewal, and in doing so we provided money to displaced families and businesses for moving. Money for more social services for problem families is certainly parallel to money for moving. It is not enough to take a family out of a slum and put them in public housing. We must

provide the additional funds necessary for their rehabilitation. And the day is coming, of course, when we all have to face up to who is going to pay the piper for all of these programs. In one of our neighborhoods we have 768 public housing units and 151 hard core slum families out of one of our worst slums. We have six other programs of public housing in New Haven. If we were to figure this out on a ratio basis, we would probably need about \$250,000 a year for the kind of counseling that these programs call for, in order to make the transition necessary, Senator, from slum living to ordinary living in a normal society.

Senator BUSH. Are you suggesting that part of the Federal funds under this program be devoted to this welfare work?

Mayor LEE. Yes, I am.

Senator BUSH. That is the direct suggestion?

Mayor LEE. That is correct.

Senator BUSH. I have no further questions.

Senator SPARKMAN. Senator Williams?

Senator WILLIAMS. In that connection I wonder, is it your thought, Mayor Lee, that the educational program would be created and administered at the local level, and the congressional share of responsibility would be pretty much a budgetary one?

Mayor LEE. That is correct, Senator.

Senator WILLIAMS. I do not want to take the time now to learn more of your effort in this line, but we have proposed legislation I believe, Mr. Chairman, that incorporates this idea in migrant housing, where the same problem exists and even more acutely, where it is almost folly to provide better housing for many, many of these people. They have not the first fundamental knowledge of how to use the better facilities and better housing. I would like to get your comments later on that.

Mayor LEE. If I could make a point—to go back to Senator Bush's views for just a minute—I think that to make the substantial investment, the multi-billion-dollar investment we have made in public housing, where low cost or, in the State of Connecticut, moderate rental as we have in some areas—to make this multi-billion-dollar investment in brick and steel and antiseptic kitchens and sanitary toilets and then to ignore the most basic and important problem of all is a serious fault.

All one has to do today is to go into any public housing program in any major city and see where many of these people have just not readjusted, to living in a normal society.

The answer always, of course, is the cities should do some, if not all of it. We can carry that to an extreme, too, and expect that the cities should do every bit of land purchase acquisitions with their own funds and build public housing with their own funds. But the basic fact remains that cities are slowly but surely reaching a level of economics where it is impossible to do much beyond supplement the funds which the URA program represents. To add another program on top of the many programs we have going in our cities to make them better communities would be a phenomenal economic task.

The tragedy is that 25 years ago when public housing was launched this was not recognized as a major project, and that the rehabilitation from that standpoint was not begun then.

Senator BUSH. Of course, one of the chief advantages of urban renewal, aside entirely from the social aspects of it, is the fact as the mayor pointed out in his explanation that this program in New Haven substantially increased tax revenue for the city. The question arises in my mind in connection with this recommendation as to whether, in view of the substantially increased benefits to the community, both financial and otherwise, that arise from this, the community should not bear the expense of such educational programs as this, welfare services which are entirely within the city's purview now and always have been. It is a rather new concept, I think, that the Federal Government should follow up this development work, which is of great benefit to the cities, and provide funds for welfare services.

Mayor LEE. As a matter of fact, Senator, if I may disagree, we have made this point before. I have made it officially representing the AMA.

Senator SPARKMAN. May I say that last year we adopted such an amendment in this committee, and as I recall the Senate adopted it. I believe in the first bill that was vetoed it was included in the conference report.

Senator BUSH. That was on public housing.

Senator SPARKMAN. Yes, on public housing.

Senator WILLIAMS. I wonder, Mayor Lee, if you can give us your views as to the extent the urban renewal concept has been broadened to include other programs, such as transportation planning, or other activities in connection with transportation.

Mayor LEE. We have been working in a different phase of it actually, Senator. I think there are others more qualified who will speak later about that. Suffice it to say that my friend, Senator Bush, can tell you that in New Haven we have integrated our highway planning program in a fashion so that the highway network which is being built in Connecticut does not just provide a true expressway from one part of the State, from one border of the State, to the other border of the State. We have been able to work out with our State highway engineers, as a result of long and arduous labors on the part of our technical staff, highways into and out of New Haven designed in accord with our urban renewal and redevelopment concept of a total city, with the result that the highways not only cleared slums for us but also provided economic guarantees of our stability for the future.

One expressway which is now under construction, provides easy access to our central city. An additional expressway, the construction of which will get underway within a year, will go through another urban renewal neighborhood—as a matter of fact, a renewal neighborhood, not a redevelopment neighborhood. There has been a tremendous amount of industrial and commercial encroachment on a basic refined residential neighborhood, and this highway will divide this neighborhood. We will wipe out the commercial and industrial encroachment in the residential section and create an industrial park on the other side of the highway. So we will guarantee the esthetic quality in residential quality of that neighborhood for at least a century. The highway planning is of fundamental and vital importance to your urban renewal program.

Senator WILLIAMS. Your urban renewal people deal very closely then with the State highway department?

Mayor LEE. Almost daily.

Senator WILLIAMS. That we understand might be a rather exceptional situation in this country.

Mayor LEE. I think that is a fair statement.

Senator WILLIAMS. Just one further inquiry. We were discussing here the other day what was for me a new concept of property ownership called condominium, and I believe the State of Connecticut was mentioned at some point in this discussion. This is horizontal property ownership. Are you gentlemen from Connecticut familiar with this, and is this something that is developing within your State?

Mayor LEE. I am not familiar with that phrase, Senator, I am sorry to say. I have never heard the word.

Senator WILLIAMS. It was new to all of us the other day.

Senator BUSH. I think the subject was brought up when the Puerto Rican witnesses were here.

Senator WILLIAMS. I think James Scheuer mentioned Connecticut in his testimony. I have forgotten exactly what he said.

Senator BUSH. I do not remember a project in our State that would be comparable to this, which is the first time I ever heard of this.

Senator WILLIAMS. Thank you.

Again Mayor Lee has made a consistent, high quality statement, without question.

Senator BUSH. If the Senator would permit me, I would like to correct myself, because Senator Clark, who was here after I left the meeting, says a couple of projects in Stamford, Conn., were mentioned in this connection, but I never heard of that type of project.

Senator SPARKMAN. Mayor Lee, condominium is really a mixture of individual ownership and tenancy in common. In other words, in an apartment house, for example, the owner would own the apartment in fee simple. He would be a tenant in common with regard to the hallways, the stairways, the elevators, the grounds, and so forth.

Mayor LEE. Harold Grabino, the deputy director of our redevelopment commission and also our legal counsel, says it is a French system.

Senator SPARKMAN. This is from the civil law. It is a Roman concept.

Mayor LEE. Could I ask your permission to allow him to comment on this?

Senator SPARKMAN. Yes.

Mr. HAROLD GRABINO. We have used this, Senator, but we have not gone into it to the extent you are describing of the apartment unit situation. We have split our land holdings into lateral chunks, so to speak, to achieve the result along these lines. It is a very elementary basic example. The idea that we are using is where the city of New Haven will own a parking garage as part of our project, but a private dealer will own the first floor of that garage which he will put to commercial use. In the same way, the city of New Haven will own a street, but the private developer will own the underground area for truck tunnels, access, and the rest of it. But we have not gone into it to the extent that the Senator has described.

Senator SPARKMAN. The two projects that Mr. Julia named, he was one of the Puerto Rican witnesses, were the River Terrace project

in Stamford, Conn., and Rippowam Village, in Stamford, Conn. Each one has 22 units. He says they are examples of condominium.

Mayor LEE. We have tried to put the same principle to work in the older principle of the co-op ownership. It is along those lines, but it is somewhat different.

Senator SPARKMAN. We are told it works very well in Puerto Rico.

Senator BUSH. May I ask a question, Mr. Chairman?

Does that indicate those are FHA projects?

Senator SPARKMAN. No.

Senator BUSH. Those are conventionally financed?

Senator SPARKMAN. They would have to be because FHA is not authorized to insure them. The testimony was in behalf of making FHA insurance available for that.

Thank you very much, Mayor Lee. We are very glad to have had you.

Senator CLARK. Mr. Chairman, I would just like to express my regret at not having been here to hear Mayor Lee. My airplane was late in getting down from Philadelphia. Leaving through his testimony now, I am sure it is his usual accurate, forceful presentation. I want to congratulate you, as I always do, on doing a good job, not only in New Haven but also representing the AMA. I am sure the subcommittee is going to give very careful consideration to your recommendations.

Senator SPARKMAN. Our next witness will be the Honorable James W. Kelly, mayor of East Orange, N.J. Mayor Kelly, we are very glad to have you with us.

Mayor KELLY. It is nice to be back.

Senator SPARKMAN. We have your prepared statement, and may I say to you, as I do to all the witnesses, that your full statement will be printed. You treat it as you wish. You may summarize it or whatever you wish.

**STATEMENT OF JAMES W. KELLY, JR., MAYOR, EAST ORANGE, N.J.,
AMERICAN MUNICIPAL ASSOCIATION AND NEW JERSEY STATE
LEAGUE OF MUNICIPALITIES**

Mayor KELLY. Mr. Chairman, members of the committee, it certainly is an honor and an extreme pleasure to have been invited to address the subcommittee for the second successive year. It gives me an opportunity to report to you the effects of last year's legislation upon our city and also to outline our future needs and describe what can be done if the proper tools are made available through new Federal legislation.

East Orange is a city of only 3.9 square miles, but it has a population of approximately 95,000 people and is located in the greater metropolitan areas of Newark and New York City. In round figures, there are 22,000 people living in each of the city's 4 square miles.

Improved transportation facilities, the population explosion, and the exodus from the central core of our large metropolitan cities have transformed East Orange from a rather sedate, middle to upper income suburban community into an urban locality with many of the problems currently facing the larger cities of our country. Ever

rising taxes, the need for decent housing at moderate prices, the inundation of our streets by the automobile age, and the continual requirement for additional municipal facilities and services are only a few of the immediate problems with which we are trying to cope. Our neighbors in northern New Jersey, South Orange, West Orange, Orange, Montclair, and Glen Ridge are faced with a similar struggle to keep their municipalities at the high level they have maintained for so many years.

Last year I told you that East Orange would be bisected by the east-west freeway, which will be part of the great chain of interstate highways to be built under the Federal highway program. We will have approximately 500 families displaced from its path who will be in need of relocation assistance.

In order to assist them, our housing authority has made an application to the Urban Renewal Administration for our second urban renewal project. It is necessary that we replan the areas adjacent to the new roadway and provide relocation assistance for the many families to be displaced.

The housing authority, with approval of our city council, which has seven Republicans and three Democrats—

Senator CLARK. Of whom you are one, Mayor?

Mayor KELLY. No, sir; I am a Democratic mayor, but our city council is composed of 10 members—7 Republicans and 3 Democrats. I bring that out to show that we have bipartisan support for this action.

The housing authority, with approval of our city council, had also applied to the Public Housing Administration for 300 units of low-rent public housing in order that decent, safe, and sanitary dwellings can be built for our low-income families, who cannot afford what is available in the existing housing market in our city.

When I was here before, I stated that these two applications could not be approved by the appropriate agencies until such time as additional legislation was enacted. All prior authorizations had been committed to other local public agencies.

The Housing Act of 1959 was the salvation of that immediate crisis, and for this the city of East Orange and myself are thankful to Dave Walker, the Urban Renewal Commissioner. He cut through redtape that surrounded our application since it was filed in January of 1959.

I would like to take this opportunity to publicly commend Mr. Walker on the excellent job he has done since becoming Commissioner. The lengthy and cumbersome administrative regulations have been revised and reduced. The required period for planning a project has been shortened and a more realistic independence of operation has been given to local public agencies. I hope he will continue his diligent efforts to simplify regulations and reduce administrative redtape.

Problems of delay, even unnecessary delay, remain to plague us. Our housing authority's application for 300 units of low-cost public housing was finally approved after many months of discussion in the Washington office as to whether or not to change the form of application, which would have necessitated our filing again. Fortunately, only minor additional requirements were imposed and tenta-

tive approval has been given. Progress in the development of this relocation resource is stalled, however, by legal technicalities, which have evolved to a point where representatives of the housing authority are at this very moment in the capital at Trenton, N.J., attempting to have validating legislation passed by our State government in order to properly establish that the housing authority is a legal entity. This requirement was imposed in spite of the fact that the housing authority has been operating without a hitch since 1957 and has handled large amounts of Federal money under contracts with URA. I am not a lawyer, so I am perplexed by what seem to be unnecessary roadblocks. I sometimes find it difficult to understand the complicated involvements we get into when attempting to assist the citizens who elect us into office. I have every confidence, however, that this final hurdle will be overcome, and that we will be prepared in time to aid those who will be displaced by the East-West Freeway with the assistance they so urgently need.

I would like to call your attention at this point to the remarks made by the Commissioner for Urban Renewal, Mr. Dave Walker, in his speech before the U.S. Conference of Mayors in Chicago on May 13 last. He told us that by June 30 of this year all of the urban renewal funds allocated for this fiscal year will have been earmarked for various localities. My knowledge of the housing program in our State of New Jersey reflects that these funds will be used by a large number of cities, both large and small, depicting the broad scope of the urban renewal program and the large number of citizens it is serving. Mr. Walker also pointed out that an additional \$300 million of capital grant funds will become available on next July 1.

A quick appraisal of this fact might lead us to believe that these funds will be sufficient to assure an adequate continuance of this program. In my opinion, this is not so, for two reasons.

First of all, the results of the survey made this year by the American Municipal Association indicate that there will be an increasing need for urban renewal funds each year for the next 10 years. The demand can support a Federal authorization of \$600 million each year. Our neighbors in West Orange and Montclair are now for the first time just laying the groundwork to enter this program. I am sure they are typical of many cities throughout the country who will be starting urban renewal programs. Increased participation means additional funds will be needed.

Secondly, there will be a new President elected this November who will require time to formulate policies and recommendations after assuming office. He will be confronted with a disturbed world situation which will require a great portion of his time and energy. New housing legislation could very well be delayed.

Therefore, I say to you that now is the time for the passage of a long-term comprehensive housing bill which will furnish \$600 million in urban renewal funds each year and restore the original authorization for the total number of public housing units set forth in the 1949 Housing Act. Only through this type of legislation can the people of our country be assured that there will be no more delays in the mammoth undertaking of renewing our cities. Urban decay is ever present and will not be arrested without a continuing vigilant attack utilizing all of the available tools and resources.

I urge you to give careful consideration to the recommendations of the American Municipal Association, whose capable staff has assembled reports which reflect the basic needs of our citizens.

The workable program, section 701 planning grants, and community renewal programs are examples of the intent of the Congress to have local governments plan ahead with long-range schedules. This is important. I urge the same long-range approach in making monetary appropriations for long-term urban renewal programs.

We in East Orange have a big job to do. In the last section of our city's master plan, it is recommended that a comprehensive urban renewal program be formulated in order to effectively carry out the proposals. Only by combining the resources and powers of the Federal Government and our municipal government in conjunction with private capital can our dreams become a reality. Our planning board has made an application to the Urban Renewal Administration for planning funds to develop a community renewal program. This is one of the outstanding new provisions of the 1959 act. We have been told by URA that no funds have been appropriated for this purpose to date. I do hope that an appropriation will be made at this session of the Congress so that we may undertake this long-range study.

Do not tease us with long-range programs without appropriating adequate funds to carry them out. It is important that the supporting programs in the Housing Act be made available for immediate use.

Another section of the new Housing Act which has been approved in spirit but not with money is the direct loans for housing for the elderly.

East Orange has the largest population of elderly persons in the State of New Jersey. It has been estimated that over 17 percent of our population is more than 62 years of age and more than 12 percent over 65 years of age. Adequate housing for this group is a continual subject of discussion and concern locally. Therefore, the 1959 Housing Act provision, with authorized \$50 million in loan funds for non-profit organizations to erect housing for the elderly, was received with extremely keen interest.

Our housing authority sent a letter of intent immediately to the Newark office of FHA in order that East Orange might be one of the first to take advantage of this new program for the elderly. To date we have gotten only a telephone statement from FHA to the effect that no funds have been appropriated for the making of these loans, and therefore no regulations have been published to advise localities how they might participate in this program. I, therefore, urge the committee to see that the provisions to implement this with appropriations are made to make this program operative. It is a vehicle which can be used effectively to assist many senior citizens throughout our country who deserve a decent place to live in the waning years of their life.

I review the pending State and House bills on housing issues with our housing director and city planner. I find they have vital significance to East Orange as well as the entire country. The proposal for creation of a Department of Housing and Metropolitan Affairs, if passed, will be a forward step toward giving housing and municipal problems the proper consideration they need on the national level. In public administration it is not unique that the administrative struc-

ture of government be subject to adjustment and revision as the needs of the people change with the times. Housing and urban affairs have reached a point in our Nation where they demand consideration on a Cabinet level.

Senator Sparkman's bill to establish a national housing goal and providing for a research and study program to improve residential construction techniques without increasing construction costs is progressive and should be very well received. Too often our architects are designing institutional-type structures simply to keep unit costs. Certainly in a country with the highest economic level in the history of man we should be erecting dwellings which do credit to our heritage.

Senator Clark's bill, S. 3509, which provides for the extension and expansion of existing legislation should be given careful consideration. I support it wholeheartedly and recommend that it be expanded to include increased urban renewal funds for the next 10 years at the rate of \$600 million each year and to provide for the 1949 act allocation of public housing units.

The requirement of the urban renewal laws that all families displaced from urban renewal projects be provided decent, safe, and sanitary housing within their financial means and reasonably accessible to their place of employment is moral as well as legal. Public officials, whether elected or appointed, must be charged with the duty to see that persons displaced by public improvements be given the opportunity for decent housing. I am thinking particularly of the Federal highway program. Only through the erection of public housing projects can the lower income families be provided an adequate living environment. It is therefore important that urban renewal and public housing be considered as inseparable partners working together to solve the housing requirements of our people.

The Relocation Assistance Act of 1960—and I am happy to say my own Congressman, Mr. Addonizio is a cosponsor—is a positive proposal. It is another step toward providing for the families uprooted from their home due to urban redevelopment. I would like you to consider that there exists a lack of consistency in the Federal public improvement programs. Under urban renewal, displaced families are given careful consideration. The public housing statute permits assistance on a more limited basis, and the Federal highway bill and other Federal programs which displace families have no provisions in them to help alleviate this relocation problem. Perhaps the Relocation Assistance Act could be the vehicle to abolish this inequity. It is quite difficult to explain to an underprivileged family that they will have to shift for themselves in a highway displacement program when other local families moving from urban renewal areas are being given maximum assistance to find a new location. In our country of equal opportunity certainly everyone should be treated with equal consideration.

Of special interest to us is the proposal contained in the Housing Conservation Act of 1960 which would liberalize the FHA program for mortgage insurance for property owners in older neighborhoods, and I might say at this point we have homes that average about 41 to 50 years of age. As of the end of 1959, less than 15 mortgages had been signed for existing houses under FHA section 220. Obviously, that program has not provided and is not providing a mortgage

vehicle broad enough to assist property owners in areas where rehabilitation and conservation is contemplated. Our city, like many others, has large, old, but still sound residential areas where pride of homeownership runs high. Home purchase and home improvement in such areas is often hard to accomplish because of reluctance of many institutions to make loans on terms which owners or home buyers can afford. These areas need the benefits of mortgage financing on a par with what is made available for new developments under FHA and VA programs. These bills give recognition to this fact. They cut mortgage financing in older neighborhoods from detailed urban renewal planning by making available this feature outside renewal areas on a realistic basis.

I think these proposals if passed will be received enthusiastically by residents of East Orange and other older cities, who feel they have been lost and forgotten in the postwar rush to the suburbs.

I am proud to tell you gentlemen that in 1959 East Orange won the national award for the cleanest city in the United States with a population category of 50,000 to 100,000 people. Our citizens are proud of their community and cooperate to the fullest with our municipal clean up, fix up, paint up, plant up program. We have a fine local staff of public administrators in our government. They are capable of making programs successful when given the proper tools with which to work. I, therefore, again urge you to give us the assistance we need by passing a long-range, comprehensive housing program in 1960. This will avoid costly and unnecessary delays in carrying out our local programs.

Time and again Congress has reiterated the goal of decent housing in a good neighborhood for every family. It is our job as public officials to see that this mandate is carried out.

I wish to thank you gentlemen for your time and interest in this important subject.

Senator SPARKMAN. Thank you, Mayor Kelly, for a very fine statement. Senator Clark?

Senator CLARK. Thank you, Mayor Kelly, for your usual splendid statement.

I would like to explore for just a second your troubles with your public housing applications with the Agency. I think some of us on the committee would feel somewhat of an obligation to help you get that through and get the redtape knocked out. Did you have any trouble with your selection of sites?

Mayor KELLY. No. We have not come to that point yet, Senator Clark. Our trouble with our public housing application was that in 1947 the city of East Orange created a housing authority. Some years later they abolished it, for reasons best known to themselves. Prior to my taking office in 1957, it was re-created. In 1958 and 1959 we made application for urban renewal as well as public housing—public housing in May of 1959. In the examination by the New York and Washington offices it was found that we were probably one of the few cities, but not the only city, that had ever created a housing authority and abolished it.

The thinking on the part of some of the people in PHA was that our present authority was not legally entitled to any funds because of the previous abolition of it. Our bond attorney told us otherwise,

but PHA refused to go along until it was cleared up. We are now having emergency legislation passed in Trenton—we hope to have it accomplished today—to try to clear it up.

Senator CLARK. But your bond counsel was satisfied you had the legal authority?

Mayor KELLY. Yes, sir.

Senator CLARK. There was some legal officer in the agency who disagreed with your bond counsel?

Mayor KELLY. That is right. Since PHA was going to give out the money, we thought we had better satisfy them rather than our bond attorneys.

Senator CLARK. Have you picked your site?

Mayor KELLY. No, sir, it is in process.

Senator CLARK. Are you going to have trouble getting your city council to approve the site when you pick it?

Mayor KELLY. No, sir, I do not think so. That will be left entirely to the housing authority.

Senator CLARK. Are you having any trouble with respect to cost?

Mayor KELLY. No, sir.

Senator CLARK. You think you can pick a site, and get the city council to agree, and can build the units within the \$17,000 unit cost? You are not worried about that part?

Mayor KELLY. So far as the \$17,000 cost is concerned, Senator Clark, we have not explored—

Senator CLARK. The only thing that worries me is once you get by this legal problem you have only begun to fight with the Agency. They have about seven more roadblocks they can throw in your way before you get this authorization.

Mayor KELLY. I am sure this committee will overcome that.

Senator CLARK. I do not think we can do it, but maybe next year something can be done.

The only other point I wanted to make, Mayor Kelly, was to explain to you why we are only going for 1 year on urban renewal. I am not sure we can get even that by the White House. But if we tried for the long-term program that you recommend we unquestionably would have a veto and cannot override the veto. So as a practical matter we have got to try to get what we can this year, on the theory that a quarter of a loaf is better than none, and hope for a long program later on.

Thank you, Mr. Chairman.

Senator SPARKMAN. Senator Bush?

Senator BUSH. No questions.

Senator SPARKMAN. Senator Muskie?

Senator MUSKIE. No questions.

Senator SPARKMAN. Senator Williams?

Senator WILLIAMS. I just wish to say it is always a pleasure and privilege to receive one of our mayors of our great State of New Jersey. I want to thank him.

Mayor KELLY. Thank you, sir.

Senator SPARKMAN. Thank you, Mayor. We enjoyed your appearance very much.

Now we will begin consideration of S. 3279, which is a bill introduced by Senator Williams, of New Jersey, and we will call on Senator Williams for the first statement.

**STATEMENT OF HARRISON A. WILLIAMS, JR., U.S. SENATOR FROM
THE STATE OF NEW JERSEY**

Senator WILLIAMS. Thank you, Mr. Chairman. If I could, I would like to say a few things about S. 3279, which I have introduced with 12 other Senators, which would help State and local governments improve their metropolitan mass transportation services.

I have attempted to highlight the national implications of the urban transportation crisis that, to me, justify and require Federal action.

Frankly, it is difficult to understand how anyone can call this merely a local problem, as some people still seem to view it.

To me, there are so many justifications for Federal action, any one of which would be sufficient, that I can't help thinking of the story of the artillery captain who was called upon by his colonel to explain why his battery failed to fire a salute for a visiting foreign dignitary.

The Captain replied:

Sir, there are five reasons why we failed to fire. In the first place, there was no ammunition. * * *

Perhaps the first sufficient reason for Federal action to help solve the transportation crisis is because there are so many people whose daily lives are affected by it.

As an associate professor of transportation at Hofstra College, Charles E. Stonier, recently wrote in the April 28th issue of Public Utilities Fortnightly:

In most instances the urban transit problem has been viewed as a local issue. Our concepts of Federal participation are based almost entirely on geographical acreage rather than numbers of people involved. Yet it is well known that more than 70 percent of our population lives in urban areas and that aid to this group could hardly be considered "local" in scope. In terms of sheer numbers of potential beneficiaries, Federal aid can be substantiated.

Another way of looking at it is to consider the fact that 53 of our 180 standard metropolitan areas either cross or border on State lines. The interstate character of the urban transportation problem has obviously outstripped the capacity of local jurisdictions alone to cope with it in these areas.

Commenting on this geographical fact, the American Enterprise Association here in Washington concluded that "metropolitan transportation problems have become a national problem."

The association went on to say, in a study it has made, that "the combination of highways and high-speed rail transit is necessary to serve the need of the metropolitan areas," and added that it may be necessary to spend public funds to keep the commuter railroads in operation.

The Interstate Commerce Commission came out with an even stronger statement in support of Federal aid, in its report to the chairman of the full committee on this bill.

It said:

In our opinion, the provision of adequate mass transportation facilities is essential to continued healthy growth of large metropolitan areas, and ranks equally in importance with, and bears a close relationship to, the provision of adequate housing. Considering the Federal aid which has been and is being given in the housing field, we see no reason why similar aid should not be given to mass transportation.

The ICC report suggests, I think, the most compelling reason for Federal concern and action, and that is the economic importance of the metropolitan areas and the need to insure their continued healthy growth.

At present, our 180 standard metropolitan areas—which are defined as those areas containing at least one city with a population of 50,000 or more—can physically be squeezed into an area considerably less than the size of Texas.

Yet these same 180 urban centers account for more than 75 percent of all manufacturing, wholesale, and retail sales in the country. And they contribute between 65 and 70 percent of the total national income.

Truly these urban centers are the backbone of our national strength. And to a critical extent their economic vitality, their capacity to produce the goods and services that keep our Treasury solvent and permit the country to grow at the rate it must, will depend on the adequacy of our transportation systems within those areas.

Mass transportation is the key, however, to the other forms of urban transportation.

And the important and unfortunate fact is that our mass transportation services are declining all the time, especially in cities with a population of 100,000 or less.

Since 1950 streetcar passengers have declined 78 percent, bus riders are down 28 percent, and rapid transit ridership is off 17 percent. Recently, there have been some indications—New York City is an example—that the trend may be reversing.

I believe it is imperative that we do everything possible to see that this trend is reversed, for the consequences of letting nature take its course are already plain to see.

Highway and related construction costs in urban areas are rising much more rapidly than had been anticipated. And the investment per mile is staggering. To take just one example, which is by no means the most costly one, the price tag on the 7-mile Jones Falls Expressway in Baltimore is \$90 million, just \$10 million less than the investment proposed in this bill.

Another dramatic illustration of these costs has been documented in a study of the cost of metropolitan growth prepared by the Southern California Research Council in 1958. This report estimated that for the period from 1957 to 1970, each new family moving into, or started in, Los Angeles County would require a public capital investment of \$13,290. Of this public expenditure, \$10,200, or 76.8 percent, will go solely for roads and highways. Such components as schools, for example, will receive only 16.3 percent of the total per family expenditure.

Yet despite these fantastically high expenditures for roads and highways, in Los Angeles and elsewhere, our cars continue to clog and choke our streets in rush hours. Truck freight bogs down, thus hiking the cost of all our purchases of goods and services. Nerves fray in habitual traffic jams, downtown business wilts, and traffic accidents increase. Everywhere, in varying degrees, the transportation crisis is slamming a lid down on economic growth.

I think it is indicative of the seriousness of the problem that some groups not directly affected have realized the long-range implications and have lent their support to mass transit improvement proposals.

While I have not made any attempt to determine how widespread this organizational support actually is, I think the illustrations that have come to my attention are quite significant.

For example, just the other day I received a lengthy analysis of the nationwide commuter crisis from the Chamber of Commerce of the Greater Boston Area.

Last year when New Jersey had a referendum on the proposal to divert surplus funds from the New Jersey Turnpike, such organizations as the State chamber of commerce, the New Jersey Association of Real Estate Boards, and the Home Builders Association were publicly in support of it.

Out on the west coast, the California State Automobile Association and the Standard Oil Co. of California have both endorsed San Francisco's bay area rapid transit program. The automobile association, in fact, is even supporting a temporary diversion of a portion of the tolls of the Oakland Bay Bridge to help build an underwater rapid transit tube into the city of San Francisco.

In a speech last November, Standard Oil president, Mr. T. S. Petersen, said:

It is during these 2-hour morning and evening periods, 5 days a week, that our freeways, highways, and city streets are called upon to carry, in very short periods, many times more cars, trucks, and buses than they ever were intended to carry safely. Because of this and because of the frustrations, fatigue, and nervousness which are so much a part of today's commuter driving, more accidents occur during these critical hours than at any other time of day, according to the California Highway Patrol.

With the continuing population growth in our metropolitan areas, the situation can become only worse—not better—unless we achieve greater efficiency in moving these large numbers of commuters. I believe this can only be accomplished through new and improved systems of public transportation, which are fast, comfortable, convenient, economic, and safe according to the high standards of today.

Personally, I see real hope for the reduction of peak hour congestion and accidents in the type of modern rapid transit now being developed by the San Francisco Bay Area Rapid Transit District.

I think this sampling indicates the number of thoughtful people and organizations that are becoming increasingly concerned by the problem which has been well summarized in a book just published this year. Robert Connery and Richard Leach, authors of "The Federal Government and Metropolitan Areas," have stated:

In recent years the trend toward private automobiles has further weakened the economic position of mass transit facilities, both by offering strenuous competition to them on the one hand and by clogging streets with surface traffic on the other, thereby making efficient service impossible. Clogged streets result in dropping downtown property values, and decreasing property values are quickly followed by economic readjustments which profoundly affect employment, sales, and production in downtown areas, which again react negatively upon mass transit facilities. A vicious circle of major proportions is thus well established in most metropolitan areas, yet no local body is competent to tackle the problem and to assure that the area as a whole will continue to be provided with a decent, effective, and economic mass transportation system. Today, metropolitan mass transit facilities have reached so low an ebb that it is doubtful in many cases whether they could be counted on in any future defense preparations this country might be forced to make. Yet, as President Eisenhower himself has said, "America is in an era when defensive and productive strength require the absolute best that we can have."

Though some parts of the problem are susceptible to State and local action in many metropolitan communities, no solution can be found without the active participation of the Federal Government.

I realize, of course, that there are some people who would agree that there is a transportation crisis, that traffic congestion has many profound ramifications, and that our mass transportation services should be made faster and better. But they oppose Federal action because they believe the States and local governments have not done all they could to solve the problem. Certainly, I will agree that there are instances where local governments have failed to sense the gravity of the problem, and, perhaps even sensing it, have acted unwisely in narrow self-interest. But I am convinced that the vast majority of our city governments have and are continuing to try to solve the problem to the best of their human and financial ability. But they are up against a host of nearly insuperable difficulties, not the least of which is their lack of sufficient tax revenue. The Federal Government, after all, takes a very large percent of all the taxes raised by the metropolitan areas.

And, as everyone knows, the cities are always shortchanged when the money is returned with Federal and State reallocations.

John Bailey, executive director of Philadelphia's Urban Traffic and Transportation Board, has given a succinct illustration in a report last year on "Transportation in the Philadelphia Metropolitan Area." He said:

From 1924 to 1954 residents of the city contributed \$384 million to the State motor license fund for highway construction. We received back \$82 million and so paid \$302 million to get the farmers out of the mud.

And there are other problems.

Political jurisdictions in many cases make it legally impossible to strive for an areawide solution to the problem. Tied in with that is the mass exodus of upper- and middle-income families to the suburbs just beyond the city's jurisdiction, leaving the central city with a predominantly low-income population, a population which contributes least to the revenue of the city but which requires the most expenditures in community services.

The middle-income officeworkers and the young executives continue to commute to the cities from their suburban homes. For them the city must keep its streets repaired, its railroads running, its parking facilities adequate. But the commuter, faced with a steep mortgage on his new home, plus taxes to pay for new schools, new streets, new sewerlines, and so forth, is not often very eager to let the city find ways to charge him more to travel to work in the city.

Yet, despite these problems and the decline of retail sales and downtown real estate, the remarkable thing is that the cities are doing as much as they are to solve the transportation problem.

San Francisco, as I mentioned, is undertaking perhaps the most ambitious rapid transit program in the country, with a proposed first-stage 123-mile system to cost \$750 million.

Cleveland built a 13-mile transit line at a cost of \$33 million, and the voters have approved a \$35 million bond issue to build an inner subway loop.

Various forms of tax relief have been granted to both private and public transit systems in such cities as Seattle, Dallas, Houston, Oklahoma City, Miami, Baltimore, Pittsburgh, and Springfield.

The State of New York, together with local communities, has granted enough relief to put the Long Island Railroad back on its feet

again. The State has also exempted 187 of 214 bus companies from a 2-percent State tax. And it has recently given the New York Port Authority \$20 million with which to purchase new commuter equipment for lease to the three New York railroads.

In New Jersey, both legislatures passed a bill, which had it been approved by the voters last year in a referendum, would have permitted the State to use surplus funds from the New Jersey Turnpike to solve its commuter problem. This proposal, however, was voted down.

More recently, the New Jersey State Highway Department has recommended a program of about \$14 million to consolidate New Jersey rail lines, improve service, and permit the New York Port Authority to purchase and lease 90 new commuter cars to the railroads. And Governor Meyner has just proposed an income tax for New Jersey commuters to New York.

Philadelphia is certainly working as hard as any city in the United States to overcome its commuter crisis. Last year it spent \$320,000 on its experimental Operation Northwest program in conjunction with two railroads. This money went to cover the additional cost to the railroads of providing improved service. This year the city proposes to spend \$500,000 and form a nonprofit corporation to carry on and expand the program, which has shown some dramatic reversals of transit riding habits.

In addition, a great many cities have completed or are undertaking a host of studies on the transportation problem, some of which have run well over a million dollars.

All things considered, I would certainly think our State and local governments have more than earned a little help from the Federal Government.

But even if their efforts were not up to expectations, it seems to me a bit misguided to refuse action on the Federal level. If in fact there is a problem and if that problem is of vital importance to the country as a whole, as this surely is, then the question should be, "How do we best solve it?" not who should.

It seems to me that we can hardly afford to let the urban transportation crisis get any worse by engaging in a prolonged Alphonse and Gaston routine.

And I must say this appears to be the role that the administration has adopted on this critical subject.

I was disheartened to read the Treasury Department's report on the bill, which said it was opposed to its enactment.

The Treasury said it believes that—

Federal financial assistance should be limited to situations where such assistance is considered necessary to achieve impelling national policy objectives, and Federal participation in programs which are more appropriately the responsibility of States and local authorities must be held to an absolute minimum if budget expenditures are to be kept within reasonable limits in the years ahead. We feel that the development of adequate urban transportation systems is the primary responsibility of the municipalities and public and private transit authorities.

One would think from listening to these words that the bill proposes to spend millions of dollars in subsidies for a totally useless purpose.

I think it has been demonstrated that this is an important national problem, but it is perhaps worth emphasizing again that this is not a

grant program. It is a very modest loan program with a limit of \$100 million, which, if past experience is any guide, will at best take several years to exhaust.

Furthermore, this is not an expenditure in any real sense. It is an investment which will, in all probability, be fully paid. In fact, the bill would require that all loans made—

shall be of such sound value or so secured as reasonably to assure retirement or repayment.

When one considers the magnitude of the problem and the variety of vastly more costly Federal outlays that have been recommended by all manner of eminent specialists in the field, the comments by the Treasury Department seem little short of incredible.

I am even more puzzled by the administration's apparent position on this bill in view of its diametrically opposite and enlightened position with regard to the proposed rapid transit system for the metropolitan area right here in Washington.

Indeed, the Bureau of the Budget is one of the most enthusiastic supporters of the proposal. It drafted the bill that has been introduced and has agreed to spend in the next several years up to a total of \$265 million in loans and direct grants.

In his letter accompanying the bill, Elmer Staats, Acting Director of the Budget Bureau, wrote that—

to permit the efficient conduct of its work, the Federal Government and its employees have a direct interest in the creation of a sound transportation system for the Nation's Capital.

Now I certainly agree that, as the Nation's Capital, Washington ought to have the best possible transportation system, but I cannot understand why the administration feels it has a direct interest in a sound transportation system for Washington but has none in the development of sound transportation systems for our other major cities, at least to extending its endorsement to a bill as modest as this. For just one city, they are willing to spend \$265 million in loans and grants but they are unwilling to invest \$100 million in loans only for the rest of the country.

The same contradiction by the administration might also be cited with respect to our foreign aid program, which contains aid to help other countries build railroad lines, but there is no need to go into that.

The point is we can do both. The Federal Government can help build better transportation systems abroad and at home. We can and we must.

The main question, to me, is how should the Federal Government go about helping to build better mass transportation systems.

There are, of course, dozens of far-ranging solutions, running from tax relief to straight subsidies. It may be that some such drastic remedies are needed, but it would, of course, require extensive consideration and study by Congress before they could be undertaken.

But in the meantime, this bill would serve the purpose of symbolizing our concern with the problem and our intention to come to grips with it. I think this is extremely important in and of itself.

Secondly, no matter what the ultimate solution, it is obvious that part of the solution will require the purchase and modernization of commuter equipment. Twentieth century Americans will just not tolerate riding in broken-down busses and those ancient rattletraps that pass for railroad commuter cars on so many railroad lines.

Of course, it is fashionable in some quarters to say that the railroad is passé, soon to become extinct. Those who make this assertion, however, fail to make the distinction between long- and short-haul rail passenger service. While it may perhaps be that the automobile and airplane have rendered long-distance rail passenger service obsolete, this is emphatically not the case with short-haul, or suburban, rail service. In fact, the automobile is making suburban rail service more imperative than ever, especially as car ownership shows no sign of slowing its phenomenal rate of increase.

No, suburban rail service will not become extinct unless we allow it to die, which will soon happen if all parties concerned—including the Federal Government—do not take action soon.

I stress this aspect of the transportation crisis not only because rail passenger service is by far the most efficient means of moving people but because of the much more important fact that the enormous capital investment in tracks, stations, and rights-of-way has already been made.

As Wilfred Owen, one of our leading urban transportation experts has written in "Cities in the Motor Age":

Where rapid transit lines already exist, facilities and equipment should be preserved and modernized to meet the requirements of present users. Subsidies for this purpose are warranted where they will mean a net saving in total outlays for the transport system as a whole.

Although the suburban rail network is almost universally recognized as a vital link in the mass transportation picture, this bill does not provide for subsidies. But it can do much to help preserve and improve it by helping ease the burden of the heavy capital investments in commuter cars, for example. To give an illustration of the cost of these cars, the New Jersey Highway Department has estimated that to have the port authority purchase 90 new air-conditioned cars would cost over \$8 million.

Another part of the overall solution will also obviously entail the integration of various transportation systems wherever possible into a more unified and rational whole. The situation in the Philadelphia-south Jersey area is a case in point. At present the commuter from the Haddonfield-Kirkwood area in New Jersey, if he elects to use public transportation, must either ride a bus all the way or use an infrequent service on the Pennsylvania & Reading Seashore Lines to the station in Camden. He must then transfer to the single track Bridge Line and then transfer again to the subway in Philadelphia.

Under recently proposed plans, there would be a through service on a double-track line from Kirkwood to 17th and Locust in Philadelphia, an express route that would make maximum use of present facilities and rights-of-way.

Another need is for relocation of rail stations, which may have been built 50 years ago, to new population centers. And there is an even greater need for construction of fringe area parking lots, to induce people out of their cars and onto rapid transit systems.

These are the things this bill would provide assistance for under section 3, the loan section, of the bill.

And it would be substantial and important assistance, for financing costs are always a large, if not the largest, single cost of a capital outlay.

For example, for the proposed rapid transit system here in Washington, it has been estimated that when the population reaches 3 million the operating expenses of the system would be \$39 million and amortization of the financing costs would be \$31 million, or nearly 50 percent of the estimated fare revenues of \$63 million.

This raises the question of interest rates, which has been the subject of the adverse departmental comment.

I do not think I need to belabor the point that this is the most important part of the bill, for the interest must be low if the bill is to be of any help at all. If we were to do no better than commercial terms, there would be absolutely no point in passing this bill. For the plain fact is that virtually no commercial loans are being given and none are being sought. The reason is simple enough because at commercial rates, the repayment costs are almost always greater than the revenue and savings from possible passenger increase and lower maintenance costs. Thus, the more a railroad or private transit company borrows, the more money it loses, which, as they say, is no way to run a railroad.

Thus, there is no need to fear that a low-interest loan program will stifle private commercial loans for passenger service equipment, because few are being made. And this can be easily substantiated by examining the operation of the \$500 million loan guarantee program that was passed in the Transportation Act of 1958. Here is a program that permits loan guarantees for any railroad capital expenditure or property maintenance, and eliminates all risk of loss from the commercial lender. Yet not a cent of the \$53 million of the loan guarantees approved to date has gone directly for passenger service improvements.

Obviously, commercial loans will never solve the problem. Nor can the local governments, even though their credit rating permits many cities to offer reasonably good terms. For one thing, most of our major cities are facing a constant budgetary crisis, for reasons I have mentioned earlier.

So there is an urgent need for a new source of low-cost loans, especially in view of the fact that many cities that need the money are straining at the bounds of constitutional debt limits. In addition, because of political jurisdictions, many cities are not in a position to make effective use of such a loan program as is proposed here.

In those cases, areawide agencies are needed, and it is my hope that passage of this bill will help stimulate their creation.

But such areawide transit agencies which now exist and which may be created will, in all probability, not have the kind of credit or borrowing capability to make the kind of loans that are needed.

So again the path of necessity leads back to the Federal Government.

In the face of this situation, what do the departments have to say?

The Housing and Home Finance Agency which, although it said it was in accord with the underlying purpose of the bill, wrote in its report to the committee that—

to make Federal funds available for transportation loans at the subsidy interest rate provided in the bill would result, in fact, in virtually complete concentration of such loans in the Federal Government.

Frankly, I am at a complete loss to understand the significance of this statement, which seems to constitute their major criticism of the bill.

Of course the interest rate proposed here would result in the complete concentration of all transportation loans in the Federal Government—if there were no limit to the amount of loans that could be made.

Perhaps the Agency overlooked the ceiling of \$100 million on the amount of loans that the Federal Government can make. For surely no one—least of all the Housing and Home Finance Agency—can suppose that Congress will ever be readily disposed to lift the ceiling off any loan program it authorizes.

Especially in view of the fact that it does not even seem disposed to take the ceiling off the FHA insurance program, which is not even a loan program, but only a guarantee program.

I notice also that both HHFA and the Treasury reports refer to this as a “subsidized interest rate.”

I disagree with this characterization. The interest rate proposed in the bill is the same as that for the college housing program.

It is simply a formula that permits the Government to lend money at cost, no more, no less. When the cost of Government borrowing goes up, the interest rate on this program goes up precisely the same amount. When the cost of Government borrowing goes down, the interest rate on this program goes down.

The only way this can be viewed as a subsidized interest rate is by comparing only to current borrowings. But it is not a subsidized interest rate when you compare it to the average interest paid by the Treasury on all its borrowings. The interest rate of this bill is the same as the average rate of all Treasury obligations.

Although the interest rate is the most important aspect of the bill, there are several other features worth emphasizing.

The first is the fact that the Housing and Home Finance Agency would administer the program.

I think this is especially important because perhaps the most serious criticism that is being heard today of the various Federal activities in metropolitan areas is their virtually total lack of coordination.

We are trying to attack the whole metropolitan problem on a piecemeal basis, and often as not the left hand of the Government will nullify much of the effectiveness of what the right hand is doing.

I was interested to note that the transportation report recently submitted by the Department of Commerce emphasized the closest possible coordination of urban transportation activities.

The Department's recommendation No. 49 stated that the Federal Government should—

encourage urban long-range community planning, including total transportation planning to make full use of highway, transit, rail commutation, and all other capacity to minimize total transportation cost and congestion, in full coordination with activities under the Housing Act of 1949 as amended.

As Wilfred Owen has said:

But more important is the fact that highway development is a major tool for urban renewal, and renewal often leads to major transportation difficulties and solutions. Accordingly, there is obvious logic in the close integration of national housing, renewal, and transportation activities.

And that would include, of course, mass transportation activities. For mass transportation is decidedly a metropolitan problem and as Dr. William L. C. Wheaton, president of the National Housing Conference, has said:

The Housing and Home Finance Agency has already become a department of urban development and housing in all but name and prestige.

The Housing and Home Finance Agency itself, in endorsing the purposes of the bill, commented that local transportation facilities are "an inseparable and vital part of overall urban planning and redevelopment."

Although the bill does not attempt legislatively to require the coordination of this transportation loan program with other urban programs administered by HHFA, it is certainly the intent of the bill to encourage that coordination.

And I feel certain that by placing this loan program in HHFA we stand the best chance that such coordination will eventually become a reality.

Another important part of the loan section of the bill is the "workable plan" section.

This language, on page 6, line 3 of the bill, requires that "In the processing of applications for financial assistance under subsection (a) (2) of this section the Administrator shall give priority to the applications of those eligible applicants which he determines (1) have the most workable plans for the development of a coordinated mass transportation system and (2) have the most pressing need for such assistance."

The point here is that while, at present, it may be too much to hope that there will be any real coordination between transportation improvement and urban development, there is still a very great need for a more effective coordination of transportation systems into a more rational and unified whole. If we could accomplish this, we would have achieved a major improvement.

I am hopeful that this language will serve two major purposes toward this end. First I believe it will encourage the creation of urgently needed area-wide agencies to handle transit operations in a metropolitan area and also serve as a channel through which the loans proposed here could be readily funneled.

Second, and just as important, I believe this section, together with the authorization in section 2, which would permit the use of urban planning grants for transportation planning, will stimulate the kind of comprehensive planning by the local communities themselves that is so urgently needed, especially in view of the fact that the Federal highway program is now on the verge of making major and permanent changes on the whole landscape of our urban areas.

Unfortunately, however, our local communities are essentially unprepared for this onslaught. Mr. Owen has noted that most of our cities and towns have no comprehensive plans which would put them in a position to insure that the location of Federal highways in their areas will be placed to the best advantage of the community as a whole.

I think some drastic remedies are imperative to prepare our urban areas for the massive highway program that is bearing down on them.

And one important part of that remedy is obviously an appropriation of much more money for the section 701 urban planning grant program.

But to get that money I believe it will be necessary to indicate congressional recognition and concern in this matter by approving the proposed language in section 2 of the bill, which amends section 701 and stresses the importance of comprehensive transportation planning.

In the meantime, we can at least hope that the transportation loans will serve as an incentive for more local planning in order to come up with the comprehensive plans for a coordinated transportation system that some cities already have and which will give those cities an edge in applying for the loans.

To conclude, Mr. Chairman, I believe there is a clear and compelling need to pass both sections of the bill this year.

As you can see, it has been shaped to the greatest possible extent to insure its reasonableness and feasibility, and to improve its prospects for approval.

The fact that this bill is so designed is an indication of the urgency I attach to its passage.

I am very grateful, Mr. Chairman, for your interest and courtesy in responding so quickly and including this bill on the agenda of the housing hearings.

The bill, as you know, would authorize the use of urban planning grants to encourage comprehensive transportation and other urban planning by local communities. It would also provide low-cost loans of up to \$100 million to State and local governments and their public instrumentalities to help purchase and modernize commuter equipment and help finance the badly needed construction of integrated transportation facilities in urban areas.

The measure also adopts a workable plan approach to encourage the greatest possible coordination of the various transportation systems in a given metropolitan area.

It would be administered by the Housing and Home Finance Agency, which has jurisdiction over most of the Federal programs in metropolitan areas and which could most effectively coordinate any Federal transportation activity with its other programs to insure the best overall development of our urban communities.

I believe this bill represents a sound, a modest, but a constructive approach to a very serious problem, and I hope and believe that the testimony that will be heard here will provide the impetus for passage of the bill this year. I am convinced the urban transportation crisis is a problem of major and critical importance to the Nation as a whole.

The Nation has a tremendous interest and stake in the survival of our metropolitan areas, a survival that will in no small part depend on overcoming the transportation crisis, and the Federal Government can no longer blind itself to the problem nor shirk its responsibility in helping to find a solution. The time is long overdue for a full-scale Federal, State, and local attack on the problem and passage of this measure, in my opinion. I believe it would have a symbolic value, perhaps even more important than its dollars-and-cents value, in signaling the beginning of the determined joint effort that is urgently needed.

To me, the national implications of the urban transportation crisis, which more than justify Federal action, are clear and compelling, for urban traffic congestion and paralysis does the following things:

(1) It threatens to strangle the wealth and thus revenue-producing capacity of the major cities, which are the backbone of our national strength.

(2) It squanders billions of dollars in totally nonproductive ways; for example, in wages lost through time spent in traffic jams. This is money that could be put to much better use in this day and age.

(3) It clogs the free flow of goods in urban areas and in interstate commerce, just as it prevents the free and quick movement of people. This adds to the cost of every purchase a consumer makes and adds a potent force to the pressures of inflation. Of course, if our gross national product continues to increase as expected, there will be a corresponding increase in freight movement, which we cannot permit to bog down in passing through our urban areas. This will inevitably lead, unless some alternative is found, to much heavier outlays of money than may be necessary for highways, bridges, tunnels, and parking facilities, to alleviate the traffic paralysis. And then we cannot be sure that the demand will not continue to outrun the supply.

(4) The attempt to solve the problem solely by accommodating the automobile also requires the absorption of so much land in downtown areas that if the trend continues there will be little left in the city worth driving to. To compound the dilemma, the cities will be saddled with a vast network of roads which pay no taxes, thus making it harder for the cities to raise the revenue to meet other pressing needs.

(5) The congestion also suffocates commercial businesses in downtown areas, especially those dependent on large customer volume, and forces a large, costly, and unnecessary dislocation of employees and relocation of businesses, which further decreases city tax revenue.

Mr. Chairman, these are some of the penalties that make the urban transportation problem a matter of such importance to the Federal Government.

I think it is obvious that no single approach can solve the problem. Neither highways nor rapid transit can do the job alone. Perhaps together they can.

I think it is equally clear that heretofore we have badly neglected the possibilities of maintaining, restoring, and improving our mass transportation services in metropolitan areas.

I sincerely believe the loans proposed in this bill would represent a prudent expenditure which would pay for itself many times over. Although inadequate to the total need, it is enough to give this program of Federal assistance a fair trial and to give Congress the opportunity to determine how successfully it will meet the need. The important thing I think is to get started, and I believe this bill gives us that opportunity.

Thank you, Mr. Chairman.

Senator SPARKMAN. Thank you, Senator Williams.

I am not sure whether you mentioned it or not, but a good many people may wonder why this is being heard in connection with a housing bill. Your bill seeks to amend section 701 of the National Housing Act, which is a community facilities bill. Is that not correct?

Senator WILLIAMS. That is correct. It is our feeling that this is part of it.

Senator SPARKMAN. This is part of the overall community facilities.

Senator WILLIAMS. Exactly.

Senator SPARKMAN. Very well. We will get started then.

Our first witness is Mayor Richardson Dilworth, of Philadelphia.

We are very glad to have you with us again, Mayor Dilworth. We always welcome you to this committee.

STATEMENT OF RICHARDSON DILWORTH, MAYOR, PHILADELPHIA, PA., AMERICAN MUNICIPAL ASSOCIATION—Resumed

Mayor DILWORTH. Thank you, sir.

Senator SPARKMAN. You go right ahead. We have your statement. Of course, you know our rule of printing the statement in full in the record. You treat it as you see fit.

Mayor DILWORTH. Thank you, sir.

May I present for the record the resolution adopted by the 1960 conference of the U.S. Conference of Mayors in Chicago on May 13 on mass transit?

Senator SPARKMAN. Yes, that will be received and made a part of the record.

Mayor DILWORTH. Thank you, sir.

(The resolution referred to follows:)

RESOLUTION ADOPTED BY THE 1960 ANNUAL CONFERENCE OF THE U.S. CONFERENCE OF MAYORS IN CHICAGO, MAY 13, 1960

MASS TRANSIT

Whereas the trend during the past several years has been for people to move from the rural areas to the larger cities;

Whereas automobile and truck ownership continues to increase at an ever-accelerating rate;

Whereas it has become almost impossible for some cities to provide highways and streets to adequately handle both private and public transit;

Whereas it is well recognized that transportation into and through our large cities is becoming more and more important to our national economy;

Whereas transportation experts agree that improved public transit must be given serious consideration at this time; and

Whereas a plan has been developed whereby the Federal Government would, through loans, assist local communities in the financing of capital investment in improved rapid commuter services: Now, therefore, be it

Resolved by the U.S. Conference of Mayors, That Federal, State, and city governments cooperate in studying and planning to meet the present and future demands for rapid mass transit, and that the Congress give its prompt approval to the pending proposals with respect to financing capital improvements for improved commuter services.

Mayor DILWORTH. I will take the suggestion of the chairman and try and shorten and condense our statement.

We are naturally, I think, all the mayors, delighted that this committee is hearing this problem, because this committee is so cognizant with metropolitan problems and so sympathetic to them.

As Senator Williams has himself said, mass transportation and urban renewal certainly go together. One without the other will be very little use in any city. That goes right down to cities of 50,000 and 100,000.

We think it is no exaggeration to say that if mass transportation should collapse in any city of almost any size, it makes the problem of the city almost unsolvable.

We do have to constantly renew the statement—I know it becomes very tiresome to gentlemen who have to hear it—of the fact that two-thirds of our people are living in some 160 urban areas and that by 1980 the Federal Government itself believes that that will be 80 percent in some 160 areas, and that those areas will themselves produce by that time better than 90 percent of the annual income.

Even today I think the Commerce Department figures show that those 160-odd areas produce about 75 percent of the national income.

If I can mention briefly our own area, it is now a city of about 2,200,000, the area about 4,500,000.

A very fine county study made by all the eight county areas there, including the New Jersey counties, indicates very clearly that that will be an area of at least 6 million by 1980. It is therefore doubly important that the problem of mass transportation be solved.

Because the highways, as has been brought out very forcibly by Senator Williams in his statement, can be a self-defeating project, also an extremely expensive project, and also, in effect, destroy very many of the things they actually hope to accomplish.

If I could give you just one example, we believe that we can unify our entire mass transportation system, and that includes our transit system itself, our surface transit system, our subway system, all of our very considerable network of commutation railroads, and provide all the improvements and modernization and extension that we will need in those various systems in the foreseeable future and do that for only a little more than half of what it is going to cost to run what is a very much needed highway but only a single highway 26 miles long along the eastern border of our city up into the county immediately north of us, Bucks County, and into the county immediately south of us, Delaware County.

That highway, needed as it is, will only carry one-tenth as many people, and not more than a tenth as many people, as our entire mass transportation system will carry.

Yet, we can do the job on our mass transportation—and this not only includes its consolidation but it includes its expansion and improvement—for only a little more than half the cost of this one great highway.

I do not need to point out that in a city like ours—and many other cities have that problem—we have 2,400 miles of streets, and the average width of our streets that carry the heavy traffic is 25 feet from curb to curb. The only two streets that carry heavy traffic that have real width are only 100-foot-width streets.

Many cities I think are in that condition.

If I can give this further example of what it means, during Senator Clark's administration as mayor he had a really fine businessmen's committee with an excellent staff make an overall survey of our entire transportation problem. That is why we are convinced that it is so important, this provision in Senator Williams' bill for an overall survey of this system, because we do need a balanced view on mass transportation.

We feel that for years there will be a great plunge forward on highways, everything else forgotten. Then there will be a great plunge forward on aviation and all the aviation facilities. In the meantime mass transportation and rail transportation get completely forgotten.

We really were in tremendous need of a study that can give us a picture of a balanced transportation system, one that is reasonably within our means.

As a result of that study, we do have a blueprint in our eight-county area, including the New Jersey counties, which calls for the consolidation of our transit system, our surface transit system and its extension and expansion, which calls for the subway system, which is almost wholly city-owned, expansion particularly into areas that are not now adequately served and expanded by something akin to the Congress Street method in Chicago, and which finally calls for the consolidation into this system of our commutation system.

If I could spend a minute on the commutation system, we started with a commutation system because of the realities of the situation. In our city, due to our narrow streets, it is a tremendous problem getting the people in and out, and we do have an extraordinarily fine commutation system that comes in on 15 different sets of rails from 15 angles that come into our city. So that we have an amazingly good commutation system.

To replace that—just to replace the rail facilities alone, nothing else—would now cost about \$600 million.

It was perfectly apparent that the two railroads were going to pull out of commutation if something was not done, and that would have just left our whole great metropolitan area without any transportation solution.

It was perfectly apparent that no matter how much we might oppose them, and while it might take them quite a long time, within the next 5 to 10 years they would pretty well be able to do it.

Senator CLARK. Do you want to point out, Mayor Dilworth, that the public mass transportation, the Philadelphia Transportation Corp., could not possibly pick up the slack that would be left if the Reading and the Pennsylvania discontinued commutation service?

Mayor DILWORTH. That is right.

We were extremely fortunate in that both railroads, the Pennsylvania and the Reading, showed an extraordinary amount of cooperation and public spirit and good citizenship in this whole situation.

But here was the situation: In the 1920's our commutation system brought in to our city about 75,000 people in the morning and took about 75,000 people out in the afternoon, and it was extremely valuable service, of course.

But that has gradually deteriorated due to lack of replacement. There were heavy losses, so there was no improvement in the service.

In fact, the service continuously deteriorated until today, despite the fact that we have a million more people in the area and have a far more extensive area, the railroads are bringing in only 45,000 people now.

We are convinced, and we were convinced when we started the negotiations with the railroads, and they were convinced too, that with proper scheduling, a reasonable fare, and decent equipment, decent stations, and really good parking facilities that we could step this fig-

ure up from 45,000 to about 150,000 people a day, and it would relieve a tremendous amount of the burden on our highways, would decrease the overall expenditures for highways in the long run without any question.

Those are tremendously important people, of course, to any center city area.

Senator BUSH. What do you estimate the total influx is daily by automobile and by mass transportation and so forth?

Mayor DILWORTH. By every means it is about 600,000.

Senator BUSH. The daily influx?

Mayor DILWORTH. Yes, sir.

Senator BUSH. Is that so?

Mayor DILWORTH. Yes, sir.

That is a pretty accurate count, because city council was very cooperative, and a lot of money was made available to this committee. It was a real businessmen's committee, with an excellent staff. We estimate pretty accurately about 600,000 people.

Senator BUSH. And the commuting lines got down to 45,000?

Mayor DILWORTH. 45,000. And you know how important those people are. They are the people that by and large fill the office buildings. They are the people whose wives do the more expensive shopping and all that. And theaters. The Academy of Music. Our orchestras. All of those things. Even the Phillies feel the impact from this loss of commutation. And they feel it in the suburban areas. It hurts their own development because they want to be able to get in and out of the center city conveniently no matter where they live.

Also they have noticed that this overcrowding on the roads affects them in every part of the metropolitan area even if they do not come in to the center city.

So that is why the commutation thing was so important.

There is no doubt that you can do an enormous amount with it, because we first tried an experiment, and the railroads were perfectly splendid. All we did was guarantee them against additional loss. Of course, it took quite a bit of time to figure out what losses were, but that finally was figured out reasonably well, and all we did was guarantee them against additional loss.

They greatly improved their schedules. They reduced their fare. We were able to persuade the transit system to run better feeder service into their stations.

As a result, every month the commutation on a typical line where we tried the experiment—a line out to Chestnut Hill, which is a typical commuter line—picked up so that today, a little over a year after they started, there are 30 percent more people who use that line than when we started, despite the fact we had no money for any new equipment. The cars were almost 50 years old. They are not air-conditioned or anything of that kind. We have no money with which to expand parking facilities or improve the stations. The stations had gotten in terrible shape.

Senator CLARK. I think you would point out too, Mayor Dilworth, that access to downtown from the Chestnut Hill area by automobile is a good deal better than it is from a number of other parts of town.

Mayor DILWORTH. That is right.

Senator CLARK. So these were actually people leaving their automobiles behind and going back to trains.

I just happened to come that way today from my house in Chestnut Hill to the airport over the new Schuylkill Expressway, and we were bumper to bumper at the period between 8:15 and 8:45 despite the fact this new, great highway has only recently been opened. There are three other access roads, East River Drive, West River Drive, and Broad Street into center city.

So even with this addition to mass transit we are already approaching the point of saturation in rush hours on our new, fine highway system, which emphasizes I think the need for going further along the lines you have so constructively explored.

I believe if we get really first-class equipment instead of the broken-down jalopies they have on the lines now people would really move in in much larger number to the mass transit system. In Philadelphia, and I resent it, the really good new equipment seems to be all running on the main line.

Mayor DILWORTH. We made surveys as you know. We made a survey of the three most heavily traveled highways in the Chestnut Hill area before we started this experiment. We made another survey about 6 months later. Actually there has been about a 10-percent decrease in the amount of automobiles using those highways in the morning.

Also at the same time we made a check of the people in the automobiles as to not only if they had improved schedules, better fares, but also good equipment and convenient places to park, how many would be willing to get out of their automobiles. About 30 percent of them indicated very clearly they would be happy to get out of their automobiles and go back to commutation.

I think that is a fairly accurate figure.

Senator CLARK. Mayor, I do not think you stated a fact which I think is important—that you persuaded the city council to put up hard, cold cash to pay these railroads to help keep their deficit from increasing. Did you not?

Mayor DILWORTH. Yes. I was going to stress that in a moment to show that again—and I think it is important to show to the Congress—the cities and the metropolitan areas are doing everything in their power, and the railroads too, because, as I say, all we do with the railroads is guarantee them against additional loss.

To do that we had to put up in the experiment \$320,000 a year.

I will get to that in a moment.

We formed a nonprofit corporation to operate all the commuter lines.

As a result of this successful experiment and another very successful experiment up into the northeast, we are now convinced it will work, and we have formed this nonprofit corporation, which the railroads joined us in, and which railroad labor has joined us in, to operate all the commutation lines within the city.

Senator CLARK. Actually the presidents of the two railroads, Mr. Fisher of the Reading and Mr. Symes of the Pennsylvania, were members of your traffic and transportation board which made this overall study which you referred to.

Mayor DILWORTH. That is right.

Senator CLARK. It would be interesting to Senator Bush and to Senator Sparkman to note that the president of that board was

Clifford E. Friesmuth, who is head of a national dairy company. His interest in it was seeing he could get his milk moved around the city quicker than he had before.

This was a vested interest board. Everybody on the board had a real personal business interest in improving transit conditions.

Mayor DILWORTH. Yes, but when this gets rolling at the end of this year this operation of the commutation lines in the city will run us anywhere from a million to a million and a half dollars a year at the outset. That will include amortization of the costs of capital improvements.

Even in this first year we are going to put \$7 million into capital improvements. Most of it, \$5 million, will go into new cars.

A good car today with air conditioning costs about \$200,000.

And also electrification of some of the lines that need electrification and that.

But it means the area itself is really straining its resources.

Now, the surrounding counties are beginning to come in in this sense: We have had informal meetings with the surrounding counties. Montgomery County, which is really the key county, has already indicated that it is going to try to run an experiment in its own county upon a typical line, the Jenkintown line, and on very much the same basis, so that we hope to get the whole area in.

Senator CLARK. I think this is particularly significant because the counties are of a different political complexion than the city, and it calls for bipartisan cooperation.

Senator BUSH. Mr. Chairman, may I ask a question?

Senator SPARKMAN. Senator Bush.

Senator BUSH. Have you gone far enough with this to reverse that trend so that the 45,000 has begun to come up again?

Mayor DILWORTH. You see, we only have it on two lines. On the Chestnut Hill line, which is a big line, we have increased ridership there about 30 percent. So that that means you are getting about a thousand more people a day there. But it is continuing to drop off every month on all the lines that are not in on this plan.

But it has worked so well, it has gone up so rapidly, that we are convinced that with the equipment, the parking, and all that goes with it, we can run up the present 45,000 in the next 3 or 4 years—if we can get the equipment rapidly enough—to at least 150,000 a day, which will mean a tremendous difference to us.

Senator BUSH. Splendid.

Senator SPARKMAN. Mayor Dilworth, let me get clear.

Mayor DILWORTH. Yes, sir.

Senator SPARKMAN. You mentioned two lines. What are they?

Mayor DILWORTH. Two railroads operate all our commutation. The greater part is operated by the Pennsylvania Railroad, the rest by the Reading.

There are 15 separate rails that come in from 15 different angles, but they are actually operated by these two railroads.

Senator SPARKMAN. When you refer to the two, you mean the Pennsylvania and the Reading?

Mayor DILWORTH. Yes, sir. In this experiment, this would be a typical commuter run for the whole area, because Chestnut Hill, while it is within the city limits, is a very distinguished residential area.

Senator CLARK. Of course, it is 12 miles from Chestnut Hill to the city; and I think there are about 10 stops on the way.

Mayor DILWORTH. Ten stops. So we get every income level.

Senator SPARKMAN. Let me ask you just how this bill would work. The city does not go into any ownership of railroads; it borrows the money from the Government; is that right?

Mayor DILWORTH. Yes, sir.

Senator SPARKMAN. And then what do you do with it?

Mayor DILWORTH. On commutation, we would contract with the railroads—which we have already done—to operate these lines. We contract through a nonprofit corporation board that consists of members appointed by the railroads, members appointed by the railroad labor unions, and what we call public members that are appointed by the mayor and the city council.

Then that corporation's only source of funds at the present moment is what the city puts in. But it contracts with the railroads for this service. The basis on which we contract is that in the early years the railroads—well, all we do for them is guarantee them against any additional loss. But we are all convinced if we can get this system really expanded and working the way they should, they are gradually going to be able to work out of losses.

Senator SPARKMAN. In other words, you take the money and underwrite the companies against any increased loss. Or do you invest part of it in rolling stock?

Mayor DILWORTH. Yes, sir, we are going to this year.

Senator SPARKMAN. And facilities?

Mayor DILWORTH. For instance, next year, when we hope to get all the lines within the city going, we figure it will cost us not less than a million dollars—maybe a little more—for just the operating costs that we have to make up to the railroads.

In addition to that, this year we have already started ordinances through city council, which city council is agreeable to, which will call for expenditures this year of about \$7 million—\$5 million of it on cars.

We figure the total cost of putting the commutation system within the city—that is, within the city—into the kind of shape it ought to be is about \$25 million. The total cost of putting the commutation system in the whole metropolitan area into the shape it ought to be—and that includes everything, the parking and everything else—would be somewhere between \$65 million and \$80 million.

Senator SPARKMAN. Over a period of years?

Mayor DILWORTH. Yes, sir. Over a period of years.

Senator SPARKMAN. Am I correct in my understanding that this plan has been worked out between the city, the railroads, and the representatives of the railroad workers? In other words, by all of those interested in it? It that right?

Mayor DILWORTH. Yes, sir. We have signed the contract. The corporation is now in existence and in being. It is now before our city council waiting for city council to appropriate the necessary money to get it started and to approve the capital program. Then the capital program will go on the ballot this fall. That would be this \$7 million.

Senator SPARKMAN. How much would the city of Philadelphia anticipate borrowing from this fund in the first year?

Mayor DILWORTH. That is hard to say, sir. A good deal would depend on our own money market. It really is hard to say.

Senator SPARKMAN. I thought you gave a figure there—was it \$7 million—that you anticipate borrowing the first year?

Mayor DILWORTH. If the interest rate is as good as we hope it will be from this bill we would borrow that \$7 million through this bill.

Senator SPARKMAN. All right. Go ahead.

Mayor DILWORTH. But if I can get into just this last phase, sir, to show how much it means to the whole area, we are amazed to find in our informal talks with the officials of the counties around how much they feel this is necessary to their own prosperity actually, which quite surprised us, and their frank admission of that situation that the free movement of people in the whole metropolitan area was just as important to them as to the center city.

As to the center city, to put our city in position so it can be on a self-supporting basis and so we are not going everlastingly to have to be going to the State and Federal Government for aid, it is essential that we get our tax rate up. Redevelopment is certainly the thing that is helping us do that more than any other thing. You know how much planning it takes to get a redevelopment program rolling.

Thanks to this private nonprofit corporation that has been formed in center city, called the Philadelphia Development Corp., which has a \$2 million revolving fund and which is made up of all the business and civic leaders of center city and which has really been working, we have informal commitments. We have a fairly concentrated center city in about some 20 square blocks. We have all our hotels, all our principal office buildings, two of our principal universities, three or four of our principal hospitals, all our theaters, our principal movie theaters, restaurants—really everything that goes to make up the center. We have our Academy of Music, the museum, the library, everything that goes to make up—

Senator CLARK. Banks. Department stores.

Mayor DILWORTH. All the department stores and fine shops and everything.

Senator CLARK. Banks.

Mayor DILWORTH. Banks, of course.

We have today informal commitments through that corporation of expenditures in the next 10 years of a minimum of a total of a half a billion to a total of a billion dollars, really dependent on: Can we solve the transportation system into the city so there will be enough people going in and out of the center city conveniently to make all these expenditures worth while.

If we can get expenditures of that kind, of course, it will really do things for our tax base that just nothing else can do.

Senator BUSH. These expenditures would be in the form of new buildings and improvements in office buildings and stores and that sort of thing?

Mayor DILWORTH. That is right, sir.

You may be familiar, for instance, with our John Wanamaker store. It is still an amazing store. It was built actually in 1908 but it is still amazing. They are getting convinced that people are beginning to come back into the city and have been doing lots of things to bring them back into the city. Their center city store last year

for the first time showed an increase in sales over a previous year. And three of the five big center city department stores did the same.

So they have actually prepared plans that would call for expenditures over a 6-year period of about \$10 million just for this one store, the John Wanamaker store.

Senator SPARKMAN. Mayor Dilworth, of course, I think this is the most comprehensive legislation along this line that has been proposed, but it is not entirely new.

Mayor DILWORTH. No, sir.

Senator SPARKMAN. You may remember that a couple of years ago we passed a community facilities bill, and on May 15, 1959, Senator Fulbright and I introduced a bill to provide public facility loans in which we would have provided a billion dollars.

Among those public facilities was the construction, repair, and improvement of public transportation facilities, streets, and so on and so forth.

Mayor DILWORTH. Yes.

Senator SPARKMAN. It passed the Senate. I do not recall now whether the House passed it and the President vetoed it or whether it did not pass the House.

Senator WILLIAMS. The House did not pass it.

Senator SPARKMAN. The House did not pass it, but the Senate passed a bill that would have gone part way in reaching your objective.

I want to commend you in Philadelphia. I hope many other cities will be following a similar program of bringing their forces together and working out something that certainly seems to be feasible.

Mayor DILWORTH. I think every large city is doing it now and working toward it, and I honestly feel we are coming more and more to believe that no renewal plan involving anything like the heart of a metropolitan area should be approved unless it includes a really good plan and a workable plan for the solution of the transportation problem.

As I say, it is perfectly apparent to us and perfectly apparent to city business now that the one is absolutely the handmaiden of the other. You cannot have one without the other.

Senator BUSH. Then Senate meets at 12, but I would like to hear you on the other aspects of the transportation problem intricacy. You have been dealing mostly with the commuter problem, which has been a very excellent presentation I may say, but what about the internal problem of mass transportation in the city of Philadelphia? What do you have in mind there?

Mayor DILWORTH. I think every city, sir, every city certainly of over 500,000 population, is going to have to take over its mass transportation just the way about a hundred years ago they took over water and sewage.

It is now becoming absolutely apparent I think that no private mass transportation company can operate at a profit and serve the needs of the city.

We have a first-rate operator in our city, and it is one company, but every year—and they frankly admit it—they serve less and less miles. Every year they want higher fares. Every year they carry less and less passengers, which puts greater and greater strain on our

highways, and they do not do the things it is so important they should do.

For instance, the great stress should be put on the rails, both subway and commutation, because the people will go to those because they can travel fast and they can travel comfortably. That means you ought to have a great feeder service to both the subways and the rails.

But that is not profitable so you cannot blame them for not doing it.

Similarly, the areas we want to open up and open up with good housing that is not going to become slum housing, it is very difficult to open up, because they do not want to go into an area until it is built up. And you cannot blame them. Whereas to meet the needs of a city—just as a hundred years ago it was apparent that you had to do that with water and sewage—you have to put the facilities in. It is just as true with transportation today.

There are some really shameful examples in our own city of contractors putting up these not too good developments and kidding the people into believing there would be transportation for them there, and then when they get in they find that there never really was any provision for transportation.

Senator CLARK. Mayor, I would like to ask you to comment on this. Under the date of May 6 we have a five-page letter from Mr. Mason of HHFA in which, to summarize it, he says that he is sympathetic with the ultimate purpose of the bill but strongly opposes it in its present form.

His principal objection I would like to state to you and see if you can help us answer it.

He says:

We believe that the interest rate formula proposed in S. 3278 for Federal mass transportation loans would result in a program far exceeding any proper Federal responsibilities in this field. The formula is the same as now required in the college housing program, and it would result in interest rates at somewhere between $3\frac{1}{8}$ and $5\frac{1}{2}$ percent for fiscal 1961.

Then he goes on to say, and I quote:

To make Federal funds available for transportation loans at the subsidy interest rate provided in the bill would result in fact in virtually complete concentration of such loans in the Federal Government and would also make them impossible to resell without great loss. It would be unreasonable, of course, to require the Federal Government to provide the necessary financing for all the proposed transportation systems and improvements throughout the United States. To do so would certainly require funds out of all proportion to the \$100 million proposed to be authorized for this program.

What would you have to say about his objections to our providing in this bill—I am a cosponsor of the bill with Senator Williams—this lower interest rate similar to the college housing program over Mr. Mason's objections that you ought to go out and borrow the money in the private market at whatever they are charging?

Mayor DILWORTH. We have got to do these things either through a nonprofit corporation or an authority if we are going to get the whole area in. There is no point in doing it if we are not going to get the whole area in.

If we had to borrow through that sort of procedure the borrowing charges would be so great that we could not carry out the program.

Senator BUSBY. May I ask a question there?

Senator CLARK. Yes, indeed.

Senator BUSH. Would not that kind of a corporation be set up similar to, let's say, the New York Port Authority and have tax-free issuance privileges under the law?

Mayor DILWORTH. Yes, sir, but we could not have the credit that the New York Port Authority has. We have some good authorities in our State, and yet it costs them—really good authorities, water authorities and things, well run, of long duration, successful, never defaulted on anything—and yet it costs them 1 percent more.

I am, unfortunately, no banker, but I know that when you figure out your carrying charges and everything it is astounding how that 1 percent mounts up. When you figure amortization it is perfectly astonishing how it mounts up.

Senator CLARK. Actually, is this not true, Mayor Dilworth; that the borrowing authority in the city of Philadelphia, which is governed by the constitution of Pennsylvania, is about as high now as you could feasibly carry it and still do the other many things which are needed to give better services for the city? This proposal at best is somewhat speculative, you hope it will work, but you are not sure, and the railroads think it will work so they are willing to help you. But this nonprofit corporation obviously is not going to have the credit standing of something like the New York Port Authority which has been in business and successfully for many, many years. So if you are going to get your money at a reasonable interest rate you practically have to get it from the Federal Government. You cannot expect any help from the State? Is that not true?

Mayor DILWORTH. That is right.

You see, Senator Bush, we will undoubtedly operate at a deficit, whereas the New York Port Authority, as you know, has enormous revenues.

Mayor Wagner is here. I think it is a very sore subject with him.

Senator CLARK. Any more questions, Senator?

Senator BUSH. No.

Senator CLARK. Senator Muskie?

Senator MUSKIE. I have no questions. I simply want to say you have been making a lot of good sense this morning, and I am impressed by your testimony.

Mayor DILWORTH. Thank you.

Senator CLARK. Senator Williams?

Senator WILLIAMS. I think most of the important material has been covered. Has your complete statement been offered?

Mayor DILWORTH. Yes, it has.

Senator CLARK. Yes.

Senator WILLIAMS. I believe we will hear testimony in connection with the interest rate question here raised by Mr. Mason that will indicate that even with a guarantee of loans under the Transportation Act of 1958 very little of that authority has been used. Which, of course, is evidence of the fact that at the regular commercial rates we are not going to get this job done.

I would comment too—let me just get this clear—until you people got together as a group and urged the railroads to come in to this program and gave them certain financial assurances they were prepared, as I understand it, to discontinue, or cut back, perhaps stop commutation service.

Mayor DILWORTH. They were very frank in their meetings with us. We were extremely fortunate to have two railroads that dealt the way they did and as frankly and fully and with as much good citizenship as they did.

But they very frankly told us that if we could not work something out that they would start trying to get out of the commutation business and get entirely out of the commutation business.

The Pennsylvania managed to do it in my own home city of Pittsburgh. There is hardly any commutation left there. They got completely out in Chicago. And while Philadelphia is their home city, and also the home city of the Reading, I have no doubt, due to the very large losses they were suffering, that they would have gradually gotten themselves out of commutation.

It is just fatal to any metropolitan area, even with a city of 250,000 and surrounding area of about the same amount, or a total metropolitan area of half a million. Any such situation is almost fatal.

Senator WILLIAMS. Under the present authorities of the Transportation Act of 1958 this discontinuance of service is expedited?

Mayor DILWORTH. That is right.

Senator WILLIAMS. It is quite easy for them to cut back?

Mayor DILWORTH. That is right, sir.

Senator WILLIAMS. And the next logical inquiry: If this should come to pass and passenger service was discontinued or stopped, the burden would fall on the governmental jurisdictions to take up the slack through roadways, I would think?

Mayor DILWORTH. That is right.

Senator WILLIAMS. And with this would come the congestion and the loss of revenues through the non-tax-base highways taking up most of the city area?

Mayor DILWORTH. Of course, I know that Mayor Wagner is going to bring this out very forcibly with regard to New York. But take our city. If the commutation lines cease, it would just lead—we have not even tried to figure—to complete and absolute strangulation. Everything would just come to a dead halt, because already even in our city almost a third of the city's 140-square-mile area is taken up with streets, highways, sidewalks, parking facilities, garages, filling stations, and all that. So that very nearly a third of our land is in that condition now.

As you know, in downtown Los Angeles it is 66 percent that is taken up with that.

So that it is getting so that it is hardly any use going in to the center city because there is very little left there but highways, parking facilities, filling stations, and things like that.

Senator WILLIAMS. Just one further comment. While you have a promising, workable program to solve this transportation crisis in your community, many metropolitan areas have not arrived at this stage, and they are working with a promise implied or direct by the railroads that they are to move in the direction of less and less service, perhaps stopping, abandoning, their passenger service?

Mayor DILWORTH. That is right, sir. Every metropolitan area is faced with that problem. That was brought out very forcibly in our recent U.S. Conference of Mayors. The railroads are putting it right squarely up to them in every metropolitan area.

Senator WILLIAMS. Thank you.

Senator CLARK. Mayor Dilworth, I do not know whether you can do it—maybe you cannot—but it would be very helpful to this subcommittee if the American Municipal Association could give us some general idea of how many cities are in shape to use this program pretty quickly and about how much money they think they could usefully spend.

We are going to have the problem of justifying this bill before the Senate, and we are going to be asked those questions.

I realize they are hard to answer, but if we cannot give some intelligent answer we are apt to be told: "All right, let's wait till we know what they want."

Mayor DILWORTH. I think we undoubtedly can, because to my great surprise at both the American Municipal Association congress in December—you know that is made up of cities as small as 20,000—and at the U.S. Conference of Mayors that we just had in May, which is cities of 50,000 and up, there was great unanimity of opinion on this and enthusiasm for it, which was quite a surprise, because when we first took it up we thought it would probably apply to cities of 500,000 and over, to their surrounding areas, but it is perfectly apparent it goes down to very much smaller cities.

One I just happen to think of is Rochester, N.Y., for example, which I believe is now a city of 250,000, with about 150,000 in the area around it.

Senator CLARK. Would you ask Mr. Miels and Mr. Healy to get some information in to us as promptly as they can on that?

Mayor DILWORTH. Yes, sir.

Senator CLARK. Thank you.

Thank you very much, Mayor, for your splendid statement.
(The prepared statement of Mayor Dilworth follows:)

STATEMENT OF RICHARD DILWORTH, MAYOR OF PHILADELPHIA, PA.,
AMERICAN MUNICIPAL ASSOCIATION

I think it quite fortunate that this subcommittee is conducting the hearings on the Williams bill for aiding mass transportation, because there is no other committee of Congress more familiar with or more sympathetic to the needs of our great metropolitan areas.

I also think it quite fitting that your hearings on mass transportation come close on the heels of the hearings on urban renewal, because there is an intimate and interlocking relationship between the two.

If you went to the mayor of any large or medium-sized city in America today and asked him to list his three most important and perplexing problems, I am sure that two of the three problems on every mayor's list would be urban renewal and mass transportation.

I am sure that you gentlemen must of necessity become somewhat callous to the Cassandra calls you constantly hear. Everyone who comes before you has a crisis—and they are all critical. But nevertheless it is no exaggeration to say that the collapse of mass transportation commuter services in our major metropolitan areas is not only imminent but inevitable unless drastic remedies are applied quickly.

Today two-thirds of our population lives in the 160 standard metropolitan areas of our Nation. In the next decade almost 80 percent of our people will live in these areas. Most of the recent population rise and virtually all of the future increase will be in the outlying suburban and exurban areas surrounding our major core cities. It is the movement of these people in and out of the metropolitan area which creates the "commuter problem."

Today our cities are being physically and financially crushed by the onslaught of hordes of cars between the hours of 7 and 9 in the morning and 4 and 6 in the evening.

To keep pace with this onslaught we have been pouring billions of dollars of public funds at the city, State and Federal level into highways, streets, bridges, tunnels, and parking areas. But although all of these expenditures are needed we are rapidly reaching the saturation point, both physically and financially, in trying to move masses of people into our congested center city areas by private automobile.

To give you some idea of the erosion of property values which has already occurred as a result of total reliance on the private automobile in the downtown Los Angeles area about 28 percent of the land of that city is taken up by streets, freeways, and service ways, and another 38 percent of the land is devoted to garages, loading facilities, gas stations, etc. In downtown Detroit 56 percent of all available land is tied up in streets, parking lots, and other automobile-serving facilities.

The other side of the picture is the effect the increasing use of the private automobile has had on mass transportation services. As more and more people have deserted mass transportation the operation has become more and more unprofitable. Schedules have been reduced, service has been suspended, fares have increased, and equipment has grown older, more inefficient, more uncomfortable, and even in some cases dangerous to ride.

Under these circumstances, the private operators of mass transportation were suffering huge operating losses. Being responsible to their boards of directors they cannot continue to pile up such crushing losses. Their only alternative is to reduce service, cut schedules and raise fares. From their point of view you could hardly expect them to do anything else. But from the standpoint of the city and the public which must rely on mass transportation these measures were self-defeating in that they drove more and more people into their private automobiles.

So what was to be done about it?

The first thing to be done was the first thing I am pleased to note is called for in the Williams' bill, namely to engage in a comprehensive study of our overall transportation problem. Your distinguished colleague on this committee and my predecessor as mayor of Philadelphia, Senator Clark, in 1954 set up an urban traffic and transportation commission of eminent businessmen, including those who head our two great railroads, the head of the local transit company and other civic and business leaders.

They came up with another recommendation called for in the Williams bill—a workable master transportation plan for the area.

When I became mayor I established as a top priority of my administration the implementing of that mass transportation plan.

I was fortunate in having two farsighted business statesmen in the person of James M. Symes, president of the Pennsylvania Railroad, and Joseph E. Fisher, president of the Reading Railroad. We sat down together to work out a plan for bringing back to the railroad commuter lines the passengers who had abandoned it.

We are very fortunate in Philadelphia in that we have an existing network of rail lines which fan out in every direction and provide the natural skeleton for any mass transportation system for the area. We realized that if we were forced to abandon that system we would suffer an irreplaceable loss.

We started an experiment on two of our commuter lines. We instituted a reduced fare on a combined ride by bus-subway and rail commuter lines so that one could ride from any place in the outlying areas of the city for 30 cents. Through the cooperation of the transit company we were able to coordinate bus and train schedules. We also provided parking facilities at the stations. The city subsidized this operation by guaranteeing the railroads against any additional operating loss. The result of this experiment was to increase commuter traffic by more than 20 percent in less than 6 months.

As a result of that experiment we have now established a nonprofit corporation to furnish low-cost, frequent service on commuter trains serving Philadelphia. This corporation will contract with the operating lines in Philadelphia to provide this service. The corporation will determine train schedules, kinds of equipment, method of improving service, promotion and other managerial activities.

The city is appropriating a half million dollars annually to guarantee the railroads against operating losses. We are also appropriating millions of dollars in capital improvements on our operating lines.

I have gone into our local efforts in some detail to dispel the frequently-heard complaint that we have just thrown up our hands and then come down here with our hands out for help from the Federal Government.

We have been tackling our own problems with determination and we are straining our financial resources to the utmost to solve our problems.

There is one glaring gap in our present setup, however. If we are to entice riders back to our commuter system, we must provide them with a fast, comfortable, air-conditioned ride. Seventy-five percent of the commuter railroad equipment is over 40 years old. The cars are dirty, inefficient, and uncomfortable.

Because the commuter operation is unprofitable the banks will not lend the railroads money for new commuter equipment. Even if they would, the interest rates would be prohibitive if we are to keep fares at a reasonable level.

Our city, like every major city in the Nation, has doubled its taxes in the past decade. We have reached the legal limit of our debt ceiling in providing the multiplicity of municipal services required by our people. The new non-profit corporation has no borrowing capacity.

That is why it is so vital to us to have the long-term, low-interest loans called for in the Williams bill authorized by Congress.

There will be some who will say: "Acknowledging your need for these loans, why is it the responsibility of the Federal Government to provide them?"

Well, for one thing, this is not a local problem. To start with, mass transportation is by its very nature a metropolitan problem, involving metropolitan areas which stretch across city, county and in most cases State lines.

Two-thirds of our people live in these areas, and they generate more than two-thirds of our national wealth. They are the arsenals of the cold war. In them are located our major industrial establishments, centers of business and finance, colleges, hospitals, cultural centers, libraries, museums, and research centers.

As the executive director of the New York Metropolitan Rapid Transit Commission said in answer to the argument that the need for our big cities is disappearing:

"The stock exchange will not move to Englewood. 'My Fair Lady' will not have a 3-year run in West Hempstead and the Metropolitan Museum of Art will not move to Tarrytown."

The Nation's economic loss from traffic strangulation in these major metropolitan centers is staggering. It has been estimated that the loss from the normal traffic jams in our 10 major cities alone amounts to \$5 billion a year. Can our national economic effort, our national defense effort, our foreign policy afford such staggering losses?

The Federal Government also has a tremendous stake in our highway program, which is currently estimated in excess of \$41 billion and is due to rise. About half of this amount must be spent in urban areas, and the only hope of flattening out the rising curve of these expenditures is to make a modest investment in mass transportation.

The Federal Government, as you gentlemen know best, also has a tremendous stake in urban renewal. It won't do any good to pour vast sums into the restoration of our downtown areas if we don't make it more convenient for people to get there.

These cities are doing their utmost to solve this problem. The assistance offered by the Williams' bill is extremely modest. If you don't make this modest investment now, the salvage operation you will have to perform in the future will be staggering.

Senator CLARK. Our next witness is Mayor Wagner of New York.

Mayor Wagner, we are very happy to have you here, let me say, on behalf of the chairman, who will be here again as your statement goes along. Your formal statement will be printed in the record. You proceed as you see fit.

STATEMENT OF ROBERT F. WAGNER, MAYOR, CITY OF NEW YORK, N.Y., AMERICAN MUNICIPAL ASSOCIATION

Mayor WAGNER. Thank you very much, Senator Clark, and gentlemen.

I want to express my gratitude first for this opportunity to appear before you to register my full support for S. 3278. I am much concerned with the increasing need for assuring that mass transportation facilities in and around our cities will not deteriorate any further.

All of you know what is happening to our American population. It is growing at a faster rate than ever before. It is moving in, around, and through our cities more than ever before. And it is creating new cluster-communities on the fringes of our cities in greater number and in greater concentrations.

The future of the country's major cities and metropolitan areas depends upon good transportation, including mass transit. Transportation may well be the most important single factor in determining the nature of future urban regions. We need automobiles, of course. But if we are to accommodate the needs of people, now and in coming years, we must find ways to rehabilitate the movement of people in large numbers—and that means mass transportation.

Take what is happening in my own city and the New York metropolitan region. There are now some 15.5 million people in this region. By 1975, the figure will be 21 million.

On a typical business day, over 3 million persons enter Manhattan, south of 60th Street; two-thirds of these use mass transportation facilities. More than 500,000 automobiles come into this area from outlying counties every day. You know the resulting congestion, the immense problems of policing and traffic control, the great overuse of space that the automobile consumes.

In 1924, 10 percent of the persons entering Manhattan used automobiles; last year, over 22 percent used automobiles. In 1955, automobile registration in the New York metropolitan region totaled 3.9 million. By 1985 this figure is expected to more than double, with about 8.6 million registrations predicted.

Accompanying this rapid rise in automobile usage is a steady decline in patronage of rail commuter service to and from New York City. The commuter railroads in the New York metropolitan region are either closing down or pricing themselves out of the market.

It is impossible to overestimate the importance of mass transportation in the New York metropolitan area. The value of our rapid transit and rail network is incalculable. Even in this automobile age, Manhattan Island, the Nation's business center, is dependent upon rail transportation.

The prospects for mass transportation in the New York-New Jersey-Connecticut metropolitan region are indeed grim unless immediate and decisive action is taken. We are not coming here hat in hand asking the Federal Government to take over. I have already gone on record as favoring a joint, cooperative approach by all levels of government in meeting the transportation requirements of our growing urban areas. I have long recognized that no one segment can absorb total responsibility for meeting transportation needs. My position is that New York City is prepared to carry its share of the burden.

We provide tax abatement for commuter railroads. We subsidize our New York City transit system to the tune of \$90 million a year. And we think it is worth it.

In my own region, the top locally elected officials have joined together in urging creation of a tristate transportation agency to work

with the three States in developing transportation policies, programs, and means of financing. It is our intention that such an agency could negotiate directly with the railroads to preserve existing commuter service.

In addition, such an agency would be able to lay the groundwork for long-range solutions to our problems.

I am urging the Governors of New York, New Jersey, and Connecticut to accept such machinery—and I have some hope of success.

But the preservation of urban transportation is a Federal problem too. We at the local level cannot carry the burden alone. The legislation under consideration today by your subcommittee would be a step in providing for that participation.

Enactment of the legislation before you will go far in stimulating the development of orderly urban planning at a time when our Nation's great metropolitan centers must take action to meet the demands of future growth.

Senator CLARK. Mayor Wagner, what are we going to tell our colleagues in the Senate when they say, "Why is this not entirely a State and local problem? Why should the Federal Government get into it? It has no national implications, it just involves a few big metropolitan areas."

Mayor WAGNER. I think it is more than just a few big metropolitan areas, Senator. I think, as Mayor Dilworth mentioned, in many areas, as we find in meetings with fellow mayors of medium-sized and large cities, this is a problem for them too. I certainly feel that the railroads are an important factor. And we can even say it affects the national defense. Certainly it is a factor in the general welfare and the economy of the country.

I certainly feel that the Federal Government should not absorb, as I say, the whole expense, but be a partner with the State and the locality.

Senator CLARK. Are you getting any help from New Jersey, Connecticut, and New York financially in helping to solve this problem in which they too must be interested?

Mayor WAGNER. No, we are not. You mean the city?

Senator CLARK. Yes.

Mayor WAGNER. No, we are not getting any help. What has been accomplished last year was that under State law the State gives a certain amount of tax exemption to the railroads, some of the commuter railroads that operate in New York State, and the city, of course, under the law gives a tax exemption too.

Senator CLARK. Is that also true, do you happen to know, in Connecticut and New Jersey?

Mayor WAGNER. I do not know, but I do not believe so, Senator.

That is one of our difficulties. Our commuter problem involves three States, and we have to operate with the three States pretty much.

But as I have said, we have had so far some success in talking to the Governors of the three States about setting up this agency.

Senator WILLIAMS. Could I comment, Mayor Wagner, at this point? The State of New York does have an income tax that applies to New Jersey residents who work in New York, and the State of New York does contribute money to the city of New York, does it not?

I guess there is a continuing argument between country and city about the proper share of the city.

But indirectly I would think some of our New Jersey people are making a contribution to the use of some of these facilities.

Senator CLARK. I understand New Jersey does not give tax abatement to railroads. Does it?

Senator WILLIAMS. No, it does not. We are working now on other programs, however.

Mayor WAGNER. I may say I agree to a certain extent with you, Senator. Over the years I have argued that I saw no reason for the residents of New Jersey, for instance, to pay an income tax to the State of New York. They should pay that tax to the city of New York rather than to the State, because we give them all of the services, and the State does really nothing for them. They use our mass transportation facilities, our subways, which are really subsidized by the city in order to hold the fare down. We give them all of the other services.

Senator WILLIAMS. I think our people would think that the tax more readily adjusted to the services rendered if that were the case.

Senator CLARK. Actually, Mayor Wagner, would you not agree with the general comment that even with three relatively rich States like New York, Connecticut, and New Jersey that the State taxing systems and State debts have been pushed so high since World War II that you are coming pretty close to the ceiling of what you can expect to get out of State government to solve these metropolitan and urban problems?

Mayor WAGNER. That is true. And I think you have the problem too—I assume it is so to some extent in Congress—where in so many of these States such as in New York the rural sections outnumber the number of representatives coming from the urban areas, and I do not think you are going to find them receptive to the idea of absorbing all of this cost.

Senator CLARK. Well, actually, it has been——

Mayor WAGNER. As I said, we in the city spend about \$90 million a year to subsidize the mass transportation facilities.

Senator CLARK. Actually it has been my own view, which I suspect you share, that in many of these urban areas we are going to have increasing participation from the Federal Government. Local tax sources and State tax sources are just inadequate to meet the need. And, on the whole, the Federal tax system is fairer and more progressive. Therefore, we should not hold back in utilizing it but should only be too happy to, because it puts the burden on the basis of capacity to pay to a far greater extent than either local or State taxes.

Mayor WAGNER. I agree with you, Senator, and I think too that the people in the so-called rich areas feel that they should get some assistance because they pay a good part of that Federal tax.

Senator CLARK. Yes. Actually, the richer States pay a good deal more overall for Federal aid programs than they ever get back.

Mayor WAGNER. Right.

Senator CLARK. This may be an instance where perhaps it is only just and fair to give back to them a little bit of the surplus that they have been paying on other programs.

Mayor WAGNER. Yes. And I believe, too, the prosperity of these large areas means a great deal to the national prosperity too. If they go downhill—

Senator CLARK. It is all part of the national economy, is it not?

Mayor WAGNER. That is right, sir.

I believe the provision in Senator Williams' and your bill, Senator Clark, for long-term, low-interest Federal loans, not to exceed \$100 million, is a modest beginning for Federal participation. I say "modest" because this \$100 million would have to serve the needs of the Nation's 174 standard metropolitan areas. The city of New York alone provides nearly that much each year to pay the capital costs of its publicly owned subway and bus system.

One measure of the New York region's rail transit needs is found in a recent survey of the American Municipal Association. The AMA estimates that more than \$800 million would be required to modernize the rail passenger network in the New York region. But more important than the specific sums of money that would be available to local governments is that Senator Williams' bill establishes the interest and involvement of the Federal Government in a very vital field. So I do not press for an increase in the amount specified in the legislation.

Senator CLARK. How would you comment on the adverse reaction from the agency with respect to the lower interest rate? Do you think you could get the job done with an interest rate which met market conditions?

Mayor WAGNER. There is no doubt that these railroads are in such shape that they find it very difficult to borrow at any rate, and therefore, in order to assist them, we have got to get to the point where we can borrow at the very cheapest.

Some comment was made by Senator Bush on the Port of New York Authority. The Port of New York Authority has a very high standard, and they have been fortunate to get into enterprises that are moneymakers. This is one where I think it will be a little more difficult than building a bridge and then taking the tolls.

Senator CLARK. As I talk with my friends on the New York Port Authority I find them a little bit allergic to getting into enterprises which are not clearly moneymaking. Do you have the same difficulty?

Mayor WAGNER. We have too. We have a little difficulty getting them to pay a little more taxes too.

Senator WILLIAMS. However, the Port of New York-New Jersey Authority would be a public instrumentality that could use the provisions of this bill?

Mayor WAGNER. That is correct, if they were interested in it. They were interested a little bit in this field at the very urgent prodding of the Governors of the States and the mayors.

Senator WILLIAMS. I noticed yesterday a statement by Commissioner Dwight Palmer of our highway department in New Jersey suggesting that he thought there was a good possibility, perhaps probability, that the port authority would show an increasing concern and interest in mass transportation.

Mayor WAGNER. I sincerely hope so. Of course, they did finance the study made by the so-called Tuttle Commission a number of years ago. Their principal concern has been in rubber-tire transportation, and I would assume that they would be interested maybe more in bus transportation than they would in rail transportation.

I am not assuming to talk for them, but I would say that would be so.

Of course, one of the other difficulties of just working with the port authority—and I have worked with them very successfully I believe from our mutual point of view for a number of years—is the fact that this also involves Connecticut. This is a tristate operation as far as our area is concerned. The port authority is just a bistate agency between New Jersey and New York.

Senator WILLIAMS. Yes.

Mayor WAGNER. May I impress upon you gentlemen the fact that the local officials with whom I am in daily contact have no desire to turn over their own responsibilities to a higher authority. In my own metropolitan region the mayors and county officials are dedicating themselves to working together in solving local problems. However, we welcome the kind of Federal participation that would result from the passage of this bill. We feel the Federal Government has a stake in urban transportation, a stake equal to that it has manifested in subsidizing highways, airlines, the merchant marine. But while the Federal stake is important, this bill does not call for subsidies—merely for loans which would be returned to the Federal government.

The proposed legislation recognizes that mass transit must be planned in conjunction with the extension of highway systems.

It recognizes that rail and rubber transportation are part of one overall problem and should be treated as such.

It recognizes that transportation should be planned to assist the sound and orderly development of our Nation's great metropolitan areas. It recognizes that a Federal responsibility exists, along with local responsibility, for maintaining and improving mass transportation.

This legislation is an approach to understanding the problems and challenges posed by urban growth and change. Will it solve the massive transportation problems of our cities? It will not. But it certainly will help. It is legislation that has the support of mayors of our major cities. For these reasons I again urge this committee in their good judgment to recommend swift adoption of the proposed legislation.

Senator SPARKMAN. Thank you, Mayor Wagner. I am sorry I had to be out during most of your testimony, but I had a call to which I had to respond.

Let me ask you this: Maybe you have already brought it out in your direct statement. You heard most of Mayor Dilworth's testimony?

Mayor WAGNER. Yes, sir.

Senator SPARKMAN. And you heard something about the work that was being done in the city of Philadelphia with reference to the transportation of that area. Have similar steps been taken in New York; in Greater New York?

Mayor WAGNER. Let me say I have been very interested in the way Mayor Dilworth has been able to work his problem out in Philadelphia. But I think some of our areas are different.

Senator SPARKMAN. I am sure that is true. Each one will call for different treatment.

Mayor WAGNER. We have some of our commuter railroads, for instance, that bring commuters to New York that stop on the Jersey

shore, so they are actually in the State of New Jersey and not even within the jurisdiction of the State, let alone the city, of New York.

As I pointed out, too, we have other lines like the New York, New Haven & Hartford that run up into Connecticut. Ours is a problem involving not just the city and nearby counties but three States—sovereign States—and it is a little difficult, as I pointed out.

I think we are getting somewhere in getting them to move toward a tristate agency—not a big supergovernment, but a group of men who know their business representing the three Governors of the States of New York, Connecticut, and New Jersey, as well as a representative of the mayor of the city of New York.

Senator SPARKMAN. You know, probably this is apart from the subject, but there are a good many things about railroading that I do not understand, although I used to work on a railroad, believe it or not. You would be surprised to know just what I did. But a thing that I have never been able to understand is how some of the largest passenger-carrying lines can continue to lose money.

We have read about the troubles of the Long Island Railroad back over the years. It hauls a tremendous number of passengers, does it not? Are not the trains crowded nearly always?

Is there not a simple answer as to why they are always in trouble?

Mayor WAGNER. I am not expert at all on railroads, but I will give you my opinion, Senator, for what it is worth.

One of the difficulties of the Long Island is that most of their crowds are at certain periods of time: peak hours in the morning and in the evening. The rest of the time their equipment has to lie idle for the most part, and they carry very little freight. I am informed that one of the great sources of revenue for railroads is increasing the freight capacity.

Senator SPARKMAN. We know that is true with all of the through-lines. In fact, I have heard it said that every railroad would be glad to be able to divorce itself of the passenger business.

The Pennsylvania, I understand, with all of the passenger hauling that it does, has never made money on passenger travel.

Mayor WAGNER. The Long Island Railroad was helped, too, by legislation passed a number of years ago providing for tax forgiveness by the city of New York and the State, and now they are working under able management and doing a little better because they have been able to give better service with new equipment.

That is just what is needed in these other lines too. If they can have this new equipment and spruce themselves up a bit, as Mayor Dilworth has already demonstrated in Philadelphia, they can bring back the commuters.

Senator CLARK. Actually, without attempting to oversimplify a very complex situation, is it not due to the fact that they get their revenue during 4 hours of the day—2 hours in the morning, and 2 hours in the afternoon—and they have to pay their labor for a full day.

Senator SPARKMAN. Somewhat like the Senate restaurant?

Senator CLARK. Somewhat like the Senate restaurant. And for the same reason, they do not make money.

Mayor WAGNER. We have the same problem in our subway and bus systems in our city. Actually the New York City subway system

is the largest railroad operation in the world, and we do do something about that as I noted here. We subsidize that largest railroad in the world to the tune of \$90 million a year out of city funds.

Senator WILLIAMS. If I could suggest one other aspect of this, Mr. Chairman?

Senator SPARKMAN. Yes indeed.

Senator WILLIAMS. It is the most expensive kind of operation. These railroads duplicate facilities. They do not coordinate their lines so they stub-end in to a terminal and have to back out. It is a most inefficient and costly network, or course. The railroad station today in New York is about the same as it was 50 years ago, probably, in terms of the trackage.

They have not been integrated at all.

Mayor WAGNER. They have expensive properties. For instance, the Pennsylvania Railroad terminal is an expensive bit of property in the city, and up to now they have had very little revenue from building above it. Now they are submitting plans to the city for our consideration, on their own, to construct office buildings above the terminals.

The same is most definitely happening as far as the New York Central is concerned, and I think some of these things can help them along, too.

Senator WILLIAMS. It is one of the hopes of this legislation that there could be greater efficiency through integration and coordination of services.

Senator SPARKMAN. Senator Muskie?

Senator MUSKIE. A couple of questions.

What is the relationship of the \$90 million subsidy you pay to the total operating cost of the railroads?

Mayor WAGNER. It would be a small percentage. You see, the way we have to operate under the law, the mass transportation subway and the city-owned buslines must be self-sustaining. In other words, the fare must sustain the operating costs. But, of course, here under the law the city assumes all of the capital costs, such as new equipment, lengthening of stations, new stations, and extending lines.

Also, in order to hold down our fare, which we think is important—I think we have the lowest fare in the country, a 15-cent fare, and we feel that is important for our economy in the development of the outlying sections of the city—we use other so-called gimmicks to do that.

We have just, for instance, assumed the cost of the transit police which runs to about \$6,500,000 a year in order to allow them to maintain their fare on a self-sustaining basis.

Last year we took over the cost of transporting schoolchildren; which they were doing. We said it was an educational matter. That runs to about \$11 million.

We use those devices to hold the fare down. I think it has paid off because not only have we held the fare down and given them new equipment, the report just came out that for the first time in many years we now have an increase in the number of people using the subway system over last year.

It is the first time that the downward trend has been reversed. I think it is because we have held the fare down and that we have new

equipment that will attract the people to use the subway system rather than use their motor vehicles.

Senator MUSKIE. I noticed according to the figures in your statement, Mayor Wagner, which incidentally was an excellent one, there is a substantial majority of your commuter traffic that travels by public transportation. Is that correct? Am I correct?

Mayor WAGNER. Of course, it is hard to judge. We have about 3 million people coming into the lower part of Manhattan, 60th Street and below, each day to work. Many of them, of course, come from within the city on our subway system, and, of course, many of them come from outside the city. I believe our commuter railroads bring in about 200,000 a day.

Senator MUSKIE. Would you say more than that number would come in by automobile?

Mayor WAGNER. Yes. We have about 500,000 automobiles that come in every day to that section.

Senator SPARKMAN. Senator Williams, any further questions?

Senator WILLIAMS. One final question. Certainly the city of New York has a full measure of all of the metropolitan problems, urban renewal and rehabilitation, public housing, and transportation. How does the transportation problem fit in the urgency and acuteness of the problems you face in your city, Mr. Mayor? Is it one of the more important problems you face?

Mayor WAGNER. No doubt it must rank very, very high as one of the acute problems. Acute too because of the present condition of the commuter railroads. They are threatening to curtail services or even end them. It will just be chaos for us in the city of New York to attempt to try to handle the transportation problem unless these commuter railroads are healthy and operating.

Senator CLARK. I was hoping we were going to get that dynamic character with whom you have to deal down here, the president of the New York, New Haven & Hartford, to testify about his relationship to the mass transportation.

I heard him the other day before a special hearing Senator Smathers held in the Interstate and Foreign Commerce Committee. He certainly lays it on the line on the relationship between the railroads and their commuter service. I think he is even more pessimistic—

Senator WILLIAMS. He will be here later.

Senator SPARKMAN. We have 3 days of these hearings. I understand from Senator Williams that he is scheduled to be here. Is that right, Senator Williams?

Senator WILLIAMS. Yes, he is on the list.

Senator SPARKMAN. Mayor Wagner, we are glad to have had you with us, as we always are. You always bring us very, very fine testimony.

I was just thinking while you were testifying we are seeking to amend an act that was at one time known as the Wagner-Ellender-Taft bill. You well remember. I had the pleasure of serving on this committee at the time your father was a member of it and at the time when he was chairman. He was a great man. We are always glad to see his son come back and be with us.

Mayor WAGNER. Thank your, Senator.

I do remember it was the Wagner-Ellender-Taft bill, and then in 1946 there was a reversal.

Senator SPARKMAN. That is right, 1947.

Mayor WAGNER. Then it became the Taft-Ellender-Wagner bill.

Senator SPARKMAN. But that reversal did not last very long. As soon as the people got a chance to correct themselves they did.

Mayor WAGNER. Then it reverted back to Wagner-Ellender-Taft.

Senator SPARKMAN. That is right.

Thank you very much, Mayor.

We have a telegram from Governor Furcolo, who was to have been a witness here today, stating his inability to be here. Senator Williams, would you like for this to be placed in the record?

Senator WILLIAMS. If you would, please.

Senator SPARKMAN. This will be made a part of the record.

(The telegram referred to follows:)

BOSTON, MASS., May 20, 1960.

Senator HARRISON A. WILLIAMS,
Capitol Building, Washington, D.C.:

Regret that because of urgent State business I will be unable to attend and testify before Senate Housing Subcommittee on Monday or Tuesday, May 23 and 24, in favor of S. 3278. I do, however, wish to send a statement endorsing this bill to the committee and would appreciate your presenting it to the committee for inclusion in the records.

Sincerely,

FOSTER FURCOLO,
Governor of Massachusetts.

Senator WILLIAMS. Mr. Chairman, I was sorry to learn that pressing State business will prevent Governor Furcolo from attending these hearings. The Governor, however, has asked to have his statement included in the record. I have had an opportunity to read it and I think it is a good description of the efforts of the State of Massachusetts to solve this problem and a helpful demonstration of their need for assistance from the Federal Government.

Senator SPARKMAN. Without objection, Governor Furcolo's statement will be included in the record.

(The statement referred to follows:)

STATEMENT OF FOSTER FURCOLO, GOVERNOR OF MASSACHUSETTS

Mr. Chairman, my name is Foster Furcolo and I am making this statement in my capacity as Governor of the Commonwealth of Massachusetts.

I appreciate this opportunity to make a statement to this committee regarding S. 3278, a bill to assist in improving mass transportation services in metropolitan areas.

I proposed the establishment of a mass transportation commission in my inaugural message of 1957, again on two occasions in 1958, and in my second inaugural message in 1959. In July of 1959, the Great and General Court of the Commonwealth of Massachusetts enacted chapter 416 of the acts of 1959 establishing a mass transportation commission.

As far as I can ascertain, Massachusetts was the first State to establish such a statewide planning and coordinating agency to study and make recommendations in the field of mass transportation. The members of the commission are the chairman of the metropolitan district commission, the chairman of the board of trustees of the Metropolitan Transit Authority, the chairman of the Massachusetts Turnpike Authority, the commissioner of public works, the chairman of the Massachusetts Port Authority, the chairman of the Boston Traffic Commission, and five other persons appointed by the Governor with the advice and consent of the council. The Mass Transportation Commission Act provided: "The commission shall investigate and study mass transportation problems and plan coordinated mass transportation facilities and policies affecting the Commonwealth, the Metropolitan Boston area and the city of Boston. The commission shall also investigate and study the relationship of mass transportation facil-

ities to the economic needs and opportunities of the Commonwealth and to the civil defense and disaster program of the Commonwealth. The commission shall, from time to time, make such recommendations to the Governor and the general court for the coordination of mass transportation programs and for the development of mass transportation plans as the commission may deem advisable."

At the present time, the mass transportation commission is a planning and coordinating agency only. However, in the solution recommended by it this year for the establishment of a rapid transit passenger service over former lines of the Old Colony Railroad from Boston to Braintree, it was proposed to make the mass transportation commission an operating agency as well.

The money appropriated by the Massachusetts Legislature to date, however, for the use of the mass transportation commission has been woefully inadequate. In this connection the provisions of S. 3278 authorizing the use of urban planning grants to encourage comprehensive transportation and other urban planning will be of great value to the mass transportation commission and should better enable it to perform its functions.

There is in Massachusetts, as in other densely populated areas, a great need to extend and improve mass transportation facilities from and within the core cities. No involved studies are necessary to prove that the present highway facilities are inadequate for handling commuter needs; a few observations during rush hours on our roads will confirm the conclusion that unless improvements are made in our mass transportation facilities, the development and economic growth of our urban areas will grind to a halt.

Local cities and towns cannot themselves adequately solve the problems in the transportation field. In the first place, they do not have the integrated planning agencies which are necessary to develop and coordinate mass transportation facilities into contiguous areas. The need for some agency to perform these functions at other than local or area level was one of the prime considerations in proposing an overall State agency such as the mass transportation commission.

Furthermore, the local cities and towns are restricted because of statutory debt limit provisions from giving the necessary financial backing and aid to local transportation authorities. While the metropolitan transit authority (which provides bus, surface car, and rapid transit service to Boston and parts of the Boston metropolitan area) has been able in the past to borrow money at the rate of about 3.7 percent, it is doubtful whether any other municipal transportation agency could borrow at a comparable rate. Furthermore, the modernization of equipment and needed expansion of the metropolitan transit authority (MTA) to communities not now served by it is extremely doubtful. In recent years there has been considerable opposition to allowing the MTA either to expand its service to other communities or to replace its rolling stock with modern equipment because of the opposition of the cities and towns to any program which might increase the MTA deficit which they have to bear. The provisions in S. 3278 for loans to public instrumentalities to help purchase commuter equipment and finance the construction of integrated transportation facilities should be very helpful in permitting the MTA and other public agencies to expand and modernize their facilities.

Our commissioner of corporations and taxation advises me that the local cities and towns cannot give tax relief to privately owned rail or bus companies, because of the provisions in the Massachusetts constitution. However, publicly owned transit systems such as the MTA may be exempted from real estate and personal property taxes.

The financial condition of privately owned rail and bus companies in Massachusetts is such that it is extremely doubtful whether they can themselves borrow the money necessary to modernize their facilities and equipment. I am informed by our department of public utilities that of 33 privately owned bus companies in Massachusetts with operating revenues of over \$100,000 only 4 showed a net income in 1959 in excess of \$25,000; 10 showed an operating deficit. In order to provide for modernization of equipment and the construction of adequate terminals and other facilities for the bus companies operating in Massachusetts some means of public financing is necessary. The financial plight of the railroads serving Massachusetts, the curtailment of service, and the inadequacy of their rolling stock are so well known and documented that there is no need for me to dwell further on them.

The provisions of S. 3278, it is felt, would be of great benefit to Massachusetts for it would make available planning money to study extension of rapid transit,

to study improvements and coordination in bus, rail, and rapid transit systems, and would make money available for construction of facilities and the acquisition of rolling stock at interest rates more favorable than private companies or local public authorities can now obtain.

Senator SPARKMAN. We will have hearings this afternoon.

Senator WILLIAMS. I must appear before another committee at 2:30. Since it is your measure and you plan to be here anyhow, if you will preside I shall appreciate it.

Senator WILLIAMS. I hope to be a dutiful parent and stay with the child all the way through passage, Mr. Chairman.

Senator SPARKMAN. I hope to get back.

The committee will stand in recess until 2:30.

(Whereupon, at 12:20 p.m., the subcommittee recessed, to reconvene at 2:30 p.m., this date.)

AFTERNOON SESSION

Senator WILLIAMS. The hearing will please come to order.

Our first witness this afternoon is Mayor Raymond Tucker, of St. Louis, Mo.

Mayor Tucker, will you join us here?

I see you have a prepared statement, Mayor Tucker. You can proceed either in reading it or any way you please.

STATEMENT OF RAYMOND TUCKER, MAYOR, ST. LOUIS, MO., AMERICAN MUNICIPAL ASSOCIATION

Mayor TUCKER. I think it is brief enough, Mr. Chairman, and I prefer to read it. If I try to brief it, I am afraid I will leave some of the points out.

Gentlemen, I am honored to be invited to appear before you not only in my capacity as mayor of St. Louis, but as president of the American Municipal Association, which represents more than 13,000 municipalities throughout the Nation.

The legislation introduced by Senator Williams is in line with a recommendation which was unanimously endorsed by the American Municipal Association meeting in Denver in December 1959. This recommendation reads as follows:

That Federal loans be made available where necessary to municipalities or publicly constituted bodies for new commuter equipment and improved facilities and for the improvement of intracity mass passenger transportation facilities; these to be long-term, low-interest loans.

The intent of that resolution was not to bail out the railroads, nor as I understand it, is it the intent of Senator Williams' bill which I am happy to note is cosponsored by Senators Symington and Hennings of Missouri. What the resolution of the American Municipal Association called attention to, and what Senator Williams' bill addresses itself to, is the paramount national interest in the creation of integrated, balanced mass transportation systems in the major metropolitan centers in which two-thirds of our population live and work. Such balanced, integrated mass transportation systems will make the most rational, economical use of rail commuter lines, rapid transit lines, buslines, or any combination of these depending upon the circumstances as they exist in any given metropolitan area.

Nor should this problem be posed, as it sometimes is, simply in terms of the private automobile versus railroad commuter lines, or the private automobile versus rapid rail or bus transit.

No one can challenge the fact that the automobile is the most convenient, flexible mode of transportation for each of us individually to use in moving in and out of our great metropolitan areas. It is when we use our private automobiles collectively, all of us heading for the same place at the same time, that our problems arise.

It has been contended by some that it is useless to try to save mass transportation because the people have already, through their exercise of free choice, abandoned it in favor of the private automobile. If the choice was really this simple, this proposition would undoubtedly be true in a large measure. The fact of the matter is that there are far reaching and formidable problems created by this choice, the full implications of which we are just beginning to face up to nationally.

If we are forced to abandon mass transportation and force all of those now using it to rely solely on the private automobile for moving around, the congestion on our streets and highways and lack of storage space for our private cars will become so unmanageable that the private automobile will cease to be a convenient and flexible mode of transportation. Instead, it will become a cruel instrument of private torture. In fact, those of us who have had to fight city traffic during the rush hours are becoming convinced that it has become so already.

That is why I say the problem is not correctly posed in terms of the private automobile versus mass transportation. Unless drastic steps are taken to move an increasing number of our people conveniently and pleasantly by mass transportation, the private automobile will cease to be a convenient method of transportation even for the purposes for which it is best suited.

The plain fact of the matter is that we just cannot build enough lanes of highway to move all of our people by private automobile and create enough parking space to store the cars without completely paving over our cities and removing all of the business establishments, office buildings, factories, restaurants, hotels, theaters, libraries, museums, hospitals, and other economic, social, and cultural establishments that the people are trying to reach in the first place. And even if we could do it physically, the costs would be so enormous as to bankrupt the combined resources of our city, State and Federal Governments.

It is incontestable, therefore, that we must find ways and means of moving more and more of our people by some form of mass transportation.

But here is the dilemma in which we find ourselves. Because of the competition of the private automobile, it has become increasingly unprofitable for the railroad commuter lines, rapid transit lines, and bus systems to operate profitably without reducing schedules and service and raising fares. Even if this were not so, the clogging of the streets by private automobiles has slowed down the progress of the mass transportation vehicles to such a snail's pace they are not convenient to travel in. Because the operations are unprofitable many mass transportation companies find it impossible to borrow money to replace wornout and inefficient equipment.

The greatest dilemma is this. Mass transportation has failed to keep pace with the explosive growth of our suburban areas. This, of course, means that the many, many thousands of our neighbors in outlying areas are forced to use their automobiles daily.

Our mass transportation facilities must be stretched out into these new suburban areas not only to meet their need but also to relieve the motor congestion on the streets of our core cities.

Most of the strangling congestion on our central city streets results from the fact that private operators find it unprofitable to expand their services into the less densely populated suburban areas.

It is a vital public necessity that such service be provided, as necessary to economic life of the community as the provision of water, police and fire protection, and other recognized public necessities.

If they are vital public necessities yet unprofitable to operate privately, they must be subsidized.

I daresay that many people would agree with everything I have said so far, but then say: "This is a local problem which should be solved at the local level. Why are you coming to the Federal Government for help?"

In the first place, when you say "local," whom do you mean? By its very nature, the mass transportation problem is metropolitan in nature. It is created because of the mass movement in and out of the core city during the same hours of hundreds of thousands of people from a vast area crossing city, county, and even State lines. There is no locality with jurisdiction to handle the problem in its full implications. The core city can at best solve only part of the problem, the counties and States only another part of it.

Secondly, the problem is national in scope because two-thirds of our people live in these metropolitan areas. Our whole national economy, our national defense, and the pursuit of our foreign policy suffer staggering losses as a result of the millions of man-hours lost to our national effort because of the strangulation of movement in our metropolitan centers.

Thirdly, our Nation has a tremendous investment in a Federal highway program, the largest public works program ever embarked upon in this country. On the one hand, the development of our Federal highway program has aggravated the problems of mass transportation, and on the other hand, the collapse of mass transportation will bring about staggering increases in Federal highway expenditures.

Fourth, this legislation does not call for grants or subsidies by the Federal Government, but long-term, low-interest loans to assist local public bodies in underwriting the cost of these improvements. These loans would be used to help finance acquisition, construction, or improvement of equipment and facilities for use in mass transit or commuter services. I think it is particularly appropriate for the Federal Government to ease the burden of high interest payments we must make to finance these improvements, because it has been the policy of our Federal Government which has raised our rates of interest.

Now as to the specifics of the Williams bill. Its first provision calls for making available section 701 grants for planning a comprehensive workable transportation plan for the area. This is certainly the first step called for in the solution of the problem, and it was the step we

in St. Louis took when we contracted for our recently completed St. Louis metropolitan area transportation study.

It is true that the Bureau of Public Roads does apply its 1½ percent highway funds, through State highway departments for comprehensive planning, including land-use plans, transportation plans, including public transit where needed, and a program of land-use controls to the degree of detail required for the preparation of urban arterial highway plans.

However, I think the type of planning contemplated by the Williams bill gets into the overall relationship of mass transportation facilities to each other, the location of stations, the integration of schedules, the extension and connection of lines, et cetera. In other words, the comprehensive planning within the area of mass transportation itself, for which the 1½ percent funds cannot be properly used.

However, mass transportation facilities cannot properly be located except in relation to public highways, and the two areas of planning should be combined and integrated at the local level. I would hope that the local planning groups, planning commissions, public authorities, et cetera, would be able to receive grants from both 701 and the 1½ percent highway funds, so that both planning functions could be integrated at the local level.

As to the recommendation that this program be placed under the Housing and Home Finance Agency, I agree that among the existing Federal agencies, this is the most logical one in which to place this program. In the first place, there is a direct relationship between the urban renewal program and the development of a mass transportation program, and the two should be as closely coordinated as possible. Also, through its urban renewal programs and community facilities programs, the HHFA is the agency now most intimately involved in metropolitan programs. I think the name of the agency should be changed and that a Department of Urban Affairs, as called for by the official policy of the American Municipal Association should be created, but at least this is a step in the right direction.

As to the loan provisions, the \$100 million called for in this bill is far from adequate, and the cities of St. Louis, San Francisco, New York, Philadelphia, Boston, Chicago, or Los Angeles alone could each of them use more than this amount for their present programs. For example, the mass transportation improvements in St. Louis called for in the study I previously mentioned showed expenditures of \$175 million.

The city of St. Louis, like every other major city, has already stretched its borrowing capacity close to its legal limits. If we are to carry out this program in time to avert disaster, we must have the type of Federal borrowing capacity called for in this bill. Also, if you raise the interest rates above the level called for in this bill, you will thereby render the bill useless to meet our pressing need.

Gentlemen, this is an historic occasion. For the first time you are giving official recognition by a congressional body to one of the most pressing domestic problems which faces this Nation. But although this recognition is recent, the problem is old and growing steadily worse. We hope that you will act favorably, and quickly.

Senator WILLIAMS. Thank you very much, Mayor Tucker, for a very forceful, illuminating, and helpful statement.

We have a few questions that you may be able to help us with. I wonder, first, if we could get some description of the transportation situation in St. Louis. First of all, do people commute from other States to St. Louis?

MAYOR TUCKER. The State of Illinois.

SENATOR WILLIAMS. I believe the figures of the AMA suggest that 53 of the first 180 metropolitan areas in the country either cross State lines or border on other States. Have you been advised of that figure?

MAYOR TUCKER. No; I have not, sir.

SENATOR WILLIAMS. I believe it came from the staff of the American Municipal Association. We will have that documented later. But this would be additional evidence of, first, the interstate aspect which also suggests a national need for Federal attention, I would think.

MAYOR TUCKER. That is right, sir.

SENATOR WILLIAMS. Do you have the figures on the number of people that come to central St. Louis each day?

MAYOR TUCKER. Between three and four hundred thousand.

SENATOR WILLIAMS. What is your transportation system now?

MAYOR TUCKER. We do not have a coordinated transportation system in the metropolitan area. We have, as you know, both the county of St. Louis and the city of St. Louis. We perform both county and city functions. We are surrounded by St. Louis County, but we are not a portion of St. Louis County.

They have buslines in St. Louis County, although the public service company which operates in St. Louis does extend some of its lines into St. Louis County. On the east side, we have bus lines coming in from the east side which are not a portion of any central system itself. So I would say we are fed by, as far as buslines are concerned, three different ownerships.

As far as the railroads are concerned, our commuter service is not as acute as it is in other cities. In fact, I only know of one commuter train as being run at the present time from Pacific, Mo., which is about 30 miles out from the city of St. Louis.

SENATOR WILLIAMS. That is one line?

MAYOR TUCKER. That is right. It comes in in the morning and goes out—

SENATOR WILLIAMS. Just one train?

MAYOR TUCKER. Yes, one, that is right. The others have been gradually removed from other suburban towns. It is handled by buses or private automobile.

SENATOR WILLIAMS. Are there railroad lines that lead into other suburbs of St. Louis?

MAYOR TUCKER. Yes; there is a railroad line that goes right through. I would say, Webster Groves, Kirkwood, Maplewood, those three suburbs. From the north, there is a line, the Wabash, that helps the north end of the county.

SENATOR WILLIAMS. In prior years, did these have passenger trains?

MAYOR TUCKER. The ones from Kirkwood and Webster Groves did.

SENATOR WILLIAMS. And they have been totally abandoned?

MAYOR TUCKER. That is right. They have been totally abandoned.

SENATOR WILLIAMS. Was there, in prior years, a passenger train that ran into Illinois from St. Louis?

MAYOR TUCKER. There was an interurban, McKinley Lines, which ran into Illinois. That has been discontinued.

Senator WILLIAMS. How long ago was that discontinued, do you recall?

Mayor TUCKER. I would say 5, 6, 7 years ago.

Senator WILLIAMS. So your mass transportation, then, is basically bus travel?

Mayor TUCKER. That is right.

Senator WILLIAMS. That is why, in your statement, you say:

The clogging of the streets by private automobiles has slowed down the progress of the mass transportation vehicles to a snail's pace.

Mayor TUCKER. That is right.

I might add this, too, that our company, the one that operates mainly within the city of St. Louis and receives 88 percent of its revenue passengers within the city of St. Louis has shown a very definite decrease in number of passengers that are riding, 71 percent in approximately the last 10 years. They have recently informed us that they could not increase the service, could not increase the lines, unless we rebated to them \$1 million a year in taxes. It showed they are in a rather precarious position as far as providing the service which we need for the community.

Senator WILLIAMS. How about the other two bus companies? Are they in a similar position?

Mayor TUCKER. They, I would say, are much smaller. What financial condition they are in, I have no knowledge. Of course, the company which operates in St. Louis is in a sound financial condition. Do not misunderstand me; they are still making a profit.

Senator WILLIAMS. There must be a great deal of transfer from one line to another to accomplish a complete journey in your area. Is that right?

Mayor TUCKER. There is some of that in the county, I would say. You could not go from the north end of the county to the south end of the county without extreme difficulty. We have no cross-county operation on any regular basis.

Senator WILLIAMS. The point you make is that we should not pose our problem here in simply the terms of the automobile against the railroad?

Mayor TUCKER. That is right.

Senator WILLIAMS. I am sure that we have accomplished one thing for mass transportation here: Why it would be of great benefit to the automobile driver.

Mayor TUCKER. Oh, yes.

Senator WILLIAMS. I know that Fortune magazine has the results of a study in the San Francisco and Washington, D.C., areas, and has found that 75 percent of those polled favor improvement of mass transit facilities. That is a poll taken of automobile drivers.

You make the point very forcefully that unless money is made available to relax the rates, it will be impossible to see improvement because of the financial position of the city or governmental units and of our private carriers, too.

Mayor TUCKER. That is right. I think there has to be an integrated system. It has to include everything.

Senator WILLIAMS. You speak, of course, of the need for adequate planning, continuation of planning funds out of the highway program. That is for the highway departments, is it not?

Mayor TUCKER. That is right.

Senator WILLIAMS. And also for the urban planning that is contained in the bill we are considering.

We have a priority section for communities with workable programs as one of the provisions of the bill. I would think this would encourage further planning for order out of chaos in mass transportation.

Mayor TUCKER. Yes. Of course, we have had out workable plan approved for the last 3 or 4 years. It presents no problem to us.

Senator WILLIAMS. Was your basic plan to improve the efficiency of the present facilities which are basically bus transportation?

Mayor TUCKER. Yes. We had this report on mass transportation made, and they have drawn up for us and laid down a blueprint of what should be done over the next period of 20 years in order to take care of the increasing needs of the community. What we will do is follow that particular plan, and we will implement it as we go on through. I believe that mass transportation has to be improved because there has to be a free and easy circulation of the people within the metropolitan area from one area to the other. It must be made convenient for these people to get to work in a short period of time and get home in a short period of time.

I think mass transportation is one of the greatest problems we have. If what they say is true and we are going to have 80 percent of the population of the country in our metropolitan areas in the next 15 or 20 years, it is going to become an increasingly important problem.

Senator WILLIAMS. I am glad to hear that testimony from you. We have dealt with other metropolitan problems here of housing, urban renewal, and rehabilitation of our central cities, and this is one aspect of the total problem that has had little attention at this level. You think it is time to look into this problem?

Mayor TUCKER. That is right, sir.

Senator WILLIAMS. Senator Clark, I think we have had an extremely helpful statement from Mayor Tucker.

Senator CLARK. Let me say, first, to my good friend, Mayor Tucker, how happy I am to see him back here again as an able witness before this committee. It is a real pleasure, Mayor. I regret very much I could not have been here during all of your testimony, but I note with pleasure you are endorsing Senator Williams' bill which I have the honor of cosponsoring.

I note, also, that you say that the city of St. Louis has stretched its borrowing capacity close to its legal limits. In your experience as an official of the American Municipal Association, is not that a rather widespread condition in our cities now?

Mayor TUCKER. It is.

Senator CLARK. You say here also that if you have to increase interest rates above the level called for in Senator Williams' bill, you will render the bill useless to meet your pressing need. The administration has come in with a long comment on the Williams bill in which, after stating their general agreement with its objective, they take strong exception to the interest rate feature. They think that interest on any Federal loan should be at the competitive market rate.

I wonder if you can buttress some of the things that Mayor Dilworth and Mayor Wagner told us this morning in supplement to your

statement that I just read as to why this bill would be of very little use if you had to pay the going rate of interest.

Mayor TUCKER. In the first place, I would say that in our own case, if we were to go before the Government and pay the going rate of interest, we could not afford to do it. I mean, just in general revenues, we just could not afford to do that.

Senator CLARK. It is time for some people to realize how much difference 1 percent or 1½ percent in the interest rate makes in feasibility of a project. Certainly, it is my experience as mayor, and I take it it is yours, too, that a difference in the interest rate can either kill a project or make it feasible.

Has that been your experience?

Mayor TUCKER. Oh, yes, because that is a carrying charge you are going to have for some time, and you have to look to the future as well as the present.

Senator CLARK. The longer the term of the loan, the more important the interest rate becomes. Is that not true?

Mayor TUCKER. That is true, sir; that is right.

Senator CLARK. So you do not have any hesitation in saying, do you, if we are going to pass this bill at all, we had better keep the interest rate formula which is in the bill now, which as you know is already in use in connection with the college housing program.

Mayor TUCKER. That would be my impression, and that is one of the reasons, I think, that influences the decision of the AMA in endorsing the bill.

Senator CLARK. Thank you, sir.

Thank you, Mr. Chairman.

Senator WILLIAMS. Thank you very much, Mayor Tucker.

As I said earlier this morning, it is always a pleasure to have before this committee Mayor James Kelly of East Orange. Today, we have the double pleasure of having Mayor Kelly coming back for the second half of a doubleheader.

Welcome again.

STATEMENT OF JAMES KELLY, MAYOR, AMERICAN MUNICIPAL ASSOCIATION AND NEW JERSEY STATE LEAGUE OF MUNICIPALITIES; ACCOMPANIED BY WILLIAM L. BRACH, CITY ATTORNEY, EAST ORANGE, N.J.—Resumed

Mayor KELLY. I have with me our city attorney, Mr. William L. Brach.

Senator WILLIAMS. Also known to the committee. We appreciate the work he has been doing.

Mayor KELLY. Mr. Chairman, and I want to say, our U.S. Senator from New Jersey, Harrison Williams, cosponsor with Senator Clark of Pennsylvania, and other members of the committee, this morning I had the privilege of addressing your subcommittee on the general provisions contained in proposed new urban renewal legislation. I welcome the opportunity this afternoon of supplementing my remarks by commenting particularly on the effect of S. 3278.

This bill has special meaning to municipal officials from my State as many of us have been called upon to do quite a bit of commuting between our offices and the hearing rooms of the Public Utility Com-

mission of New Jersey. We have spent a decade now of watching the step-by-step disintegration of passenger travel in the New Jersey area. For instance, the Delaware, Lackawanna Railroad, which is the main commuter line in our area, has made a series of applications for the reduction of passenger service.

The most recent effort resulted just last Wednesday in the suspension by the public utility commission of eight more trains from the line. I would like to take the liberty of introducing the clipping into the record as evidence of how very up to the minute this commuter crisis is. This railroad had requested that 21 trains be dropped from the daily schedule. Since only eight were dropped, we have been informed by the D.L. & W. officials that they plan to appeal to the Interstate Commerce Commission to see if the remaining trains cannot be reduced from their schedule.

One year ago the president of the D.L. & W. Railroad, Perry Shoemaker, as part of the petitions of the railroad for a fare increase, posed the possibility of complete abandonment of passenger service if financial relief was not immediately forthcoming.

This has actually occurred during the last decade of passenger service on the Erie Railroad, the only other passenger line that has ever passed through East Orange. In 1955, the public utility commission permitted the Erie Railroad Co. to substitute bus transportation for passenger trains. Incidentally, they now have a petition to eliminate bus facilities entirely.

Since 1950, the number of commuters on the D.L. & W. dropped from 25,000 to 15,000. Our population in East Orange has been steadily on the increase. The number of trains operated on all branches each weekday dropped from 296 in 1950 to 204 in 1959. This recommends a decrease of 30 percent so far as East Orange is concerned to our railroad service to our commuting public.

Our experience also reflects that what has been happening in the metropolitan region. Railroad passengers in an out of New York, according to the Regional Plan Association, has dropped from 283,000 in 1948 to 233,000 persons daily in 1956. While the total number of commuters by all means of conveyances thus decreased, passengers using automotive transportation rose during the same period from 657,000 in 1948 to 828,000 in 1956.

The subject of mass transportation has generated a mountain of studies, reports, and statistics. I need not burden you with more to prove what we all know—namely, that the automobile has been replacing the commuter train. If nothing is done, railroad embankments such as we have in East Orange will soon become historical curiosities.

While local officials such as myself have become used to commuting to and from the hearing rooms of the Public Utilities Commission in the hope of heading off curtailment and eventual suspension of passenger service, this afternoon's hearing is of quite a different sort. I feel, at last we are in a forum where something positive can be achieved whereby the trend toward progressive deterioration can be halted and perhaps reversed. I think I can return to New Jersey and to East Orange and say that our representatives in Washington are receptive—that help at last is on the way. I am particularly happy that this measure is being sparked by one of our own U.S.

Senators from New Jersey, Senator Harrison A. Williams, Jr. Our citizens appreciate the initiative he has taken in their behalf and in behalf of all of the people.

I would like to sketch out for you briefly just what the Lakawanna Railroad has meant to our city of East Orange and why we feel it so important that assistance be forthcoming to keep the trains running.

The main line of the Delaware, Lackawanna & Western cuts across the heart of East Orange. In addition, there are two branch lines—one of the Lackawanna and the other of the Erie Railroad, a line used now exclusively for freight service. The Lackawanna has been the backbone of the community since its construction about 125 years ago, and now we have grown to become one of the most densely populated areas in the country. It is estimated we have more than 22,000 persons to the square mile, largely because of fast rail commuter service to New York and, to a lesser degree, to Newark, which might now possibly be affected by curtailment or suspension of rail service wherever it might be. Our city of East Orange is a city predominantly of tenants, about 58 percent of our population being renters, and it is not just coincidence that most of our finest apartment buildings are within a few blocks of the three train stops on the main commuting line.

Some members of your committee might know what East Orange is like. I have taken the opportunity, Senator Williams, of distributing to the members of your committee a booklet entitled "East Orange Invites You," and I would like to have you peruse it, if you will, to see that we are a very fine suburban area and that we need rail service very badly.

Senator WILLIAMS. We appreciate that.

Mayor KELLY. I would estimate that at least half of our apartment house population is within easy walking distance of a railroad station. I think we are one of the few communities that has four stops in East Orange. I know we are the only one on the D.L. & W., and I think we are the only one in New Jersey that has four stops, with the possible exception of Newark. It is vitally important to us that we continue as an attractive location for apartment sites so that new families will be encouraged to come to East Orange and enjoy the conveniences and municipal services we can offer. Prominent, if not at the top of the list of those conveniences, is our railroad system.

Our plans for the future are keyed to the continuation of commuter service. Just last month the able members of our city council authorized a further appropriation which will bring to nearly three-quarters of a million dollars the total amount of public moneys invested in developing one of our streets as an extension of our central business district. Our busiest commuter station is at the terminus of this street. It is known as Evergreen Place. That station will be the geographic heart of the commercial district. We would hate to think of what "heart failure" would mean. We have been willing to gamble on what to us is a large amount of public funds because we are confident that the State and Federal Governments will join the fight to head off the threatened abandonment of railroad passenger service—and a strong possibility, incidentally, of complete abandonment of passenger as well as freight service.

Nor does our planning in relation to the railroad stop here. We have just entered into a contract with the Urban Renewal Admin-

istration, which I mentioned this morning, for a project embracing an area bounded by the railroad at the east end of the city. This entails over 100 acres and expenditure of over a million dollars in public expenditures. The commuter station adjacent to this area is a key part of the renewal plan for new shopping and residential areas are in the making.

There is a further aspect to the calamity which now threatens us. A close look must be taken at what the automobile is doing to our city. We must anticipate what it would mean if the alternative which Mr. Shoemaker mentioned last year of "complete abandonment" ever became a reality to East Orange. Immediately 1,000 train commuters from East Orange must resort to other means of transportation. More importantly, most of the 15,000 commuters who now pass through East Orange by rail would then travel through this area each day on rubber. The need for more roads and throughways, for wider streets, for more parking areas, gasoline stations, and repair establishments would mean more land must be given over to satisfy the voracious and insatiable appetite of the automobile.

Already more than 20 percent of our land area in East Orange is devoted to streets. Two superhighways, the Garden State Parkway is already constructed, and the other one is contemplated and is well on its way. These together will consume 5.6 percent of our total land area. Furthermore, Senator Williams referred in his remarks in the Senate on March 28, 1960, to a 50-percent increase in the number of cars on the roads between 1959 and 1975. It is hard to envision what the consequences will ultimately be unless adequate mass transportation facilities are encouraged and enlarged to handle the load.

The automobile is forcing changes in our municipal landscape which are particularly unfortunate. We are known as a city of beautiful shade trees. They represent about 28,000, and it is estimated it cost the city of East Orange about \$5 million to plant these trees and maintain them.

Two years ago one of our arteries was stripped for much of its length of trees because it had to be widened to accommodate traffic. This year Essex County, largest in the State of New Jersey, is planning to remove a landscaped island along one of our important through streets known as Park Avenue. Other street widenings have been proposed, and as they become necessary more and more trees must come down. Sidewalks must be pushed back close to the building line. Communities such as ours, known as doormat communities, face the ugly possibility of more and more land for cars, less and less for living. I wonder, not entirely facetiously, whether there will be room for sidewalks by 1975, much less for beautiful trees and landscaping we like so much in East Orange.

These considerations are not frivolous because the cost of remaking our urban areas will increase enormously if communities such as ours are no longer desirable places to live, to work, and to shop. The amenities provided by any community are bound to be impaired as traffic congestion mounts, as asphalt replaces grass areas, as the noise and exhaust of cars push closer and closer to our bedrooms. When amenities go, blight certainly moves in.

I have discussed the problems of mass transportation as I see them from a local point of view. Of course, I am aware, as you are, of the bigger context into which the need for action to preserve and expand

rail travel falls. We are part of the metropolitan complex and are dependent upon the economic health of the region.

Studies such as that published recently by the New Jersey State Highway Commission, Division of Railroad Transportation, documents forcefully the need for assistance to the railroads to facilitate commerce, maintain a high level of employment, and avoid the cost of unnecessary highway construction. Our State government, with limited resources, has been searching for moneys to meet the crisis. In New Jersey, as you know, Senator Williams, we have no income and no sales tax. Many proposals have been made. One, to use surplus funds from our turnpike, was rejected by the voters last November. I think the record in our State is such as to assure this subcommittee and the Senate that we in New Jersey are prepared to pitch in to do our share. However, the resources are just not there to do the job unaided. S. 3278 is badly needed.

Before closing, I would like to say briefly why I like the specific features of this bill.

First, it points the way toward integrating the various elements of mass transportation into a unified overall plan. It encourages studies of railroads, highways, buses, feeder lines, park-and-ride terminal areas as part of a composite picture as the initial step in developing an orderly attack on the problem.

Second, it strikes right at the heart of one critical area—the need for direct loans at reasonable terms to provide facilities and equipment essential to maintenance and improvement of services. Commuters will not be lured back to travel by railroad unless the lines can provide them with a reasonable degree of comfort.

Third, the bill, by placing authority in the HHFA, takes a step toward the ultimate creation of a Department of Urban Affairs headed by a Secretary having Cabinet status, such as was referred to this morning, and I will not elaborate on it any further.

We all recognize that the bill is not a solution, but rather kickoff legislation which starts us toward finding some of the answers to this vexing problem. One provision which I hope to see included as the program develops would be grants-in-aid to our States and local communities which are willing to forego tax revenue from the railroads, incidentally, which I think is long overdue.

At a recent conference with officials of the Lackawanna Railroad, I was advised by them that if they were relieved of the real property tax which they are required to pay, they would be able to continue passenger service and perhaps even expand it. In 1958, the D.L. & W. operating deficit, according to a statement by Mr. Shoemaker, was \$3,934,319, and the amount of property taxes D.L. & W. paid in 1958 was \$2,859,346. While it would take more than complete abatement of taxes to reach the break-even point for the D.L. & W., nevertheless these officials felt that this was the margin which would make the difference for continued operation. Such grants-in-aid should be conditioned on the development of an overall transportation plan to meet the needs of the commuter and the communities in which these commuters live, shop, or work, and through which they travel.

As a condition to securing the tax benefits, each part of the mass transportation industry should agree to and comply with the provisions contained in the overall plan. In other words, such grants-

in-aid would be used to make sure that the States, the local communities, and the private owners of the mass transportation facilities enter into the basic partnership which alone, I feel, can assure the success of this effort. It would be seed money to induce further private investment and secure cooperation of officials on all levels of government.

I am convinced that this type of partnership of government and industry working jointly in the public interest can forestall the threat of traffic strangulation which now confronts us. We must choose between two alternatives. One is to just coast and watch our communities be devoured by the automobile which, if unchecked, will in time use up all available land and destroy amenities, tangible and intangible. The other is that which S. 3278 makes possible, facing up to the transportation crisis in a way which will insure that our cities and towns will remain 20, 50, 100 years from now good places in which to live, to work, and to shop.

I thank you.

Senator WILLIAMS. Thank you very much, Mayor Kelly, for a customarily thoughtful and helpful statement.

Senator Clark?

Senator CLARK. I thought that was a fine statement, too, Mayor. Would East Orange have some use for any of this loan money?

Mayor KELLY. No, sir.

Senator CLARK. Thank you.

Senator WILLIAMS. We will, tomorrow, hear Governor Meyner before the subcommittee and he will, no doubt, discuss the plan that he has proposed for integration and greater efficiency in railroad commutation facilities which would, if accomplished, make you a beneficiary of the plan, would it not, in East Orange?

Mayor KELLY. I would think so. Actually, we only receive in the city of East Orange about \$15,000 to \$17,000 in tax dollars for the railroads in all our class 2 properties. We would willingly forgive this tax if we could legally do so—and I understand one of Governor Meyner's bills might possibly do that—if all the other communities that are affected as well as the State and private industry such as the D.L. & W. and other railroads in the State of New Jersey would form this partnership as I have suggested.

Senator WILLIAMS. It is a program for consideration by this committee, I would think, for the future. In the meantime, your endorsement of the bill before the committee is strong and warm, and we are grateful for that.

I just want to mention one other aspect of your testimony. You describe your urban redevelopment plans as including, of course, the consideration of mass transit.

Mayor KELLY. Yes, sir.

Senator WILLIAMS. This has been part of urban development in terms of mass transit facilities. This is one of the reasons why the bill does provide for a transit study and planning to be part of the total metropolitan plan. I think you made a strong case why the loan program should also be within the one area of government that is most vitally concerned with metropolitan problems.

Mayor KELLY. I endorse the bill completely, but I would like to also add, Senator Williams, that I have been authorized by the New

Jersey State League of Municipalities to say that we, too, endorse it. I am speaking in their behalf as well as the city of East Orange.

Senator WILLIAMS. We are grateful for that additional testimony and support. Thank you, Mayor Kelly and Mr. Brach.

Senator WILLIAMS. We have Senator Clair Engle with us, who desires to make a statement and introduce the next witness. Senator, will you proceed?

STATEMENT OF CLAIR ENGLE, A U.S. SENATOR FROM THE STATE OF CALIFORNIA

Mr. ENGLE. Mr. Chairman, I want to express my strong support for S. 3278, the bill to provide assistance to State and local governments and their public instrumentalities in improving mass transportation service in metropolitan areas. As a cosponsor of this legislation, I believe it presents a constructive and logical approach to the critical problem of urban strangulation and paralyzing traffic congestion.

While I recognize that this problem is basically one of local and State concern and responsibility, I share the belief that the national welfare requires Federal assistance in finding solutions to the problems involved. One excellent approach to Federal involvement is through the Housing and Home Finance Agency, which has wide experience in dealing with metropolitan matters, possibly more than any other agency or department in the Federal Government.

This bill represents a meaningful step to be taken by the Congress in encouraging the planning of mass transportation facilities and their actual construction. Financial grants for planning and low-interest loans for the acquisition of such facilities would do much to enable communities throughout the Nation to develop mass transit in metropolitan areas.

We should not expect this proposal to be a perfected one in these early stages of its legislative history. Thus, I am very pleased that representation of the San Francisco Bay Area Rapid Transit District and the Los Angeles Metropolitan Transit Authority are participating in these hearings. I do not claim to be an expert in this area, but hope the committee will give Mr. John Pierce, general manager of the San Francisco Rapid Transit District, and Mr. C. M. Gilliss of the Los Angeles Transit Authority their careful attention as they make recommendations designed to help create the best possible legislative language and philosophy.

My thanks, Mr. Chairman, for the opportunity to present my views in support of S. 3278.

Senator WILLIAMS. Thank you, Senator Engle.

Our final witness this afternoon is Mr. John M. Peirce, general manager of the San Francisco Bay Area Rapid Transit District, which received so much deserved attention in this country.

We are indeed grateful for this opportunity to hear from you, Mr. Peirce. Thank you for your prior help, too, to the subcommittee.

**STATEMENT OF JOHN M. PEIRCE, GENERAL MANAGER,
SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**

Mr. PEIRCE. Mr. Chairman and members of the subcommittee, for the record, my name is John M. Peirce. I am general manager of the

San Francisco Bay Area Rapid Transit District. Prior to joining the district, I was for 5 years California's State Director of Finance.

I am authorized by the district's board of directors to speak in support of the objectives of S. 3278, and to urge congressional recognition of the growing problem in metropolitan areas arising out of motor vehicular traffic congestion and the urgency of improved mass public transportation in such areas.

To this end I shall first provide you with information concerning the agency I represent and the plans we are developing for a mass public transportation system to relieve our almost complete dependence on motor vehicles for the movement of people within our area.

The San Francisco Bay Area Rapid Transit District is a political subdivision of the State of California, established by law in 1957. In area it comprises five metropolitan counties surrounding San Francisco Bay: Alameda, Contra Costa, Marin to the north of the Golden Gate, San Francisco and San Mateo to the south of the Golden Gate.

In area the district covers approximately 2,507 square miles of land and there are approximately 2,700,000 people living within its jurisdiction.

Our district was created by the State legislature on the basis of extensive engineering and financing feasibility studies conducted by the San Francisco Bay Area Rapid Transit Commission, established by the legislature in 1951. These studies cost some \$750,000, of which amount \$400,000 was advanced by the State. The remaining \$350,000 was supplied by the nine bay area counties, five of which are presently included in our district.

Our district is governed by a board of directors comprising 16 members, half of whom are appointed by the governing boards of the five counties and half by the mayors of the 51 cities within our district. Members of the board are appointed for 4-year terms. The administration of the district is vested in a general manager, who is appointed by the board of directors.

The district is directed by the State legislature to plan, build, and operate a system of regional rail rapid transit. To finance the cost of planning and to pay administrative expenses, the district is empowered to levy taxes on all taxable property within its jurisdiction up to a rate of 5 cents per \$100 of assessed valuation. On the basis of present assessed values, this will raise about \$2 million a year.

With respect to financing capital expenditures, the law authorizes the issuance by the district of general obligation bonds secured by the property tax base up to a limit of 15 percent of the assessed valuation of taxable property within the district. This provides a borrowing capacity of about \$700 million, measured in terms of present taxable property values.

Before such bonds may be issued, a resolution of authorization must first be approved by each of the five county boards of supervisors in the district. Any of these boards may either approve the resolution as submitted by the district, may request modifications in the plan as a condition of approval, or may withdraw from the district within 6 months of receipt of the district's plan. Following approval of the plan by the five county boards of supervisors, the question of issuance of general obligation bonds then must receive the approval of a two-thirds majority of the electorate of the district.

In addition to capital financing to be provided through the issuance of general obligation bonds by the district, the California Legislature in 1959 provided for State financing of a part of the projected rapid transit system. The State law now directs the State toll bridge authority to finance and the State department of public works to construct an underwater rapid transit tube, together with approaches, connecting downtown San Francisco with downtown Oakland, and to turn this facility over to our district upon completion.

The transit tube, which is the key element in the system we are planning, would cost an estimated \$115 million and would be financed through revenue bonds serviced out of surplus automobile tolls of the San Francisco-Oakland Bay Bridge. This commitment is contingent upon the district's financing the remainder of its projected rapid transit system.

In addition to the district's general obligation bond financing and State revenue bond financing of the underwater tube, the district expects to obtain a substantial amount of income from the passenger fare structure. Present estimates indicate that this will take care of all operating and maintenance expenditures, rolling stock, and also contribute generously to capital debt service.

Under the provisions of the State law, which I have just outlined, the San Francisco Bay Area Rapid Transit District is now in the final weeks of developing plans for its five-county system of rail rapid transit. The plan, as outlined by the district's consulting engineers, presently comprises 132 miles of rail lines connecting the population centers of the bay area. Equipment will consist of high-speed electrically propelled trains, possessing all the features of jet-age operation, including a high degree of automatic control, maximum safety, and even electronic fare collection.

In designing our projected rapid transit system, foremost consideration has been given in making it competitive with the private passenger automobile. To do this, we are stressing high speed through the use of completely grade-separated tracks on private rights-of-way, a high degree of comfort, an economical fare structure, and special emphasis on physical attractiveness. Only with such a system can we hope to achieve our primary goal of attracting people from their private automobiles, although congestion may eventually become so bad that people will have little choice.

Earlier this month, the district's engineering consultants submitted the first report on their extensive studies which will form the basis of our projected system of rapid transit. We now have in our possession estimates of the cost of constructing and operating an intercounty rapid transit system, together with probable fare revenues. These preliminary figures indicate briefly that to provide the optimum in a strictly modern high-speed public transportation service, our district would be called on to finance a capital outlay of \$1.2 billion. This does not include the \$115 million already committed by the State of California to build a transbay rapid transit tube, nor does it include rolling stock. This figure represents, not the recommended judgment of the engineers, but rather a composite of what it would cost to provide the type of system that local governmental agencies within our jurisdiction desire.

Inasmuch as the bonding capacity of our district is legally limited to 15 percent of the taxable property within our jurisdiction, or about \$700 million at the present time, and to about \$800 million by the time the system could be completed some 6 or 7 years hence, we have little choice but to trim this outside cost figure down to a practicable size. We are attempting to do this by reducing the scope of first-stage construction and by substituting less expensive aerial structures for more expensive underground structures where possible.

Even with cutting back the size and scope of the system, the task of providing the necessary capital funds is most vexing. There is almost complete recognition of the fact that with the doubling of the San Francisco Bay area's population in the next 20 or 25 years, major dependence on private automobiles is virtually impossible. Water barriers, irregular terrain, and limited land area for motor vehicle use, all contribute to the problem with which we are faced. Worst of all, if within the next 10 years we are unable to provide for accessibility to the core areas of our region and for free circulation of people within the area, our economy will be adversely affected and our future will be less optimistic than we otherwise hope it will be.

Accordingly, we urge upon the Congress its favorable consideration of S. 3278, which we hope will give at least initial recognition to the congestion problem which is becoming worse in all of the Nation's metropolitan areas. In California the problem is compounded because of our dependence on motor vehicles for most public and private transportation, and also because of our tremendous population growth. And I should add that population growth in California's metropolitan areas is four times as great as in our rural areas.

I would point out that the Federal Government has been generous in financial support in other fields of transportation such as public highways, county roads, rivers and harbors, and airports, and historically the Federal Government has aided and encouraged all forms of transportation dating back to the early days of railroad development and later, air transport.

In the case of public highways, the Federal-aid highway program is giving great impetus to the efforts of the States in providing for the free flow of motor vehicles in both rural and urban areas. But in metropolitan areas, where there is great density of population and limited land space, this freedom of vehicular movement is not easy to achieve.

Thus, it would appear consistent in carrying out the objectives of the Federal-aid highway program to give special recognition to the movement of people by means other than by individual passenger automobiles. The obvious device in this regard is mass public transportation whether it be by motor bus or rail transit. Free flow of commerce in metropolitan areas could be enhanced if substantial numbers of people, particularly commuters, were diverted from private passenger automobiles to means involving more efficient land use and less expenditure of public money.

It would appear, therefore, that the objectives of the interstate highway program would be served by encouraging the development of mass transit in metropolitan areas where there are great concentrations of people, of wealth, and economic activity. Recognition of this fact has led to the very active program on the part of the

Federal Government in the field of urban renewal, which ties in closely with urban transportation.

I should point out that in California there is general and unanimous agreement among transportation officials that the only real hope of solving metropolitan congestion problems lies in a coordination of rapid transit, local transit, and the private automobile. Our program has been endorsed and is actively supported by the State department of public works, which is in charge of the State freeway system, and by the board of directors of the California State Automobile Association.

In conclusion, I have endeavored to outline briefly the very strenuous efforts which the State of California and the counties, cities, and people of the San Francisco Bay area have carried on for the past several years in an effort to assure the continued economic vitality of one of the Nation's most important metropolitan areas.

We have spent considerable sums of money to conduct extensive transportation studies, and we are in the process of completing a plan for the development of a regional system of mass rapid transit which we hope will be so jet age in concept as to serve as a guide for other metropolitan areas faced with similar problems.

Financing this plan is the major obstacle which now confronts us. We are endeavoring to overcome this obstacle on a local basis, but it may not be possible in view of the capital cost involved in laying down an entirely new regional transportation system. We believe that a balanced system of financial support in which the Federal Government will join the State, our district, and the prospective users of our projected system would insure the success of our project.

In its present form, S. 3278 does not provide sufficient funds to be of material help in furthering the rapid transit program of our district. But we believe that it is an initial and significant step in the direction of establishing Federal policy concerning the solution of transportation problems in urban America.

Senator WILLIAMS. Thank you very much, Mr. Peirce. We are, indeed, very pleased to have a description of the magnificent planning that is underway in the San Francisco Bay area as a result of commission work and now the establishment of the district.

First of all, I wonder if I may make this observation: I would think the fact that there has been authorized borrowing up to 15 percent of all assessed property is strong evidence of the importance your area associates to mass transit facilities. It sort of took my breath away, really, to realize the scope of the program and the really sizable borrowing ability that has been authorized.

I wonder if your governing body has dealt with the cost of financing and the cost of the borrowing and what figures you are dealing with in terms of practical figures that you can pay for the money borrowed.

Mr. PEIRCE. Inasmuch as general obligation bonds issued by an agency such as ours are exempt from taxation so far as income is concerned, we, in all probability, can borrow at somewhat in the neighborhood of 4 percent. Federal money today, as you know, on long-term borrowing is exceeding that figure.

However, I would point out that there is a limit to the volume of California securities which can be absorbed in the money markets of

the country because large-scale investors do not want to have their portfolios topheavy with the securities of any one State. So I can envision that regardless of interest costs, it would be highly advantageous to our district to be able to borrow from the Federal Government over the next several years because Federal money is not competitive with California securities in a general sense. It is possible that a combination of borrowings from both sources would be highly advantageous to our district.

However, in terms of the bill of which you are the author, there would be a considerable saving to us based upon the application of the formula which would produce an interest rate somewhat below what we would have to pay for the issuance of general obligation bonds.

Senator WILLIAMS. Would it be true, if your fears were justified that you might be approaching a saturation point at some time of the acceptance of California securities of this nature, the Federal opportunities to borrow at the Federal level might be very vital to the structure of your district transit plans.

Mr. PEIRCE. It could mean the difference between success and failure because when we go to the electorate of our district with a general obligation bond proposal, we have to have a well-balanced program that will be acceptable to the electorate. And the availability of Federal funds to give balance to our financing could be very important to our district without regard to the exact interest rate prevailing at that time.

Senator WILLIAMS. On another point, are you familiar with the financing many years back of the bay bridge? What was the source of the money for that?

Mr. PEIRCE. The original financing of the San Francisco-Oakland Bay Bridge was handled through the Reconstruction Finance Corporation, because moneys were not available from other sources. The bridge construction started in the early 1930's. However, the bridge was a demonstrated financial success by the beginning of the 1940's, and it was easy for the California Toll Bridge Authority to refinance those bonds in the open market.

The bonds have since been paid off in their entirety, some \$73 million, constituting the original issue, and the bridge today is making a net profit or surplus of earnings out of tolls of somewhere between \$10 and \$11 million a year.

Senator WILLIAMS. Whose decision was it that some of that surplus should be made available to your district?

Mr. PEIRCE. It was the unanimous decision of the California Legislature. There was only one dissenting vote in connection with the passage of the bill which committed the State to financing of the trans-bay tube and its approaches at the cost of \$115 million.

I may add that Gov. Edmund G. Brown took active leadership in support of this legislation, as did the department of public works, which has charge of the State highway system.

Senator WILLIAMS. I might comment that we thought, first of all, that RFC was the source of money for the bay bridge, and you have confirmed that as a fact. It is interesting to note that this new legislation that we have here is an outgrowth of the RFC program of many,

many years ago. We are still working on the same type of legislation, in trying to make it available for other transit purposes.

I think it is very interesting, too, and very important that you have the support of the California Automobile Association.

Mr. PEIRCE. That is true. The California State Automobile Association, through its board of directors, a year ago last February unanimously endorsed our rapid transit program and specifically endorsed the legislation diverting, if I may use that word, surplus bay bridge tolls paid by automobile operators to finance the underwater tube. Their reasoning was that by relieving congestion on the bay bridge and making it easier for the people who have to use their automobiles to use that bridge, it would be in the interest of the motoring public.

I might add that the president of Standard Oil Co. of California, in an address before the Commonwealth Club of California last November 27, endorsed our program in the interest of doing something about traffic congestion that was undermining the interests of the motoring public.

Senator WILLIAMS. That, of course, is helpful—that there is no competition here between autos and rails. We want to see opportunities for them to be coordinated so both can be improved.

Mr. PEIRCE. They are complementary to each other.

Senator WILLIAMS. And the journey either way will be an efficient one.

Mr. PEIRCE. That is right.

Senator WILLIAMS. I would think the topography or geography of the city of San Francisco would present real planning problems. Your basic approach to the city will be through the proposed tube under the bay; is that correct?

Mr. PEIRCE. The basic approach to San Francisco from the east shore communities will be through the transbay tube. However, to the north bay counties, we will use the Golden Gate Bridge. A lower deck on the Golden Gate Bridge can be constructed and will be constructed to accommodate rapid transit trains. Of course, there is no problem going to the south because San Francisco is on a peninsula.

Senator WILLIAMS. Has the ferry service been discontinued in the bay area?

Mr. PEIRCE. Yes. I might point out that with the opening of the San Francisco-Oakland Bay Bridge in 1937 and the Golden Gate Bridge a year later, competition arising from the use of automobiles forced the ferries into a precarious position, and the ferries no longer exist.

I might add that at one time, we had five commuter railroads feeding people into and out of San Francisco, four of which had ferry auxiliaries. It was the Northwestern Pacific toward the north in Marin County; on the east shore, there was the Southern Pacific; the Key system; and the Sacramento Northern. Those four commuter services no longer exist because automobiles took their places with the advent of these two new bridges. The only public rail service into San Francisco now is the Southern Pacific leading to the south down the peninsula toward San Jose, and that facility is quite inadequate.

Senator WILLIAMS. Did you say "inadequate"?

Mr. PEIRCE. Inadequate because its terminus is rather distant from the center of downtown San Francisco, more than a mile away, and that discourages commuter service. Our plan calls for rapid transit facilities right into downtown San Francisco.

Senator WILLIAMS. What would be the nature of the rapid transit intracity service?

Mr. PEIRCE. You mean by type of construction?

Senator WILLIAMS. Yes.

Mr. PEIRCE. In core center areas such as downtown San Francisco and downtown Oakland, the facilities would be under the ground. Then, in other areas, aerial structures which would be graceful in appearance with facilities practically noiseless, providing the roadbed for transit trains. Then, where possible, on the surface with grade separation provided so that the high-speed concept of the maximum of 70 to 80 miles an hour would be possible.

Senator WILLIAMS. What is the aerial structure envisioned here? Is that a monorail?

Mr. PEIRCE. No. The aerial structure would be a supported two-rail type of track and not monorail. The reason we are apparently having to discard the monorail idea is because there are a number of engineering problems that have not been solved, and we could not venture the expenditure of a vast sum of money on some device that has not been fully tried and tested. So we are recognizing the problems of the law of gravitation by staying on the ground, but on grade separated rights-of-way so as to facilitate or to permit high speed. We believe that high speed is the secret of getting people out of their automobiles.

Senator WILLIAMS. I do not recall in your statement the description of the number of people here that have to be moved daily in and out of San Francisco or within the district.

Mr. PEIRCE. Into and out of the city of San Francisco itself, at the present time, approximately 150,000 people every day. About a third of those people travel on public transportation, and the other two-thirds use their individual private passenger automobiles, which has created the problem of congestion with which we are faced. Of the total, about 10 percent travel by Southern Pacific rail commuter trains up the peninsula. So the rail service is 10 percent of the total. Buses and Greyhound stages, make up the difference between that and the 33 percent, with 66 percent coming in their own individual private passenger automobiles.

Those figures relate to the city of San Francisco, but we have a tremendous problem of circulation between the district that does not involve San Francisco alone. On the east bay, we have the great city of Oakland and the city of Berkeley. In fact, we have 51 incorporated cities within the five counties of the district. I might add at this time that the legislature contemplates that our district someday will embrace nine counties and not just the five within the district. We believe very shortly that the county to the south, Santa Clara County, where San Jose is situated, will join our district because they have the second most rapid growth of population of any county in California, having doubled in the last 10 years. With 650,000 people living in that county, there is growing need for a transit connection between San Francisco and San Jose on the peninsula, and between Oakland and San Jose on the east side of the bay.

Senator WILLIAMS. Outside the city of San Francisco and its approaches from the other areas, what are your plans as to a basic method of transit? Is it a grade rail proposal?

Mr. PEIRCE. In downtown San Francisco, downtown Oakland, it will be under the surface, a subway. Down the peninsula, in all probability, it will be on the surface, grade separated. In Marin County, it will probably be on the surface, but in the east bay cities and in part of San Francisco, it will be on aerial structures.

Senator WILLIAMS. This would, I imagine, for the future before us, protect you against the unbelievable dilemma that the Los Angeles area now has before it in terms of cost for new population. The figures that we have seen compiled by the Southern California Research Council in 1958, estimating public expenditures in terms of capital investment, 1957 to 1970, show that \$10,200 for each new family will have to be spent on streets, roads, and highways. This compares with the next highest expenditure per family of \$2,160 for schools, going down to water supply, \$155, flood control, \$270, sewage system, \$200. It is staggering, and I would imagine we would have people in southern California more than just anxious, just perplexed beyond belief, faced with this fact that they are now caught and trapped in the rubber-tire transit method that has been developed there.

Mr. PEIRCE. The city of Los Angeles is known as the most freeway-minded city in the world, and it is interlaced with these great freeway structures. To continue the building of more and more of these freeways is causing great concern among the people of that area.

As somebody pointed out this morning, 66 percent of the area of downtown Los Angeles is devoted to purposes in connection with automobile use, streets and freeways and parking lots.

Senator WILLIAMS. The question is: When you were describing the various methods of travel within your district, comparing automobiles and rail and bus travel, was the rail travel just at the peak hours, whereas the automobile travel is stretched throughout the day?

Mr. PEIRCE. No, they are both around the clock.

Senator WILLIAMS. I see.

I want to express for the committee our gratitude to you Mr. Peirce, for joining us here across the country and helping us with our problems. By "ours," I mean yours and mine, all of us. That is why some of us are most anxious at the national level that this problem receive the attention it deserves, but has not received.

Mr. PEIRCE. Thank you, Senator.

Senator WILLIAMS. The sponsors of this legislation include Senator Engle of California, whose support we feel is most promising for this legislation.

The committee will now stand in recess until 9 o'clock tomorrow morning, an earlier hour for beginning, that was made necessary because of other complications. Maxwell Lehman of the city of New York will be our lead-off witness tomorrow morning in this room at 9 o'clock.

(Whereupon, at 3:53 p.m., the hearing recessed, to reconvene at 9 a.m., on Tuesday, May 24, 1960.)

HOUSING LEGISLATION OF 1960

TUESDAY, MAY 24, 1960

U.S. SENATE,
COMMITTEE ON BANKING AND CURRENCY,
SUBCOMMITTEE ON HOUSING,
Washington, D.C.

The subcommittee met, pursuant to recess, in room 5302, New Senate Office Building, at 9:08 a.m., Senator Harrison A. Williams, Jr., presiding.

Present: Senators Williams, Clark, and Bush.

Also present: Senator Javits.

Senator WILLIAMS. The subcommittee will come to order.

Before we call our first witness we have a statement from Senator Bible which will go in the record, together with his letter.

(The statement and letter referred to follow:)

CONGRESS OF THE UNITED STATES,
JOINT COMMITTEE ON WASHINGTON METROPOLITAN PROBLEMS,
Washington, D.C., May 23, 1960.

HON. JOHN J. SPARKMAN,
*Chairman, Subcommittee on Housing,
Banking and Currency Committee,
U.S. Senate.*

DEAR SENATOR SPARKMAN: Allow me to comment on S. 3278, which is being considered by your committee this morning. I regret that an executive session of the Joint Committee on Washington Metropolitan Problems, which is considering the transportation needs of the National Capital region, is being held at the same time, and hence I cannot appear before you in person. I trust that the attached statement will be received by your committee and treated as if read.

During the past 2 years our joint committee has given extensive consideration to the problems of metropolitan area transportation, and from that experience I can testify to the importance of the objectives of S. 3278. Our cities have to deal not merely with the ruins of an obsolete mass transportation system, that is carrying down with it great areas of blight and slum in our central cities, we have to build a new urban transportation system, one that will not only meet the transportation needs of our new and rapidly growing metropolitan populations but that will strengthen the cities themselves and contribute to the solution of their housing and other urban problems. It is in this spirit that I am confident your committee will consider the provisions of S. 3278, with whose objectives and general provisions I wish to concur.

Cordially,

ALAN BIBLE, *Chairman.*

STATEMENT OF ALAN BIBLE, A UNITED STATES SENATOR FROM THE STATE OF NEVADA

Experience with the Interstate Highway program by now has made it abundantly clear that the urban portions of this national network of expressways present more problems than had at first been contemplated. These parts of the System are extremely expensive, due to the land-acquisition costs. In New York City we are about to build the Nation's first \$100 million mile of highway. Costs of \$15 million per mile are not uncommon. The impact of such enormous

engineering developments is terrific. Distance has been annihilated between remote points in metropolitan areas, accelerating the tendencies toward industrial and residential recentralization that have created problems for cities everywhere. The deterioration of older, central areas has also been speeded, further complicating municipal problems. State and local budgets have been distorted by the effort to raise even the modest amounts of money needed to match the 90 percent Federal highway-program grants. The dislocation of many thousands of urban families, and the difficulties of relocating them in new homes, have posed a new problem for city welfare and housing authorities. In retrospect, the Federal Interstate Highway program, as it is working in our large cities (where one-sixth of the 41,000-mile net is found), is a veritable Pandora's box from which have come problems even greataer than those the highways were designed to relieve.

Much of these difficulties, perhaps most, seem to be the result of an effort by State highway departments to reflect local commuter traffic in estimating the need for metropolitan expressways. These large volumes of journey-to-work trips were never clearly authorized by Congress as the major element in the interstate program they have since become. The language of the Interstate Highway Act merely permits such travel to be recognized in the discretion of State and Federal highway officials. It is clear that this provision of the act is not sufficient to present these burdensome and unwise travel demands from finding accommodation in the interstate program.

The conclusion reached by many thoughtful people is that national bankruptcy, and the destruction of our cities, will be the result of any sustained attempt to solve the commuter-travel problems of America's great metropolitan areas solely by constructing new expressways.

I recognize certainly the need for expressways. They are our most modern and efficient form of highway. They can carry nearly four times the number of vehicles at two or three times the speed of ordinary highways. They have brought about spectacular reductions in travel time, and made great contributions to the reduction of highway accidents. All these advantages are fully appreciated by the American people. And, I may further recognize, the limited access expressway has brought a new and uniquely welcome standard of highway beauty, free from roadside blight, and allowing us to appreciate once again the great American landscape and many sections of our cities previously hidden behind billboards, filling stations, and used cars. There can be no doubt of our need for a national system of expressways, or of the fact that it can be largely a self-liquidating proposition, paid for out of charges on the highway user. But this can be said only if we are willing to restrict expressway building in metropolitan centers.

The problem we face, then, is the rush hour in big cities. Again, we must recognize that great changes have been taking place in urban movement. Much travel from home to work is not to central city destinations, but to new employment centers in the suburbs. It is travel around the central city. Further travel originates in the need to get to new schools, shopping centers, or recreational areas within metropolitan areas. I believe most of this travel demand will have to be met by private motorcars. But what about the residue? What is the most efficient way of carrying people into the central area and between destinations in the central city? Here we must have some more efficient method of transportation than the highway, or even the expressway. We must have it to serve efficiently and economically the enormous volumes of travel at the rush hour. We must keep the expressway system free to do its job, or it will break down under the hopeless load thrust upon it. We must develop alternative ways to carry the commuter traffic if the central city is not to become one vast and unprofitable parking lot, and if the additional expressways required are not to cover our cities in costly and destructive rivers of cement, flooding quiet residential streets with their traffic, and making the city hideous with "the roaring traffic's boom."

Modern transit is the only way to carry the city's rush-hour traffic. By transit I mean mass transportation in exclusive rights-of-way operating at high rates of speed. Transit may mean the improved but rather conventional forms of electric railway we know today, on the surface or in subways. New power sources and signaling devices are creating a rail revolution. It may mean rail or express bus lanes, perhaps in the median strips of expressways as is suggested by the design of the Congress Street Expressway in Chicago. Or it may embrace some advanced transportation technology such as the monorail, the low-pressure air-

cushion vehicle, the hydrofoil, or even the helicopter or some other vertical flight vehicle. We in the United States have, in our fascination with the automobile, fallen for the idea that it could do the whole transportation job. We are only beginning to turn our formidable technology and our governmental powers to the encouragement of improved forms of urban mass transportation. That is the job ahead, and it is of this I wish now to speak.

In this Congress we have seen a fresh surge of legislative interest in urban problems. Literally dozens of bills have been introduced proposing the creation of departments of urban affairs on "urbiculture," changing the rules of the housing or urban renewal and redevelopment programs, expanding Federal aids for community facilities, or offering new aids for urban transportation. The most promising of these last is the bill you have under consideration, S. 3278, and which I am glad to endorse as the most logical, promising, and feasible of many similar measures to help cities deal with their transportation problems.

Under present circumstances, the existing Federal highway programs are bribing cities to do the wrong thing. They are not only disorganizing the collapsing existing urban systems of mass transportation, they are disorganizing the metropolitan city itself, and making it increasingly impossible to serve it economically in the future by any form of mass transportation. We are fastening upon future generations an undesirable burden of extra travel time and cost, one that will considerably offset the gains otherwise being made in shorter hours and higher wages, and will go far toward increasing the difficulties of life in large cities.

What S. 3278 offers is not a patent-medicine kind of solution for metropolitan transportation ills, but an opportunity to make a fresh start on the basis of local initiative. It holds out the prospect of transportation planning coordinated with land use and other aspects of regional development. Location of the program in the Housing Agency should assure this. It stimulates transportation planning that embrace all forms of transportation; not just transit, not just highways, but a balanced system. The bill offers a line of Federal credit that is both small when measured by the cost of urban highways it would eliminate, and as self-liquidating as any other forms of Federal loans to municipalities such as housing and community facilities.

The program described appears well adapted to the special interjurisdictional areas as distinguished from the needs of States, counties, or cities.

In conclusion, to deal with an immediately urgent situation, S. 3278 offers a program of commendable flexibility. In this it contrasts sharply with the concrete straightjacket of the only other form of Federal transportation relief now available to cities—the expressways of the Interstate System. It opens the door to a period of experimentation, in which programs can be developed suited to the varying needs of cities of different sizes and requirements, that can be tailored further to the progress they have made on their own in meeting local transportation needs. Most significantly, the bill makes it easy for Congress to take this first step. I hope it can enlist the favorable attention of your distinguished committee and reach Congress in time for action before adjournment.

Senator WILLIAMS. We will receive the testimony of Mr. Maxwell Lehman, executive secretary of the Metropolitan Regional Council. Sorry we are getting underway so late, Mr. Lehman.

STATEMENT OF MAXWELL LEHMAN, EXECUTIVE SECRETARY, METROPOLITAN REGIONAL COUNCIL

Mr. LEHMAN. You got me up earlier that I have been used to getting up in a long time, Senator.

Senator WILLIAMS. Do you have a prepared statement?

Mr. LEHMAN. Yes, I have a short prepared statement. I will see that you get it.

Senator WILLIAMS. All right. Proceed any way you care to.

Mr. LEHMAN. I am here in my capacity as executive secretary of the Metropolitan Regional Council.

The council consists of the chief elected officials of the 21 counties and 15 major cities in the New York-New Jersey-Connecticut region.

This region is inhabited by 15.5 million people, and it has an area of some 7,000 square miles. It is the largest and most diverse region in the entire world, not only in terms of population but in terms of its economy, its port, its industries, and, of course, its consequent impact upon the entire Nation.

In addition to its diversity and its bigness, this metropolitan area has another important characteristic—the movement of people. Each day 5 million riders use the subways and the commuter railroads servicing the New York region. Eighty-five percent of the 3½ million people who enter Manhattan's business district every day travel by subway and commuter trains.

There is no parallel to this amount of passenger service anywhere in the world.

In addition to the movement of people circulating in the region daily, there is also the movement of goods. Half the output of the region's manufacturing plants is shipped to markets outside the region.

It is sometimes overlooked that the New York metropolitan area is the Nation's largest industrial center.

It is obvious that transportation is a matter of survival to us. The transportation of people within our region is provided by an extensive network of suburban railroads, buslines, urban rapid transit, and arterial highways. The network of railroads provides service between New York City and the suburban communities and includes over a thousand miles of routes. Nine different railroads provide some form of commuter service.

In addition, of course, we have rapid transit service provided by the subways and buses of the New York City Transit Authority.

Without question, the most compelling of the region's transportation problems is the continuing deterioration and contraction of suburban rail service. The carriers point out that in the present economy they operate at a loss constantly. Service is being curtailed. Mass transit, which is an absolute must for us, is in losing competition with other and subsidized modes of transportation.

I checked out yesterday just what had happened within the past 2 years.

We had one railroad knocked out of service altogether—the Westchester branch of the New York Central. It is on the Jersey side of the Hudson River. It used to carry 5,000 passengers.

On May 19 of last year eight daily commuter trains were knocked off the Delaware, Lackawanna Railroad.

In February the Erie Railroad was given permission by the New Jersey Public Utilities Commission to discontinue 33 trains on one of its divisions.

In Westchester 2 years ago the Putnam division of the New York Central was cut off.

The Jersey Central discontinued six daily commuter lines on one of its routes.

The ferries going from New Jersey to New York have all shut down, with the exception of those coming from Staten Island to New York City. They serviced 5,000 commuters.

Senator WILLIAMS. The Jersey Central ferry still is operating.

Mr. LEHMAN. Still going. It is a small operation.

Service on the Susquehanna has been reduced to 14 weekday trains. A total of 65 trains on this line were just lopped off recently.

On the Erie Railroad, suburban service was cut from 101 to 64 trains.

This is the sort of thing that is happening. It cannot continue to happen.

Senator CLARK. Why can it not continue to happen?

Mr. LEHMAN. It cannot continue to happen because our survival depends on transportation. If we cannot get people in and around and through the city and the metropolitan area, it means that our industry suffers, our business suffers, and we cannot plan for the future.

Senator CLARK. Substitute forms of transportation would not solve the problem?

Mr. LEHMAN. Senator, let me give you an idea of what substitute forms of transportation would mean. And there is only one substitute form of transportation. That is the automobile.

Senator CLARK. No; there is also the bus.

Mr. LEHMAN. I include the bus with the automobile.

If all of the trains now coming in from Westchester were to stop running—and that is a distinct possibility—we would need for the commuters coming from that county alone an additional 250 acres of space in downtown Manhattan to handle the cars coming in.

We just do not have 250 acres of space in downtown Manhattan.

Senator CLARK. What would happen if they all came in by bus?

Mr. LEHMAN. If they all came in by bus we would have the same problem of determining what to do with those buses when they came in, and we do not have the road space today to take on the passengers by bus who now come in by railroad.

There are 200,000 that come in every day by railroad. We do not have the space on the roads.

Senator CLARK. You need a lot less space on the roads for buses than you do for private automobiles, do you not?

Mr. LEHMAN. That is correct, Senator.

Senator CLARK. And a lot less parking space when they get there?

Mr. LEHMAN. That is correct, Senator. But when you consider that all of our roads are overcrowded at the present time, we could not handle the buses that would have to take on 200,000 passengers.

Senator CLARK. Much less the automobiles?

Mr. LEHMAN. Much less the automobiles.

This is a continuing process—the real ending of service. It is not a matter of theory with us. In Rockland County, which is the fastest growing county in the entire region, there is no longer any commuter rail service.

I was out there the other day, by the way, and I just could not get back to New York.

Senator CLARK. What State is that in?

Mr. LEHMAN. That is New York State, but it is on the other side of the Hudson River, just north of Bergen County, N.J.

The Susquehanna Railroad in New Jersey is seeking to end all its passenger service right now, while in Connecticut the New Haven claims it will need another \$20 million between now and next February in order to provide proper commuter service

We do not buy that figure of \$20 million, but we do know that this railroad cannot continue in operation unless it gets some help.

With this crisis in mind, the region's local officials, through the metropolitan regional council, have adopted a series of policies with respect to transportation, and I would like to outline them for you.

These public officials—they are the top elected officials of the counties and cities in our area—are from both political parties. They are from the cities, the suburbs, and the rural portions of the region.

They argue that the transit mess must be solved and there is no Democratic or Republican way to solve it.

First, the council maintains that we must stop passing the buck. Only a cooperative effort by all levels of government will do the job.

The council has, therefore, urged, as Mayor Wagner pointed out yesterday, the creation of a tristate transportation agency including representatives of the three States to begin immediately to negotiate to find means of preserving existing commuter service.

This tristate agency could also provide the groundwork for long-range solutions.

Governors Rockefeller, Ribicoff, and Meyner have indicated some interest in this approach, and we are exploring the matter further with them.

In New York State we are already providing substantial tax abatement to the railroads, and the local governments are participating in this abatement.

Second, the metropolitan regional council affirms that the Federal Government ought to recognize a responsibility to assist the urban areas in meeting their transportation needs.

We argue that the problem is not local but national. What happens to our urban areas has a bearing on the welfare of the entire Nation. In the present posture of international events it is a national defense necessity to see that our railroads do not go under.

We note that the Federal Government has recognized a responsibility in the field of air and sea transport, highway construction, housing, and urban redevelopment. Mass rail transportation in urban areas we feel is entitled to equal treatment as a responsibility of the Federal Government.

I would like to point out that in comparison with expenditures for highway construction the amounts needed for assistance to the railroads would be tiny.

For example, over \$3 billion is presently committed to highway and bridge construction in our tristate metropolitan region. The major proportion of these funds comes from the Federal Government.

Nevertheless, we are not here to propose a subsidy.

A report prepared by the U.S. Department of Commerce last March stated this:

Jointly with communities the Federal authorities should consider the total urban transportation situation so that the Federal participation may contribute to the efficiency with which urban transport as a whole is performed.

We buy that.

You will recall that the Secretary of Commerce in his report recommended that the Federal Government encourage local authorities to do more long-range land-use planning, in which transportation has a critical part. The legislation under consideration by your committee

would help us do just that with its provision for urban planning grants to encourage comprehensive transportation systems.

The provisions in Senator Williams' bill for planning grants would mark an important forward step in providing for an orderly development of urban areas, but a step for which there is plenty of Federal precedent.

The proposal for long-term, low-interest loans is a portion of the bill which is, of course, of great interest to us. It is not a subsidy. It is merely the use of Federal credit to help us help ourselves.

Senator CLARK. Mr. Lehman, let me be the devil's advocate for a moment.

Why is this not a subsidy? It seems to me it is a subsidy. You are going to pay interest at a lower rate than you can get it on the open market. You would get it to some extent at the expense of the Federal Government. It looks to me like a subsidy. Why is it not a subsidy?

Mr. LEHMAN. It is not a subsidy because the Federal Government would not be asked to put up straight cash which would never be returned to it. The money would be returned to the Federal Government.

I would not argue with you, because I think it would be just a matter of semantics on whether 3 $\frac{1}{4}$ -percent interest or 4-percent interest, that difference, would constitute a subsidy.

Senator CLARK. How important to you is that low interest rate? Why can you not get the same thing done by going out and paying the market rate for interest?

Mr. LEHMAN. Senator, we know that the railroads in our area find it difficult to borrow at all at any rate.

The provisions in this bill through which the municipalities or their instrumentalities, like the tristate agency we are proposing, would act would serve as a channel through which the railroads would get the funds to solve this important problem.

The railroads cannot borrow themselves. They would be getting their money through the municipalities via Federal credit.

Senator CLARK. I understand that, but the administration says they do not object seriously to the Federal Government guaranteeing these bonds, but they think that the interest rate ought to be the market rate instead of a subsidized rate based on what the Treasury pays for its money.

Mr. LEHMAN. We take the position that if railroads cannot borrow at the market rate, we have to help them borrow at a rate that will keep them in business.

Since our view is that the first job is survival, we have to do everything we can. If we do not do this now, we may have to do a lot more later. You may have to provide tremendous subsidies far beyond what are now being provided for the construction of new highways, if you do not go through with this little bit at the present time.

That is it, gentlemen.

We urge you to go ahead with this legislation.

I may add one thing: That all of the mayors and all of the county heads in the tristate metropolitan area have unanimously endorsed the bill before you.

Senator WILLIAMS. Thank you very much.

Senator CLARK. Could I ask another question, Mr. Chairman?

Senator WILLIAMS. Yes, Senator.

Senator CLARK. Mr. Lehman, could you tell us in a little greater detail, so absent members can see it in the record, just what the Metropolitan Regional Council is?

Mr. LEHMAN. Yes, sir. The Metropolitan Regional Council is an effort by the top elected local officials of the New York-New Jersey-Connecticut metropolitan area to deal cooperatively with those problems that spill over local borders and that cannot be solved by any municipality or county by itself.

Senator CLARK. Is it a quasi-governmental body or is it entirely a pro bono publico nonprofit outfit?

Mr. LEHMAN. You might call it a quasi-governmental body in the sense it consists only of the elected local officials, and it is now seeking formal legal status within the three States of which it is a part.

Senator CLARK. Does it have a budget?

Mr. LEHMAN. It has a budget.

Senator CLARK. How is the money raised?

Mr. LEHMAN. The money at the present time has been raised voluntarily by the members. The present proposal, however, which is now being acted upon by the group, provides for a budget in this manner.

Each municipality which is a member of the Metropolitan Regional Council will pay, in terms of its population, into the budget of the full Metropolitan Regional Council.

This principle has already been accepted.

Senator CLARK. You say it has raised this money voluntarily, but is the source of the funds tax money or is it private contributions?

Mr. LEHMAN. The source of the money is tax funds.

Senator CLARK. All right. How much of this proposed Federal money in this bill do you think could usefully be used in the Greater Metropolitan New York area?

Mr. LEHMAN. We think that all of this money could be used in the Greater New York area. One estimate is that it would cost us \$800 million to rehabilitate our transportation system in our area.

Senator CLARK. So you are reasonably confident, if Senator Williams' bill is passed, the New York officials will try to get as much of this money as they can lay their hands on?

Mr. LEHMAN. This puts it in a direct form. I can say this much: That we certainly would try to get a portion of it. We would not, however, I think, be hoggish about it.

Senator CLARK. We probably would have some limitation as to how much any one State or municipality could get.

Mr. LEHMAN. I am aware of that. I could say this: We would probably, at the outset, be even more interested in the planning grants. The necessity for coordinating, integrating our transportation system is very great.

Senator CLARK. Will you, finally, pinpoint a little more definitely why you think the Federal Government should get into something which seems on its surface to be exclusively a State and local problem?

I make the comment on the side that I personally am not much impressed with the national defense justification. Maybe I should be.

Mr. LEHMAN. We take the view that there are certain aspects of American life which, if they appear to be deteriorating under a lower form of government, ought to be taken up on a policy basis by the next higher form of government.

Senator CLARK. Let me interrupt you to wonder whether you are making the analogy to the help we give our farmers, to the help we try to give—so far unsuccessfully—to our depressed areas, in both of which activities it is thought the Federal Government should participate because State and local programs have not been adequate to solve the problem.

Mr. LEHMAN. The analogies that we have drawn are in other areas, although I am glad you mention this one because it will be added to our analogies.

The analogies we have drawn are with other modes of transportation, particularly the airlines, the merchant marine, with housing.

Senator CLARK. Highways?

Mr. LEHMAN. With highways, particularly with highways; and with urban redevelopment. These are the analogies that have given us the base of reference.

Senator CLARK. In other words, you think there are plenty of precedents for Federal action?

Mr. LEHMAN. Yes, sir.

Senator WILLIAMS. Let me ask this: Would it not be fair to consider the wealth-producing nature of the metropolitan area about which you are speaking, Mr. Lehman? Metropolitan New York? You are speaking for how many counties? Twenty-one?

Mr. LEHMAN. Twenty-one counties.

Senator WILLIAMS. Twenty-one counties. Here is a concentration of productive energy that brings a huge return to the Federal Government in terms of tax revenues, does it not?

Mr. LEHMAN. Yes, sir; it does. But I think that the ground upon which we base our feeling that there is a Federal interest here goes even deeper.

Senator WILLIAMS. Should not the Federal Government have an interest in preserving this wealth-producing economy?

Mr. LEHMAN. Absolutely. But we must remember, beyond this, that the urban areas are parts of the United States—parts of the United States in which one estimate says there are now better than 66 percent of the people living and within 20 years 80 percent of the people will be living.

How can we allow areas containing this much of our population to deteriorate for want of the very basic matter of simply moving around?

I may say this: We are not trying to throw the burden onto the Federal Government. We want to do this cooperatively. We in New York City and in the metropolitan region, New York State particularly, have taken those steps that can be taken within the limits of our revenue-producing resources. We do give tax abatement to the railroads. We do give them all kinds of exemptions.

As you know, we subsidize our local New York City transit system with as much of a sum as almost the entire amount in this bill.

Senator WILLIAMS. Yes. Mayor Wagner yesterday said \$90 million.

Mr. LEHMAN. \$90 million annually for capital expenditures.

Senator WILLIAMS. Is it capital?

Mr. LEHMAN. Yes. The operating revenues come out of fares, although we have already taken on a portion of that too.

Senator WILLIAMS. Senator Bush?

Senator BUSH. Thinking of the subways and bus systems in your community for a moment, what is the general condition of the subways as to their adequacy for handling the mass transportation problem of today?

Mr. LEHMAN. There are two questions involved here: First, the physical adequacy of the subways; second, their adequacy for handling the volume.

We have put on recently a tremendous number of new subway cars in New York City—I think some 400. But we have had a survey which indicates that we have got to get a great many more new ones. They average better than 35 years of age per car. This is too old.

Our subways can handle and do handle adequately the mass of traffic that converges on them, but we are going to have to put out a great many millions of dollars to refurbish the physical aspects of the system.

Senator BUSH. How about your bus systems?

Do you have both privately and publicly owned buses?

Mr. LEHMAN. Yes. We have a pluralistic system in New York. We have both public and private buses, and these generally are adequate to handle the traffic.

Senator BUSH. But the congestion of traffic within the area makes their operation very difficult, does it not?

Mr. LEHMAN. On the operating side, our congestion is doubly confounded.

Senator BUSH. Is what?

Mr. LEHMAN. It is the worst problem—possibly the worst single problem—we have. And it obviously will get even worse unless we can do something about it on the part of the total transportation system, which is the commuter lines, the railroads, and the automobiles.

Senator BUSH. What do you see in this particular bill that is going to help you solve this internal surface transportation congestion problem?

Mr. LEHMAN. The provision for grants which will help us plan a better integrated and better coordinated system of transportation for the entire region would be of major importance to us. This we need very much. We have to know whether we should be putting up a new highway or saying, "No, we must not put up a new highway here; we had better plan in terms of a new railroad."

We must know whether, if we are putting up a new highway, we ought to be putting in a central strip which would carry rail service as well.

We ought to know whether we could tie in from an engineering viewpoint a number of the lines which do not work together today.

We ought to know whether it is possible to utilize the personnel of railroads that service Westchester and Connecticut to service at the same time lines coming in from New Jersey.

Nothing has really been done to try to integrate our system.

Senator BUSH. In connection with the loan aspects of this bill, if you were able to borrow \$30 million or \$40 million of this money, what would you expect to use it for at the present time?

Mr. LEHMAN. There are limitless uses for this money, because the equipment on virtually every line coming into New York City is ancient and obsolete.

Senator BUSH. Now you are speaking of commuter lines?

Mr. LEHMAN. I am speaking solely of the commuter lines. This is our interest at the present time.

Senator BUSH. You are not thinking of it in terms of the local intraurban uses?

Mr. LEHMAN. There is no question that we might seek some of this money to assist the intraurban situation too, but our primary interest here is regional.

Senator BUSH. Just one more observation, and maybe you will respond to it. But the more I see of this problem, the more I am convinced that loans by themselves are not the answer to this commuter problem, the railroad problem, that what we have got to do is to find some way of closing the gap between income and expense in these railroads. Otherwise, the loans will be only a temporary shot in the arm and the situation will not improve.

So we have got to find ways of giving the railroads more freedom to control their expenses on the one hand and perhaps also increase their income on the other.

We are going to hear Mr. Alpert shortly here, and I know he is going to be very eloquent on the subject of the point I am making.

What do you think about that?

Mr. LEHMAN. I think that I would have to agree with you in large part, Senator. We do not anticipate that enactment of this bill is going to solve the problem. It will help, however.

We know that a solution must encompass a great deal more than is possible through the creation of a revolving fund of \$100 million. We know in our area, for example, we have got to find ways of creating greater efficiency in our total transportation operation, and this means in the first instance coordination.

That is one reason why we want to set up a tristate transportation agency to do this.

We think that the gap between expenditure and income has got to be closed, as you point out.

If this means higher fares, this will have to be considered. The problem is, however, that with higher fares railroads in our area have occasionally priced themselves out of business, so some kind of equilibrium has got to be maintained.

We know that the local governments have got to help, and we have begun doing that, not only on our subway system, which we subsidize so heavily, but we have, as I said, granted tax abatements at the State and local level, within New York State. We think it also ought to be done in Connecticut and New Jersey. These measures would be helpful.

Senator BUSH. I agree that you cannot peg the fares too high, but, on the other hand, of course, in other fields the Government does definitely subsidize the income of some of these transportation companies, notably airlines, and right in our area, and recently. So that is one of the things I had in mind as a possibility.

On the other side, I had in mind giving the roads more leeway to control their expenses by, for instance, discontinuing trains that are obviously losers. They do not have enough freedom to decide how to run the railroad.

Senator CLARK. Could I interject the comment that it has seemed to me in my experience the major problem is to divorce the commuter service of the railroads from their through service, that the through

service can be profitable particularly through the carriage of freight. There is very little chance that the commuter service can be profitable as it is presently operated.

But if we can do as they are starting to do in Philadelphia, which is to get the commuter service into a nonprofit corporation with governmental participation and adequate credit provided by higher authority, there is a fair chance that we can make that a break-even operation or at least that the loss will be minimal.

But as long as it is tied to the main trunk system of the railroad and has to be a loss factor in a profitmaking corporation which is offset against the profit they can make on their long haul and their freight, we are in an impossible situation.

Senator BUSH. That is a very interesting observation, but I do not quite visualize how you are going to divorce the commuter service.

Senator CLARK. We have the testimony of Mayor Dilworth yesterday as to how it has actually been done.

Senator BUSH. Who?

Senator CLARK. Mayor Dilworth.

Senator BUSH. That is right, in Philadelphia.

Mr. LEHMAN. I might point out, if I may, Mr. Chairman, there would be no problem in dissecting the commuter service from the long-distance service in our region. The portions of the railroads devoted to each are quite clearly defined.

Senator BUSH. Of course, as I understood the mayor yesterday, they have not taken these lines out of the ownership of the railroads but—

Senator CLARK. No, but they work out a lease arrangement by which the risk of operation is taken off the backs of the railroads.

Senator BUSH. Yes.

Senator WILLIAMS. You mentioned the integration of some of your transit services in New York. Is it not true that they are totally independent, as far as the commuter rail lines are concerned; that is, those are not integrated in any way at the present time in the New York area?

Mr. LEHMAN. This is absolutely correct.

Senator WILLIAMS. And speaking of the heavy expense of operation, if some relatively small steps were taken toward integration we could see a great deal of saving?

Mr. LEHMAN. That is also correct.

Senator WILLIAMS. I know that we see this in New Jersey. Just parallel lines going to New York City, one to the Liberty Street ferry, the other, the Pennsylvania, into Pennsylvania Station, and the Hudson and Manhattan tubes in the middle being unused.

One other expense here that is very significant to the railroads is the cost of the money that they have to borrow. Amortization is one of their major expenses as I understand it.

Mr. LEHMAN. That is also correct.

Senator WILLIAMS. The proposal here would, of course, reduce the amortization by reducing the price of money.

I wonder if you could, Mr. Lehman, tell us briefly the experience of the State of New York with the State program of assistance to commuter rail lines?

Mr. LEHMAN. As of last year there was worked out in New York State a tax abatement arrangement which is shared on an equal matched basis by the communities through which the railroads go. So that the State provides abatement of a portion of its taxes, the communities provide an equal abatement of their taxes, and this begins at a small figure during the first year and increases for a period of 5 years.

The New York Central informs us that already this abatement has been of major significance in helping them to continue operations.

Senator WILLIAMS. And is there not a State-sponsored loan program?

Mr. LEHMAN. In addition to that, there is a program through which the Port of New York Authority purchases on a long-term basis cars, new cars, for the commuter lines within the port area and may transfer this equipment to the lines for their use, the lines repaying the money to the port authority.

The purpose of doing it this way is because of the credit facilities which the port authority has available but which the lines themselves do not.

Senator WILLIAMS. What lines?

Mr. LEHMAN. These are guaranteed, by the way, these loans, by the State government.

Senator WILLIAMS. And what lines have been assisted?

Mr. LEHMAN. There are two lines assisted by these aids. They are the two lines going through New York State, the New York Central and the New Haven Railroad.

Senator WILLIAMS. And they have received equipment through this program?

Mr. LEHMAN. The question of equipment is separate from the question of tax abatement, and the equipment is now in the process of being furnished for the New York Central I understand.

Senator WILLIAMS. You have described the deterioration of service to New York from New Jersey. You mentioned three or four rail lines that have either abandoned service or discontinued it. What is the Connecticut situation? How many railroads bring people from there?

Mr. LEHMAN. There is one railroad that brings commuters in from Connecticut, and this is the New Haven. As you know, and as Mr. Alpert I am sure will eloquently describe to you, he is perfectly prepared and has said so publicly many times to discontinue his whole service unless he gets assistance.

Senator WILLIAMS. How many commuters come to New York from Connecticut?

Mr. LEHMAN. I think some 50,000.

Senator WILLIAMS. Anything further, gentlemen?

Senator CLARK. No more questions.

Senator BUSH. No.

Senator WILLIAMS. Thank you very much, Mr. Lehman.

Mr. George Alpert, I understand, is here. We will be very pleased to have him come to the table and help us with our problems.

Your name has been mentioned here a few times in the last few minutes, Mr. Alpert.

STATEMENT OF GEORGE ALPERT, PRESIDENT AND CHAIRMAN OF THE BOARD, NEW YORK, NEW HAVEN & HARTFORD RAILROAD CO.

Mr. ALPERT. I have heard it.

Senator WILLIAMS. We are looking forward to your testimony.

Senator BUSH. I would like to say, Mr. Chairman, that Mr. Alpert I think has been one of the most harassed individuals that I have known in the last year or two. I think he has also perhaps the most difficult single problem on his hands of any railroad man who is living.

Senator WILLIAMS. Mr. Shoemaker might dispute that.

Senator BUSH. I must confess to an admiration for his courage in meeting the criticism which has been leveled at him from many sides and his patience in dealing with a most difficult problem.

I am very sympathetic with Mr. Alpert's position because I know it is a terribly difficult one.

I am sure the committee will be very much interested in his comments on this bill.

Senator WILLIAMS. I am sure they will too.

Mr. ALPERT. I am very grateful for those kind remarks, Senator.

My name is George Alpert. I am president of the New York, New Haven & Hartford Railroad which operates in four States—Massachusetts, Rhode Island, Connecticut, and New York.

We serve two large metropolitan areas by rail, New York on the west end of our railroad and Boston on the east end of our railroad.

I have a prepared statement which I imagine will be distributed, and I do not want to read that statement. I simply want to supplement what I have said there with an oral presentation.

Senator WILLIAMS. All right. Your prepared statement will go in the record, Mr. Alpert, at the close of your presentation.

You proceed in your own way.

Mr. ALPERT. Thank you very much.

Suburban transportation has become a matter of vital concern to many metropolitan areas in this country. The recent study of the American Municipal Association which culminated in a resolution in December at Denver called for a national policy for coordinating the transportation systems in the metropolitan areas.

It called for rational tax policies on all levels of government as far as the railroads were concerned.

It called for Federal loans to municipalities for equipment and facilities.

And it called for a study of grants-in-aid.

S. 3278, the bill which you are now considering, grew out of apparently the first and the third of these recommendations, and as I read the bill, among its purposes is to help formulate programs for the use of existing mass transportation facilities.

The bill specifically calls for loans to the States, the municipalities, or public authorities created by the States or the municipalities to help finance the acquisition and the improvement of facilities and equipment for use in mass transportation in urban areas.

I was informed this morning when I got here that some eminent witnesses testified yesterday, and you will have others who are primarily concerned with the welfare of the metropolitan areas. They have

testified, and I assume will testify, on the urgency of mass transportation to the urban areas like New York and Boston, Chicago, Philadelphia, St. Louis, and Cleveland.

I suppose they have testified and will testify as to the huge cost which will be involved if some substitute for present rail commuter service is to be found.

I suppose they have also testified as to the considerations which make this a national problem rather than a local problem.

I suppose they have pointed out that the matter of transportation to the urban areas is very closely related to urban development itself and therefore can appropriately be tied in with the Housing and Home Finance Administration.

Particularly, the very able presentation of Senator Williams which is reported in the Congressional Record of March 28 covers these matters fully and adequately, and I do not think that anything is to be gained by my attempting to repeat the arguments that have been made as to these considerations.

While this bill deals primarily with the welfare of the metropolitan areas rather than the welfare of the railroads—this bill was not directed to the welfare of the railroads at all—it is perfectly clear that if, as the bill points out, present rail facilities are to be utilized and preserved, then it seems to me that the situation which faces the railroads under present operating conditions has got to be considered before you can make an intelligent decision on the propriety and the advisability of this legislation.

There was a time when railroads were monopolies, I am told, when railroad presidents were tycoons. Those were the good old days. And it was necessary to regulate railroads.

The Interstate Commerce Commission came into existence, and the regulatory bodies in the States came into existence to protect the public from these giants of American industry.

That situation continued and continued, but in the last quarter of a century or more there have been great changes in railroading. Much of our freight has gone to the trucks, primarily because of the very great highway program which has represented a tremendous investment of public funds; partly because passenger service has gone to the airlines in great measure and, of course, to the automobile, again because of the highways.

The railroads today are no longer monopolies. As a matter of fact, the pendulum has swung completely the other way. The railroads, some of them, are hanging on by their fingernails.

In hearings before a subcommittee of the Interstate and Commerce Committee a couple of years ago, Senator Smathers, the chairman of that subcommittee, said it in one sentence, "A mighty industry has come upon sick and precarious times."

The Commerce Department report, the Mueller report, which was published just a few months ago, referred to the railroads as the "unsubsidized sick man of American transportation."

The Interstate Commerce Commission, which consumed 3 years in a study of the railroad situation, particularly with respect to the passenger situation, had this to say:

"We are impressed, however, with the urgency of the situation if existing rail passenger service is to be preserved and suggest that re-

lief in obviously inequitable areas should not await detailed study of possible long-range adjustments but rather should be immediate."

That was a year ago that that report was made.

Some of the railroads in America, particularly the large passenger-carrying railroads, are already on the brink of financial disaster, and the railroad that I represent is fairly high on that list.

Yet, in spite of the considerations that I have pointed out, it is deemed by virtually everybody that I have talked to that railroads are essential both in freight and passenger service to the economy and the welfare of the public. First because the railroads are still the low-cost freight carriers in transportation, second because they play and will continue to play a vital role in the commuter suburban service in the large metropolitan areas, and third because in their long-haul service, even though it is unprofitable and rarely used, it is an excellent standby service.

Let the ceiling be low or the highway icy, and the railroads immediately, on that day, become the darlings of American transportation, very popular as a standby.

Senator WILLIAMS. That happened this past winter very dramatically in the New York area.

Mr. ALPERT. It certainly did.

We cannot change the progress of the world. If people want to fly and if people want to use the highways, that is their privilege. But they want a standby service, and the railroads are performing that service in long-haul passenger service.

The big problem in the railroad industry today, the biggest problem, is in the passenger service. For over 25 years now the railroads have been plagued by something called the passenger deficit. Except for the war years of 1942 to 1945 the passenger deficit on American railroads has grown steadily from \$233 million in 1936 to over \$600 million in 1958.

I think it was a trifle less, slightly less, in 1959 because some of the services has been abandoned and so the losses decreased a little bit.

These losses are now consuming a very substantial part of the net freight revenue of American railroads.

In other words, there are those who argue that the freight shippers of America are subsidizing the passengers on the railroads.

Of course, the situation of the individual railroads differs. A railroad which has a relatively small amount of passenger service, as do some of the railroads in the West and the Southwest and the South, or which has virtually no commuter service does not feel the pinch because their freight business is sufficient so they can absorb the loss.

For example, the Pennsylvania Railroad, which is the largest railroad in America, in 1958 had gross revenue of \$844 million, and of that its passenger revenue was \$180 million, or 21 percent.

On that 21 percent of its gross revenue it lost \$44 million—on \$180 million of passenger service it lost \$44 million—but its freight business netted \$56 million, so it ended the year with a net operating profit of \$11.3 million—on \$844 million of gross business.

Take the Atlantic Coast Line, and I pick that line because their gross was identical with the gross of the New Haven. They operate in the South. They had a gross of \$149 million in 1958. Their passenger revenue was \$24.5 million, or 16 percent. On this \$24.5 mil-

lion they lost \$9 million. But their freight revenue, their net freight revenue, was \$17.8 million so they ended the year with an operating profit of \$8.6 million.

On the other hand, the New Haven, which operates in an area of concentrated population, had a gross of \$149 million, the same as the Atlantic Coast Line, but our passenger service was \$67.5 million, or 45 percent of the gross.

On that passenger business we lost \$10.9 million, but our freight business, because of the competing highways in this concentrated area, because of the short hauls, was only \$7.1 million, so we ended the year with a net operating loss of \$3.8 million.

In 1959 it was considerably worse because our passenger loss this last year was \$12.6 million, and we sustained a net operating loss of \$9.2 million.

Obviously no railroad the size of the New Haven can continue to operate on that basis very long. We are running out of cash. And we have none of the resources to continue losses of this kind.

We have the highest percentage of passenger business to gross of any railroad in America, and that is perhaps why we feel the pinch so strongly.

The unfortunate part of it is that while our losses are very great in this area, a large part of the loss, of course, is in the suburban service on the west end that carries passengers from Westchester County in New York and Fairfield County in Connecticut into New York City. It happens to be a very busy section of the country in which the suburban service is perhaps as important as it is anywhere in the United States. Yet the losses are tremendous.

As a result of this situation, there has been terrific criticisms of our service, as Senator Bush has intimated. There has been criticism of our on-time performance. There has been criticism of our equipment, a good part of which is very old.

These criticisms are thoroughly justified. As a matter of fact, it has become a commonplace remark in southern New England to talk about the service of the New Haven. You see cartoons in the New Yorker about it.

I attended a meeting of the Saints and Sinners a few months ago in which there was a replica of a gate at Grand Central Terminal, and on the board was "Stamford local, 1:35." And the loudspeaker blared forth, "The Stamford local, 1:35, will be 30 minutes late. This is a recorded announcement."

It is all right. It is a fact. These criticisms are justified.

Our on-time performance has been poor, and the reason for it is that we have had to restrict our maintenance as a matter of necessity to a level of safety and no other consideration.

We have not been concerned with esthetic considerations or the cleanliness of window or back shop repairs of locomotives or cars. We have been concerned only with safety, because we have not had the money to do normalized maintenance.

We have not had the money to replace the equipment. A car costs from \$150,000 to \$175,000. This is too rich for our blood in the face of these deficits.

Obviously, we cannot continue to operate on the basis of this deferred maintenance. We have got to make some back shop repairs

to keep the equipment running, the periodic repairs that every railroad must make if it expects to keep its equipment in condition. We cannot afford to make these back shop repairs because our losses are so great and we have not got the money.

It must be remembered that in 1955 the New Haven sustained a disastrous flood which cost \$16 million or more. I think it was closer to \$20 million. And we had to borrow money and pledge all our collateral.

We are in a very, very bad situation.

Senator WILLIAMS. Mr. Alpert, would it be proper to conclude that maintenance costs of modern equipment, new equipment, would be less than on old equipment?

Mr. ALPERT. Very much less. I think there would be a great advantage in having new equipment for several reasons, not only because it would reduce the cost of maintenance but because it would be very much more satisfactory to our customers who would probably stop some of these complaints. If we had good equipment we would not have these complaints.

And yet, in spite of these considerations, as I say again, everybody seems to think the service is essential. If I as much as intimate in a speech or in a public release or on the radio that there is a question as to whether we will not have to take the service off, then there is tremendous, tremendous reaction from the press and from the public and from the political leaders. "This is essential," they say.

And if you do not believe that, just make a statement that service from Westchester or Fairfield will stop and see what happens.

Senator WILLIAMS. I have made that speech myself.

Mr. ALPERT. There seems to be a very definite feeling on the part of the public that public convenience and necessity requires this service, and that is easy to understand. For many of the thousands and thousands of people who use these railroads and commuter services this is their only means of travel from their homes to their places of business.

If this service were to be discontinued, as I have said many, many times before, the effects upon the metropolitan areas would be devastating.

For instance, in our case, if the 35,000 people that we carry every business day from Connecticut and upstate New York into New York City were to be thrown on the highways, the highways would become paralyzed, and you would require more millions of dollars to be spent for more highways to take care of the commuters.

And this would not solve anything. This would make the situation worse, because this would cause more congestion of the city streets, and then you would have to have more parking space to take care of the automobiles of the people who drive in.

Senator WILLIAMS. In other words, if existing rail lines are not preserved, the money necessary for highway replacement would be far greater than the money necessary to preserve existing rails? Is that not true?

Mr. ALPERT. That is absolutely so.

I think the study made by the AMA, as I read it, in five cities, New York, Chicago, Philadelphia, Cleveland, I believe, and Boston, showed that if the commuters who are carried by rail into those five cities

had to travel on the highways it would cost \$31 billion for highways to take care of them. That makes the amount of money we are talking about in this bill look pretty insignificant.

A study was made in New York, I think by a fellow named Salisbury on the New York Times, a year or so ago, in which he pointed out that if the commuters who come into New York City today by rail were to be thrown onto the highways it would require the entire section of Manhattan Island from 60th Street down to the Battery to park their cars.

And I hear these criticisms of the department stores: "What are we going to do about parking our customers' cars?" Those criticisms will disappear; there would not be any department stores. Manhattan Island would be a very lovely parking space.

And that is what is going to happen if rail service or mass transit to these areas is discontinued.

Senator WILLIAMS. We get the impression that this is true not only of New York City but it is across the country in most of our metropolitan areas.

Mr. ALPERT. I think that is so. I think it is certainly true of Boston, and it is true of Philadelphia.

Senator WILLIAMS. We know what has happened in Los Angeles which went, of course, entirely to the use of automobile transportation.

Mr. ALPERT. People in official positions that I talk to in Los Angeles rather wish that they had tackled the transit problem many, many years instead of letting it go this far. They are in for an awful lot of money over there now because the situation is horrible.

Senator WILLIAMS. We have learned too that San Francisco is pioneering a mass transit system to preserve their city and save themselves from the example of Los Angeles.

Mr. ALPERT. That is right.

I do not think this is entirely a matter of the welfare of the commuter or the person who travels, the suburbanite who travels into the city. This is far broader. It involves the welfare of the metropolitan area itself and the suburbs and the entire economy of the district.

I appreciate how much public concern there is about it, because in my area and in other areas, metropolitan areas, there are numerous meetings going on all time of civic groups and political groups and commuter groups, and the reason for this intense interest, as I see it, is the apprehension that the service is likely to disappear and there is a growing realization of this on the part of the public.

I think it has reached a pretty high pitch—the realization that this would have a devastating effect.

The deficit exists, in my opinion, and I think it is very obvious that deficits in passenger service, in commuter business exist, for one very simple reason—because the suburban traveler, the commuter, does not want to pay the full cost of the service.

If you try to make him pay the full cost, he will go to the highway, and that is the very thing we are trying to avoid.

The best evidence that the commuter will not pay the full cost of the service is the fact that from 1940 to 1958 the average wages on the New Haven Railroad increased 300 percent, but the fares increased 95 percent.

Senator BUSH. What period was that?

Mr. ALPERT. 1940-58. The average wage increased 300 percent. The fares increased 95 percent.

When you consider that the wage bill on the New Haven Railroad today is over \$80 million and consumes 50 percent of our total expenditures, you can see what a very serious matter that is.

Yet the reason the fares have not kept pace with the increase in costs has been the certainty both on the part of the railroad and on the part of the public utilities commissioners that any increase to approach compensatory fares would cause the diversion of traffic. This has been the deterrent against raising the fares to those levels.

As I say, the passenger on the railroad does not feel he should pay the full fare, and, frankly, I agree with him. I do not think the passenger by rail should have to pay the full fare. The airline passenger does not pay the compensatory fare. The helicopter passenger does not pay the fare. The passenger on the rapid transit line does not pay the fare. The passenger on the highway does not pay the full fare. What is there about the railroad passenger that singles him out for this honor?

Why should he be obliged to pay 100 percent of compensatory fares so that the service can continue?

Senator CLARK. If we are going to have a socialistic system we might as well have a good one?

Mr. ALPERT. I do not say that. I do not say that it is a socialistic system. I think that within limits that may be the inference.

But I wish you would let me explain why I think there is this great unfairness.

Senator CLARK. I agree with you, Mr. Alpert.

Mr. ALPERT. Yes.

Senator CLARK. Do not oversell me; that is all.

Mr. ALPERT. I will stop right now if you are sold.

I would like to point out a few considerations.

I am now not talking about the railroad. I am talking about the passenger who uses the railroad. That is the fellow we are interested in. We want to know how we can keep him on the rails and not on the highways because of the considerations that have been pointed out.

Senator WILLIAMS. Or get him back to the rails in some areas.

Mr. ALPERT. Or get him back to the rails; yes.

These other people benefit by tax exemption, and I will not spend any time on that. You are familiar with the situation.

I might point out in passing that the New York and Boston airports are completely tax exempt whereas Grand Central Terminal in New York is taxed for over \$3 million, and our South Station in Boston—I shudder when I talk about it—is assessed for \$12.2 million, with a \$101-a-thousand tax rate, so our tax bill is \$1.2 million-odd in Boston.

Senator CLARK. Do you pay taxes on right-of-way through New York, Connecticut, and Massachusetts?

Mr. ALPERT. We do not in Massachusetts. We do in Rhode Island, and we do in New York. In Connecticut we have a different system. We pay what is called a gross earnings tax, which is not an earnings tax at all. It is a gross revenue tax, a tax on our gross revenue or that portion of it which represents the mileage in Connecticut as against the whole system. That is in lieu of the real estate taxes.

In addition to the tax exemption which is a great benefit to the users of other forms of transportation, the other forms of transportation or the passengers who use the other forms of transportation are very highly subsidized.

The Interstate Commerce Commission in its long study says:

We find on this record that inequalities exist which discriminate against rail carriers in their attempt to meet the public need for rail service at equitable charges.

The highway users are subsidized. The Interstate Commerce Commission points out at page 456 of its report that from 1921 to 1959 \$140 billion of public funds went into the highways.

Senator CLARK. In addition to that, the highways do not pay any local taxes, do they?

Mr. ALPERT. These highways do not pay any local taxes.

But as far as subsidy is concerned, \$140 billion of public funds went into the highways, and the total amount—with all the talk of user charges—the total amount that was recovered from gasoline taxes and tolls was \$63 billion. The balance of \$77 billion will never be recovered because now the taxes are going for the new highway program, and that \$77 billion is a subsidy.

You can talk from now until hell freezes over; it is still a subsidy for the benefit of the users of the highways who are our competitors.

The air passenger has the benefit of a great many subsidies: Construction of airports. Equipment development expense which has a very, very close bearing to this bill, because when it comes to equipment all these jets, all these great airplane devices are perfected with Government funds, not with the airlines' funds. Air traffic control. The signaling system of the airlines. We pay for our own signaling system on the railroads, but air traffic control in the last 15 years represents an investment of Federal funds of \$1½ billion.

The President in his budget message says 50 percent of that is for the benefit of the commercial airlines.

There is an expense that they do not have to pay at all.

In addition to that, as of June 1959 the airlines received over \$500 million in straight cash subsidy aside from mail subsidies.

As an illustration of what is happening in the subsidy field, the New York Airways Co., a helicopter company operating in the New York area from the airports to downtown New York, made a report for 1958, which said, "We carried 90,000 passengers." That is fewer passengers they carry in a year than we carry on the New Haven in a day. And their gross revenue from these passengers was \$840,000. But they received from the Federal Government a cash subsidy, it is so stated in their report, of \$2.2 million, or almost \$3 for every dollar the passengers paid.

Senator CLARK. As I understand it, Mr. Alpert, you do not object to any of this at all? You just want them to move over so you can get to the trough, too? Is that right?

Mr. ALPERT. I believe in equality. That is all. I believe in equality, and I think that is the foundation stone of our Government—equality.

I do not see any reason for first pushing the obligation onto the railroads and saying, "You have got to operate; it is a public welfare matter," and then saying, "We won't give you equal treatment."

However you characterize it, that is my position.

Senator WILLIAMS. Parity for railroads?

Mr. ALPERT. Right. Parity for railroads. Equality for railroads.

Senator WILLIAMS. Ninety percent?

Senator CLARK. Flexible.

Mr. ALPERT. That is an area I would rather keep out of. I will stick to transportation, not to the farm program.

I noticed in the President's budget message it was repeatedly stated we have got to cut down on these subsidies, but in the case of the helicopters it was pointed out that while helicopters operating in three metropolitan areas and in Alaska last year received \$38 million, in the current fiscal year they are to receive \$69 million, or an 80-percent increase.

Senator CLARK. You are doing such a wonderful job I hope you will not forget foreign aid.

Mr. ALPERT. I will come to that in just a minute. I certainly would not forget that.

As to the feeder airlines, we have this class of carriers that do a short-haul business, like Allegheny. Allegheny got out a statement a few months ago. They are putting out a debenture issue. They have just been awarded routes in New England. They are now competing with the New Haven Railroad from Bridgeport and other places into New York and Washington. They point out as an incentive to buy their debentures that they carried 500,000 passengers last year. I might point out the New Haven carried 39 million passengers last year. But they received a subsidy of \$3.3 million in cash, \$6 for every passenger they carried.

What I will say amuses me, knowing something about the situation in some of the eastern railroads with regard to dividends, is that the \$3.3 million subsidy was computed on the basis of a 9.5-percent return to the stockholders of Allegheny.

Senator CLARK. Do not be too tough on Allegheny, Mr. Alpert. They fly all over Pennsylvania.

Mr. ALPERT. I am not too tough on them. I am for them. I just want to be treated equally. I am pointing out how good this is if you want to preserve the service, and these are my illustrations.

Capital Airlines. You are all familiar with the recent application for a \$12,949,000 subsidy. For what purpose? To rescue them from their losses.

I was struck by the singular parallel between their situation and the New Haven's because they said in their application, "If we get this \$12.9 million we will earn \$3 million, and if we do not get it we will lose \$9 million." That just about is the situation of the New Haven Railroad.

Senator BUSH. Mr. Chairman, may I ask a question?

Senator WILLIAMS. Yes.

Senator BUSH. You make a case for equal treatment on these subsidies. Suppose you could decide this question. What would you recommend in the way of a program that you think would be a just and equitable one for the New Haven Railroad and the other railroads at this time?

Mr. ALPERT. What I would suggest goes far beyond the provisions of this bill.

Senator BUSH. I appreciate that, but that is very important information for us to have.

Mr. ALPERT. Yes. Well, my—

Senator CLARK. The first step is to pass the bill, is it not?

Mr. ALPERT. The first step is the bill. I think this bill would be a step in the right direction. But I think that, answering Senator Bush's question—

Senator BUSH. My point is—I want to make it clear—that the bill has some merit all right, but the point is that it does not come to grips with the whole problem of the railroads by a long shot.

Mr. ALPERT. That is right.

Senator BUSH. We ought not think it does. It does not come to grips with the income and the outgo problem.

I would like to have you give us the benefit of your thoughts as to what kind of program you suggest would be reasonable and practical to meet the desperate situation that you describe.

Senator CLARK. Even though it is not within the purview of the Housing Subcommittee, I would be interested in getting the answer too.

Senator BUSH. It is just as much within the purview in my view as the Williams bill is. It is a very important matter for metropolitan areas all over the country, and particularly in the East.

Mr. ALPERT. I certainly agree that the Williams bill, as salutary a bill as it is and certainly a step in the right direction, as an initial step, will not solve the problems of the railroads like the New Haven and many others in that situation.

I have argued steadily now for over 4 years that in order to meet the competition, in order to retain the passengers in commuter service, and to lure them back to the railroads, the railroads have got to receive equal treatment with other forms of transportation. That means simply this:

I think the passenger facilities of the railroads should be exempt from taxation, exactly as the airports and other transportation buildings.

The fact that the highways are owned by the public, the fact that the waterways may be owned by the public is not an important consideration. The fact is that the users of those things should be put on a basis of parity with the users of the railroads.

So that the first step is tax exemption from local taxation, and real estate taxes on terminals and passenger facilities. That, of course, is a matter for the local governments, the cities, and to a certain extent the States.

In some instances, as in New York, there has been a step along that line in the tax program in New York State. I do not think it goes far enough, but I think that it will eventually result in the kind of treatment that the railroad passenger should get.

That is the first step.

Senator BUSH. That is, user facilities?

Mr. ALPERT. The passenger facilities.

Senator BUSH. Passenger facilities? That means the railroad stations?

Mr. ALPERT. The railroad stations, the railroad's right-of-way.

Senator BUSH. Equipment?

Mr. ALPERT. The portion of it used for passenger facilities. And the equipment where the equipment is taxed. Anything that is used in passenger business should be just as exempt as our competitors'. That is the first step.

As I say, that is a matter for local rather than Federal Government action.

Senator CLARK. Except this, Mr. Alpert: In view of the hard-pressed financial condition of many of the local communities, you may have to have something like the Federal impacted area approach to get some help from the Federal Government. A lot of these localities are going to go broke if they have a further increase in their already very substantial tax-exempt property.

Mr. ALPERT. That is why I come the second point, and here is where I think the Federal Government has got to come into it. If it is true, as the American Municipal Association has pointed out so conclusively to me in its report, that the great majority of the people are interested in the economy of the large metropolitan areas, and if this matter of traffic congestion is a problem in the large metropolitan areas, then why should not the Federal Government take the same interest in preserving this service as it does in preserving the services of the other forms of transportation?

There is a division of opinion. I think, Senator Clark, that this is the thing that has bothered me, and I have been at odds with other railroad presidents and with people in political life about it. For example, Secretary Mitchell the other day made a speech on this subject. He came right out and said, "I think the railroads are entitled to equal treatment." No man knowing the traditions and feelings of this Government is going to argue against equal treatment for railroads. The question is: How do you get it?

My argument is: Give us the same treatment in the form of subsidy, whatever word you want to use. "Subsidy" is a nasty word. People do not like it. But whatever word you use, give us the same treatment as you give anybody else.

Senator BUSH. Incentive grants.

Mr. ALPERT. Incentive grants? I think in the budget message, as I remember it, of 1958 there were 18 instances in which subsidies were referred to, and the word "subsidy" was not used once. They were all subsidies but they never used the word "subsidy."

Senator CLARK. Those were the ones the President was for.

Mr. ALPERT. That is right. That is absolutely right.

The argument that has been made against subsidy is: "You can attain this equality if you impose user charges on the other forms of transportation, make they pay the full cost, and then you will get the equality."

My answer to that is: Perfect. Theoretically that is the most perfect argument I ever heard. Practically it is ridiculous.

Senator CLARK. It is just as ridiculous as returning tax sources to the States and to the localities from the Federal Government. We are never going to do it.

Mr. ALPERT. That is right.

Whether you are going to do it or not, I do not know, but I say this is ridiculous, and I will tell you why it is ridiculous.

Senator CLARK. I agree with you.

Mr. ALPERT. I will tell you why it is ridiculous.

There is pressure every day in the week in every area of this country for airline facilities. When the jets came out, all the people wanted their runways lengthened. The airlines could not do it, so the Federal Government had to advance money to lengthen the runways.

The jets were developed. Now, they want more and more air service. Fine. We are not going to do anything to try to stop the wheels of progress.

Senator CLARK. The municipalities did not put up the money to lengthen airports, and they own the airports.

Mr. ALPERT. That is right. We are all familiar with that one.

When it comes to the highways, the argument goes that we need more highways. Up in Massachusetts right now there is a terrific argument going on as to how many more highways we can get because they think this whole thing is going to be solved by taking more property that is now taxable and turning it into highways. Therefore, if we will impose user charges we can give them all the highways and all the airlines they want.

Take the one matter I mentioned—air traffic control. If the airlines had to pay 50 percent of the billion and a half dollars that has been spent on air traffic control and that is going along to the tune of probably a billion dollars or half a billion dollars a year now to keep safety in the air, the passengers could not afford to use those airlines.

As a matter of fact, if you made the helicopter passenger today—on the figures that I have given you—pay the full cost of the service, he would not ride the helicopters and the helicopters would stop operating.

If you made the feeder airlines like Allegheny or their passengers pay the full cost of the service, they could not afford to ride, so they would stop riding, and the feeder lines would go out of business.

If you made the trunklines pay air traffic control and equipment development expense they would go out of business. A couple weeks ago the Federal Aviation Agency allocated \$1,130,000 to be matched by local funds for taxiways and chain link fences at La Guardia and Idlewild Airports. If that sort of thing were cut off, that would have to be added to the fares. The passengers could not afford to pay the cost.

I think at one time I figured that the cost from Boston to New York by airline, which is now about the same as rail cost, would be four or five times as much if all these costs had to be paid by the passenger.

Senator CLARK. You would price yourself out of the market.

Mr. ALPERT. Certainly. Therefore, those forms of transportation would disappear.

If they disappeared, maybe that would be a great thing for the railroads because everybody would have to travel by railroad. The trouble with it is that we would be returning to the 19th century. We would be trying by these means to stop the progress of the world, and that is nonsense.

Therefore, I think that, as beautiful a theoretical argument as it is to impose user charges, it is not going to happen. Never. These forms of transportation are going to be subsidized as long as it is necessary for them to continue in operation and perform a service for the public.

This is not anything new; subsidies go back to 1789 when the merchant marine was subsidized. I just read in this morning's paper that Grace Line is going to discontinue some of its service because even with the subsidies it cannot make a go of it. Northeast Airlines is now asking for more fare increases and they are getting a cash subsidy on top of it and a 10.5-percent return—you are not going to have this service if you do not subsidize it. I do not care anything about the use of the words; that is the fact.

Senator BUSBY. I would like to interject a question. You made a pretty good case for points 1 and 2, which were the passenger facilities exemption and then what we call the incentive grant program for the moment anyway. What is No. 3 in this? Do you need more freedom in connection with the setting of rates? Or what are Nos. 3, 4, and 5 in the program that you need to really correct this situation?

Mr. ALPERT. No. 3 in my program is the matter of the fare to be paid by the passenger. I think the great mistake that has been made in transportation by rail is that the commissions, not desiring to antagonize the passengers, have refused to keep the fares going along keeping pace with the increased cost of living.

We are now at the point where the spread is so great that an attempt to bring it up there would be disastrous. It would cause diversion.

Therefore, I think over a long period of time, perhaps 5 or 10 years, fares should be increased in small amounts. After all, when you look back to 1935 I could go into Boston to buy a suit of clothes in Scott's, which was a pretty good men's furnishings place, for \$35 or \$40, and I bought a pretty good garment. Today that same garment costs \$150, but it has been done on a gradual basis. It has been the spirit of the times, and people have done it.

You cannot do these things in one bite.

I think over a period of years the customer has got to be educated to the fact that he must pay the cost of the service. I think it can be done. That is the third point. But that will not be done overnight.

Senator WILLIAMS. Mr. Alpert, what is the railroad fare from New York to Boston and what is the airline fare?

Mr. ALPERT. It is about the same. I think it is around \$17, first class.

Senator WILLIAMS. You have argued eloquently against the user paying the full fare to cover all expenses on the airlines. Now are you suggesting the opposite for the railroads?

Mr. ALPERT. That they pay the full fare?

Senator WILLIAMS. The full fare for the total cost of operations?

Mr. ALPERT. Not at the present time. What I say is that over a period of years I think there has been a feeling in transportation that the passenger should not pay the full cost. I think in the airlines and the highways it is because of this subsidy program. The railroads are caught in this squeeze where we cannot compete with these people. But over a period of 10, 15, 20 years, if the public could be educated to the fact that the passenger who uses the transportation must pay the same as a fellow who buys a suit of clothes or who buys food, I think that might have a great effect.

Senator CLARK. But, as long as you have competing methods of transportation charging less, then you have to be pretty careful not to price yourself out of the market by increasing fares, do you not?

Mr. ALPERT. There is no question about it. That is why we are losing money. We cannot increase. They do not let us increase because they know there will be diversion.

Senator WILLIAMS. If we want to keep people off Merritt Parkway and keep new people from getting on it and get them back to the rails, we cannot do it by discouraging them with higher fares.

Mr. ALPERT. I do not think so, although in the New Haven we have a program of 10-percent increase over a period of time. But in the meantime we are hoping that there will be some relief to put us in a position of parity with the other lines.

Senator BUSH. Leave the question of fares and move on to the question of routes or schedules. Do you think you should have more leeway in connection with scheduling trains?

Mr. ALPERT. I think the railroads should be given more of the advantages of the free-enterprise system under present conditions. Whatever the situation may have been in 1886 when the Interstate Commerce Commission was promulgated, and whatever the situation may have been when the State regulatory bodies were brought into existence, there is no justification for treating the railroads like monopolies today.

I think a railroad should be allowed to work out its own salvation. If it has a service that is not used and will not be used, it should not have to go before commissions and spend a year or two or three before they can get the service off—a service that is losing a lot of money.

Take our Old Colony service up on the cape. We were losing over \$2 million a year.

Senator CLARK. Could I interject a question at that point along the lines that Senator Bush has been following? I think your position makes a certain amount of economic sense, but your first obligation, Mr. Alpert, must be to your stockholders. This is your primary duty, is it not?

Mr. ALPERT. Right.

Senator CLARK. If you are going to carry out that duty, are you not under a moral obligation to eliminate as quickly as you can all of these feeder lines on which you are presently losing money and concentrate on the part of your business where you can make money? So, if we took the regulatory monkey off your back, to carry out your perfectly appropriate duty to your stockholders, you would immediately abolish commuter service; the public cannot stand that.

Mr. ALPERT. I think, under present conditions, if we were free to take off the service, we would have to take it off. I would certainly have to move that way if I were going to pay any attention to the stockholders. When my stockholders read that the airlines are given an 11¼-percent return in the face of receiving subsidies and the New Haven common stockholders have not had a dividend for 35 years, they begin to wonder what is going on.

Senator CLARK. I think we have to face right up to this problem, and I think you are the kind of man who would do it. As a practical, feasible, economic matter, you cannot run commutation service at a profit in the foreseeable future?

Mr. ALPERT. Right.

Senator BUSH. Of course, those feeder lines the Senator mentions were put in there for the purpose of making money for the stockholders.

Mr. ALPERT. Right.

Senator BUSH. They were not put in there for any other purpose. And if they fail to serve that purpose, then the consideration arises: What are you going to do with them?

Mr. ALPERT. When it comes to the feeder lines, the situation is the same as the feeder airlines. If Allegheny comes before the CAB and says, "This year we need a \$4 million subsidy," and if CAB says, "You are not going to have a \$4 million subsidy," that service is going off. You cannot expect a privately organized corporation to continue this service with these gargantuan losses.

My only alternative to this program is nationalization of the railroads. And I think that is one of the great problems that we are going to face in the railroad industry. I think today we are faced in a number of the railroads with the alternative between bankruptcy and nationalization.

Senator BUSH. I would like to ask another question just to move ahead with the various points in this program of Mr. Alpert's. We hear a lot of complaints about featherbedding, so-called featherbedding rules. Do you want to comment on that in this connection or not?

Mr. ALPERT. I think the matter is now being considered by a mediation board in Chicago, and I think perhaps it is just as well that I do not make any statements. This is a public hearing.

Senator BUSH. All right. I will withdraw that.

Senator WILLIAMS. We have encroached on the jurisdiction of every committee of Congress except the Foreign Relations Committee, and I thought we were going to hear something about foreign aid.

Mr. ALPERT. I would like to say something, not about the Foreign Relations Committee but—

Senator BUSH. I would like to say—while the Senator is quite correct—that all these questions have a very direct bearing on the question of mass transportation which your bill comes to grips with. That is the reason I am trying to get Mr. Alpert to outline his full program, because it is not going to do any good just to pass a loan bill or a study bill if it does not come to grips with the whole thing. That is my point.

Senator WILLIAMS. Do you agree with that statement, Mr. Alpert?

Mr. ALPERT. No, sir. I think it will do a lot of good to pass this loan bill, because it is a step in the right direction. I do not think it will solve the problem, but it is certainly going to get some help to the railroads.

Senator BUSH. I accept that correction. I will not say it would not do any good at all. That was a misstatement. I say that it does not come to grips with the whole problem and that the whole problem is a very important one—and these questions that Mr. Alpert is dealing with have a bearing on the whole problem.

Senator WILLIAMS. Of course, in our less than scientific world here, the legislative process, is that not true of everything?

Senator BUSH. No, I think I would not go that far. I think that this is so much a railroad problem and the railroad is so much the whole heart of your bill that the basic problems affecting the railroads have got to be considered in connection with the bill.

Senator CLARK. I would make this observation: That I do not agree with that point of view. I still think we can divorce the com-

mutation section of the railroad problem from the rest of it through the means of study and grants under this bill and take it into a non-profit operation and then deal with the remainder on a different basis. I think this is a very constructive approach.

Senator BUSH. May I ask the witness whether he has any other items in a rounded program that he would like to comment on here?

Mr. ALPERT. No, not so far as the subject matter of the commutation service is concerned, because in the entire railroad business I think there are matters of regulation that were not covered by the Transportation Act of 1958 that ought to be gone into. I believe that for the purpose of determining how we could have commutation service to these large metropolitan areas continued I have given you my program:

Tax relief on a local basis.

Subsidy or grants-in-aid. I'll stand corrected. On the Federal level.

Senator BUSH. Incentive grants.

Mr. ALPERT. Some adjustment of fares if it is on a basis of equality with passengers on other forms of transportation.

And more freedom to determine which lines should or should not be run.

In my opinion, if the same course which is open to the feeder airlines and to the helicopters is open to the railroads on the matter of commutation services the railroads would not have any incentive to take off the service.

Senator CLARK. Mr. Alpert, would you not actually be delighted if some public body were to come to you next year and say, "We will take these commutation services off your hands as a financial burden; we would like you to run them for us on a lease basis because you know how to do it and we do not, but we will see there is no loss incurred by your railroad"? Would that not look pretty good to you?

Mr. ALPERT. It not only would look pretty good to me but I might say to you, Senator, that in 1957 or 1958 I drafted a bill which was filed in the Massachusetts Legislature which said just that.

As a matter of fact, we offered the Commonwealth of Massachusetts the use of our tracks for commutation service in Massachusetts free if they would take over the service, and they could either run it themselves, divorce it from the long-haul service and the freights, or contract with the railroad to run it on a basis where the railroad would break even.

That bill is on file in the Massachusetts Legislature. It has never been acted on.

Senator WILLIAMS. In your prepared statement you say if this bill had been effective at the time of the Old Colony crisis it would have saved the Old Colony service and 10,000 commuter passengers.

Mr. ALPERT. I have no doubt of it, because if this bill had been effective which enabled the locality to borrow the money to make a contract with the railroad, my bill would have absolutely passed the Massachusetts Legislature.

Senator WILLIAMS. If the measure that we have before us had been on the books?

Mr. ALPERT. Right.

Senator WILLIAMS. That could have been used in the Old Colony situation?

Mr. ALPERT. That is my opinion. I think if this bill had been on the record at that time the Old Colony never would have been discontinued. That is how important I think this bill is.

I agree with you, Senator Bush, that this is not going to solve the problems of the railroads, but we cannot expect a situation that has been kicking around before congressional committees and before legislatures and before Governors for years to be solved in one bill. Somebody has got to make a start, and this is an admirable start.

Senator BUSH. I want to make it very clear to the witness, also to my friend, the chairman, that it was not my purpose to say this bill was not a good start or anything else. What I was trying to bring out were some of the related problems which definitely affect this commuter situation, this mass transportation situation, within the communities.

That is why I have urged Mr. Alpert to give his fuller program, and I think it is worth having it in the record.

Senator WILLIAMS. You have made that very clear in the record. Senator CLARK. Could I ask one question before the witness goes?

Mr. Alpert, how important to you are the low-interest provisions in this bill? Do you think it would work just about as well if you had to pay the going rate for these loans?

Mr. ALPERT. I think it would be, of course, far more helpful if we did not have to pay the going rates. The going rates are pretty high. Bankers do not want to finance passenger equipment for railroads today.

Senator CLARK. Presumably they would do it if they had a Government guarantee. The principal objection which the administration has made to this bill is in the angle that it has a subsidized interest rate. I do not think they would seriously object to a Government guarantee if you did not have the subsidized-interest rate which they say will compete with lots of other private and public loans and that the Government guarantee would enable the loans to be made but that you should not try to give them a lower interest rate.

Some of the other witnesses have said it will break the deal because the interest cost will be too high.

I wonder what you think about it.

Mr. ALPERT. I cannot speak for the cities or the States. Of course, whether it breaks the deal would be dependent on them. But as I see it, the theory of this bill is that the money would be loaned to the State, the city, or an authority. Then the State, city, or authority would make an arrangement with the railroad. That is the point at which I would become interested.

If they said we had to pay 6 percent or 6.5 percent, I do not think we could do it, because it would add to our fixed charges.

Therefore, what will happen when the State or the city negotiates with us is the important thing, not what they have to pay.

It may be that they would be willing to pay a higher rate of interest in order to preserve the service. That I cannot answer.

Senator WILLIAMS. What has been the experience under the Transportation Act of 1958 where there is a guarantee program? What rate must the roads pay for money under that program where the loan would be guaranteed by the Government?

Mr. ALPERT. I do not remember exactly. My recollection is that we borrowed some money for the construction of a shop in New Haven, and for some roadbuilding equipment. I think we paid $5\frac{1}{4}$ percent if I am not mistaken.

Senator WILLIAMS. I think it is true that there were \$500 million of guarantee authorization in that legislation and to date only \$53 million have been used, which I would judge is some evidence that the going commercial rate is not an attractive or usable rate for the railroads in the present position.

Mr. ALPERT. That is right.

Senator WILLIAMS. I might say that none of the \$53 million that has been used has gone for passenger service.

Mr. ALPERT. In our case it has all gone for, as I say, roadbuilding equipment and a shop for diesel repairs in New Haven. Now we are negotiating a loan for new locomotives, and that will be used primarily, of course, in the freight business.

Senator WILLIAMS. Senator Bush, do you have anything further?

Senator BUSH. No, thank you.

Senator WILLIAMS. Senator Javits?

Senator JAVITS. No; thank you very much.

Senator WILLIAMS. It has been a stimulating hour and a half here. Believe me.

Senator JAVITS. Mr. Alpert is a very stimulating railroad president.

Senator WILLIAMS. If there is nothing further?

Mr. ALPERT. I wanted to say a word about this foreign program.

Senator CLARK. I hoped you had forgotten.

Mr. ALPERT. You said we talked about every committee in Congress except Foreign Relations. It is not all that committee, but it strikes me as a little incongruous that the nationalized railroads in other countries are being built up, in Russia, the Argentine, in France, in Spain, in Yugoslavia, in Italy, and very often with money that is advanced by this Government, with American dollars.

I will not refer to the \$500 million that has already been spent in U.S. Government funds to help the railroads of Italy, Spain, Yugoslavia, and some of the others. We are on the subject of commuter service and it just strikes me as incongruous in our governmental policy that this Government should send \$1,600,000 to Ceylon and the purpose of it was to help improve commuter service into the city of Colombo. We are tempted to ask why do they not think a little bit, whoever did this, of the commuter service into the city of New York, the metropolis of the United States, or the city of Boston?

Then I read a few days later we advanced a loan—the other one was a grant but this one was a loan—of \$3,200,000 to Nationalist China to improve their railroad system.

Senator CLARK. Repayable in dollars?

Mr. ALPERT. I do not know how it is repayable. My guess is it will never be repaid. But the fact is that it is \$3,200,000 to Nationalist China, \$1,600,000 to Ceylon, small amounts—as you talk in Washington this is peanuts—but the principle is there and I think it is about time that we took a different attitude and not allow our railroads to die.

There is one further consideration I want to point out and then I will not take any more of your time.

I have spent a lot of time on the New Haven Railroad, which I still think is an important railroad in America because it serves a very important district in America, southern Connecticut and New York. It may be that some people would say, "Well, if the New Haven is in trouble, that's that." But the fact of the matter is that even if the situation which I have described only confronts a handful of railroads—and it confronts some others—there are a few in New Jersey that are not much better off than the New Haven is—the rail situation in America today is very intricate, and it is like a chain. I think that chain, as the old saying goes, is about as strong as its weakest link.

I can assure you that if any of these railroads go down the drain—and there is likelihood that some of them will before very long if something is not done very promptly, as the Interstate Commerce Commission pointed out—it is going to have a very serious effect on interstate commerce in this Nation. The loss of a railroad like the New Haven in southern New England is going to do a tremendous amount of harm.

So I say to you that while S. 3278 does not solve the whole problem by any manner of means, there is a great deal more that needs to be done, but at the present time there is tremendous need for new equipment among some of the railroads, and my railroad is certainly one of them, and we cannot continue very long unless this equipment is available.

Therefore, I believe S. 3278 is a wholesome bill and I urge its passage.

Senator WILLIAMS. Thank you.

I might make just one observation, after your discussion of foreign aid, Mr. Alpert. The bill we are considering here concerns \$100 million of authorization for the loan program, which is much less than the program of grants and loans that is proposed by the administration for the District of Columbia where the rapid transit program for this one area of our country is \$263 million.

We are very grateful for your refreshing testimony.

(Mr. Alpert's prepared statement follows:)

STATEMENT OF GEORGE ALPERT, PRESIDENT AND CHAIRMAN OF THE BOARD, NEW YORK, NEW HAVEN & HARTFORD RAILROAD CO.

My name is George Alpert. My address is 54 Meadow Street, New Haven, Conn. I have been president and chairman of the New York, New Haven, and Hartford Railroad Co. since January 20, 1956.

The New Haven Railroad serves the States of Connecticut, New York, Massachusetts, and Rhode Island. A large part of its passenger service consists of commuter operations into New York City.

I welcome this opportunity to appear before this committee in support of S. 3278. I wish to compliment the sponsors of this bill for their constructive foresight and urge this committee to report the bill favorably with the hope that it can be enacted at this session of Congress.

The New Haven alone carries 35,000 persons into the city of New York each weekday. If this bill is passed, the commuters we carry as well as the many thousands carried by the other railroads serving New York City can be assured that the feature of their commuter service is not in jeopardy.

These passengers are riding today essentially the same equipment that they have been riding for the past 25 years. This is not desirable from either the commuters' point of view or the railroads. In an age when airlines can make multimillion dollar changes in equipment so that their passengers can arrive at their destinations faster and in greater comfort we, the railroads, up to now

have had to depend upon our own resources to modernize and upgrade our own equipment. We have had great difficulty in keeping abreast of the times and we cannot advance into a new age or new concept of railroad travel. Many technological advances in railroading are beyond our economic reach.

One of the major problems we have encountered is that of providing modern up-to-date passenger equipment because the service is a deficit operation. It is impossible for us to devote the necessary financing to research and development because of the economics of the situation. Airlines on the other hand have their research and development provided in large measure at Government expense. It is not that our service is not essential or outmoded, but it is a peak hour public service which by its very nature cannot be self-sustaining. While a great deal of our long haul passenger service in recent years has been lost to Government subsidized airlines and many of our short haul patrons are now using Government subsidized highways we have been compelled to maintain deficit ridden passenger operation as a public necessity and service without any aid or assistance.

The time has come for Government assistance in preserving essential commuter service if it is to survive. This bill in my judgment is recognition of that fact in a realistic way. It enables public authorities at the local or State level to tackle the problem with the assistance of Federal funds. Having devoted a considerable part of my time to this problem since becoming president over 4 years ago it is my firm belief that only in a way such as proposed by this bill can the problem be solved. Had this bill been enacted 2 years ago the Old Colony service in Boston, which carried 10,000 commuters a day, could have been saved. As a matter of fact, a bill to create a public authority to conduct this service under contract with the New Haven Railroad was introduced in the Massachusetts Legislature but could not be passed because the funds were not available and apparently the State could not afford to appropriate them. The Philadelphia plan recently promulgated by Mayor Dilworth of that city in cooperation with the railroad brotherhoods and the railroads is a model for other localities to follow if they are to preserve this service. S. 3278 will enable Philadelphia and other urban centers similarly situated to successfully carry out such projects.

I have learned from my experience in endeavoring to secure local help that each locality, be it State, city, county, town or village, is looking to all the others along the line to find out what they will do. If a public authority is created to meet the whole problem and it is backed up with the funds that this bill will make available, cooperation, indeed solutions become more readily attainable.

We find ourselves today in a situation where there are as many plans for the solution of the passenger commuting problems as there are experts in the field and from my observation there is no dearth of experts. In a day when we should pool our resources and seek some common ground for a solution of this vexing problem we have already one possible solution in Philadelphia, a proposed solution of a different sort in New Jersey, and entirely different approach in New York and still another view in Massachusetts, and I do not include the many suggestions that have been offered by various communities, towns, local civic associations, and the like. It is therefore gratifying indeed to support a bill, one of the main purposes of which is to formulate a program for the most efficient and economical coordination, integration, and joint use of existing mass-transportation facilities. This is another one of those problems which will not disappear or solve itself by being ignored. Delay will not only complicate an ultimate solution, it will prove to be more costly. The reasons for taking action now on S. 3278 are readily apparent, moreover, the position of our defense authorities that rail facilities are essential to the defense effort of the United States is most compelling at this particular time.

I have in the past discussed the consequences to the cities and the suburban communities around them that would result from any diminution of rail commuter service. It is generally acknowledged that the economic well-being of the metropolitan areas is closely interrelated to the ability to bring masses of people to work each day and then home again each evening. In the absence of rail transportation as we know it today the parking situation would present an insurmountable problem to our major cities. This bill will go a long way toward implementing the steps previously taken by the Congress to strengthen urban centers in housing, community planning, the highway program, and will be a major advance toward safeguarding the large investment of the Federal Government in these programs.

We know that our cities' growth will not stop where it is. All recent studies indicate that the population explosion is just beginning. We are impelled today to plan for the years to come if we are to continue with the rate of growth and progress which is required of us to survive in today's world.

I am not interested in seeing rail commuter service disappear. I have been fighting at every level to enable it to survive because I am well aware of the consequences of its disappearance. I know the havoc it will bring in terms of congesting the cities and destroying property values, in the need for more and more money for more and more roads, which removes more and more property from the tax rolls of the already overburdened cities.

This bill will go a long way toward solving a major problem in our country. I urge you to report this bill favorably.

Senator WILLIAMS. We will hear now from Governor Meyner of New Jersey. Knowing the schedule of the Governor of a very large State, we want to get his statement now if he has other commitments.

STATEMENT OF ROBERT B. MEYNER, GOVERNOR OF NEW JERSEY

Governor Meyner. I appreciate the opportunity to testify before this committee.

Senator CLARK. Governor, your statement will be printed in full in the record, so you can either read it or ad lib as you may see fit.

Governor MEYNER. Maybe I can condense it.

Senator WILLIAMS. You are following a pretty good ad libber.

Governor MEYNER. Maybe I can condense it and in one spot or two add to it.

I wish to support in the strongest manner possible the observations of Senator Williams and earlier witnesses before this subcommittee that transportation problems are nationwide in their impact and not local matters. Our cities are the nerve centers of the Nation, and if there is a breakdown of the transport network that sustains their economic health, the repercussions will be felt in every corner of this land.

Each year we become more urbanized. There are population studies which indicate that by 1975 nearly 80 percent of a projected population of 215 million people will be concentrated in urban areas. In my State of New Jersey, this proportion already applies. We are the most urban State in the Nation. Transportation problems are critical in both the north Jersey and the Camden-Philadelphia metropolitan areas.

Efforts in New Jersey to improve public transportation have been intensified since 1954. Highway capacity has been expanded. A third tube of the Lincoln Tunnel has been opened. The port authority has improved bus commuting facilities. An extra bridge between Philadelphia and Camden has been added. But traffic congestion worsens day by day.

With each year the problem of moving great masses of people to and from work in the peak hours will grow more critical.

We in New Jersey shudder at the new dimension that would be added to this problem if commuter railroads were to cease their services altogether, a prospect that grows more likely every day. Service keeps getting curtailed and fares keep rising. It seems to be true that the railroads are not making money on their commuter lines. They argue plausibly that they compete with transportation systems that directly or indirectly have the benefit of Government subsidy.

And it is a fact that there is no more efficient system than rails for moving masses of people speedily.

I think one of the facts that was brought out or one of the conclusions brought out was that to have an equivalent of the movement by 2 lines of railroad you have to have about 80 lanes of highway travel.

I think when we were trying to persuade the electorate on referendum to use turnpike surpluses for transportation purposes one of the illustrations we used was that you could move by a certain point in 1 hour by rail as compared with 1 lane of traffic some 2,600 people by car, some 9,000 people by bus, and about 45,000 people by rail.

It does seem a shame that we in many cases go out and build these expensive arterial highways when we neglect to utilize to the full the rights-of-way we have already acquired or that the railroads have in their possession and which if they had to acquire them today at today's prices would be infinitely more expensive than some of the highway acquisitions.

It has been my feeling that, considering the national overtones of this problem, the ultimate answer lies with some Federal action. We have made determined efforts to mount a program locally.

Plans we have had, but money we have lacked.

One effort, which would have been financed by the benefiting municipalities, was rejected as politically unpalatable. In a second and more recent effort, we sought to use surplus funds of the New Jersey Turnpike for transportation purposes. This was defeated on referendum.

I have lately proposed another method of financing a program by the imposition of a "commuter benefit tax," touching the area of our severest transportation problem, the trans-Hudson area.

Administratively, we have created a division of railroad transportation in our State highway department. The division has issued a report setting forth both immediate and long-range programs. It proposes, for one thing, to put commuter rail carriers under contract to salvage the most essential service and forestall the threatened disappearance of rail passenger service.

Another plan would make new equipment available to the lines through financing by the Port of New York Authority.

These are the first stages of the plan and they could be initiated promptly if funds under S. 3278 were to become available.

Senator CLARK. Governor, let me ask you, in your opinion, is there any real possibility that the Port of New York Authority can be brought into this picture? I understand they are rather allergic to it. Am I wrong?

Governor MEYNER. I believe they can be brought into it. I can point out to you, about 5 or 6 years ago in my administration my State highway commissioner, Mr. Palmer, persuaded the port authority to part with, or to agree to part with, some \$25 million which would be used for approach roads to George Washington Bridge, as part of the double-decking of the George Washington Bridge. This I think was an indication of his persuasiveness with the port authority.

Now he tells me that he believes that the port authority will go along with a proposition by which they will put up about \$9 million for the purchase of about 100 cars for the Hudson and Manhattan tubes, and

also that they will probably go along with maintaining the present depleted ferry system that is still operating between New York and New Jersey until such time as it will be determined what the future of the ferries will be.

Senator CLARK. If the port authority were to participate along these lines, would this make it unnecessary to have Federal support and Federal loans?

Governor MEYNER. Certainly not. I think if the port authority ever went into this thing they would exhaust their credit and jeopardize their position to handle airports and, most important of all, cargo movement in the New York port, which is essential to a moving economy in the New York-New Jersey area.

Senator CLARK. So you are very clear that as far as your New Jersey problems are concerned the port authority is not an alternative to Federal help?

Governor MEYNER. Certainly not.

Senator CLARK. You have to have both?

Governor MEYNER. It is one of a number of methods and agencies. I rather subscribe to the idea that Robert Moses had: If you use the municipality, the State, the National, and any other agency that you can get involved to meet a problem, that is the way to do it. You rely on the versatility of the methods you have available to you.

The adoption of S. 3278 would also be helpful in meeting the problems of the Camden-Philadelphia area where proposals for mass rail transit have been made under study since the 1920's. A transit study published in 1956 recommended rail transit improvements costing several hundred millions of dollars. Then, with the adoption of the Federal Interstate Highway Act, emphasis shifted from rail to highway. Engineers who restudied the rail transit needs of the area in relation to the highway program have come forward with more modest recommendations.

Senator CLARK. I would like to point out it is absolutely vital to the future of the Greater Philadelphia area that the New Jersey rail transit plan should be a success.

Governor MEYNER. I could not agree with you more wholeheartedly, Senator.

Funds that would be made available through S. 3278 could finance the balance of the capital needed to get this program underway.

S. 3278 will not cause New Jersey's transportation problems to vanish, but it would be a start on the road back. I respectfully urge the adoption of this bill to meet the critical need for money to execute our program.

Senator WILLIAMS. Thank you very much, Governor Meyner.

Senator CLARK. No further questions.

Senator WILLIAMS. Senator Bush?

Senator BUSH. No questions.

Senator WILLIAMS. Your conclusion is the conclusion that we have had from Senator Bush: that it would not, of course, solve all of our problems, but it is a step in the right direction.

Senator JAVITS?

Senator JAVITS. No, thank you. I am very interested in the Governor's statement.

Governor MEYNER. I might say I am disappointed.

Thank you very much.

Senator WILLIAMS. We are all worn out from the last hour and a half, I guess.

Governor MEYNER. Thank you.

Senator WILLIAMS. Thank you very much.

Senator CLARK. You are just too persuasive. Nobody wants to take you on.

Governor MEYNER. You are unduly complimentary.

Senator WILLIAMS. Our next witness is the chairman of the board of the Pennsylvania Railroad, Mr. James Symes.

Senator CLARK. Mr. Chairman, would you mind if I made this preliminary comment to advise my colleagues who are here, and those who are not here but who will read the record, of the extraordinarily helpful role that Mr. Symes has played in the whole business of traffic and transportation, metropolitan area improvement, in the Greater Philadelphia area ever since he first became president of the Pennsylvania Railroad and continuing now that he is chairman of the board.

Actually, I do not know what I would have done as the mayor of Philadelphia without Mr. Symes.

I know my successor, Mayor Dilworth, feels the same way.

I am sure we are going to get a very objective and helpful presentation from this first-class citizen of the Greater Philadelphia area.

Senator WILLIAMS. I might say, Mr. Symes, all of these kind words were said yesterday, even before you got here, by Mayor Dilworth.

Senator CLARK. I point out my only disappointment is he is a Republican.

**STATEMENT OF JAMES M. SYMES, CHAIRMAN OF THE BOARD,
PENNSYLVANIA RAILROAD CO.**

Mr. SYMES. Thank you, Senator Clark. I can say it has worked both ways.

Senator JAVITS. Mr. Chairman, we hope that Senator Clark has not persuaded you by that last speech.

Mr. SYMES. Noncommittal.

Senator WILLIAMS. We have your prepared statement, Mr. Symes, and we will receive it, and you proceed in any way you choose.

Mr. SYMES. As you know, my name is James M. Symes, and I am chairman of the board of the Pennsylvania Railroad Co.

I do appreciate this opportunity to appear before your committee to assure you of the need for Senator Williams' bill, S. 3278, which would help to improve mass transportation services in an effort to cope with the transportation problems of the Nation's metropolitan areas.

I have filed a rather lengthy prepared statement, and I would like to take a short time to summarize its contents. But before doing so, Senator Bush and Senator Clark commented that this is not the answer to the whole problem. Certainly, it is not the answer to all of the railroads' problems, but it is, I think, a step in the right direction in combating one of the most important railroad problems.

What is the matter with the railroads?

It is being studied, it is being discussed, and editorials are being written all over the country, in every newspaper, and there have been so many articles written that it is very complicated. But actually it is quite simple—the troubles of the railroads.

The first thing is our lack of earnings and credit to modernize and maintain our plant and take advantage of technological improvements that will improve service and reduce cost. We just have not had the money to do what should have been done. Why?

Well, the main reason why is we have been required ever since World War II to live in that inflationary economy insofar as costs are concerned, wages, materials, and so on, but, as a regulated industry, have not been permitted to live in the inflationary economy insofar as pricing is concerned.

And why was that? Two reasons. First, subsidy of our competitors, and, second, overregulation—still being regulated as a monopoly. So here we have a free enterprise system, supposedly, with our hands tied.

What are the three most important things of the free enterprise system as we know it as far as management is concerned? It is pricing; it is cost, control of cost, and services. What do we find? First, pricing: we cannot price our product without approval by regulators, either the Interstate Commerce Commission or a Public Service Commission, or both. It is true that we can recommend, but the final jurisdiction comes from them.

Costs in our industry—55 percent of our costs, of our revenue dollar, are wages. So what do we find there when we get into a dispute with labor on wages or working conditions, and we get a lot of them? We cannot settle them across the table. Then, we get into an argument, and there is a strike called. The President appoints a Presidential emergency board or an arbitration board, and they listen to it and decide what we are going to pay, what the rules are going to be.

The next is service. We have an unprofitable passenger train. You cannot take it off without approval, even though the people abandoned it, and we cannot close the station. The same is true with inspections, and many other maintenance matters are controlled by Government edict. And the people who are controlling these three important things have not any managerial responsibility for what they do.

In fact, none of them are related to the other. They go down the line on three different things, and we are the victims. It does make it pretty tough for the railroads to live in a free enterprise system, and that is our entire trouble, that sort of setup.

One of the most serious problems, I say, facing metropolitan areas today is the movement of people between their places of residence and business at minimum total cost. The economic factors of this problem could be summarized by saying that, under present conditions, private enterprise cannot furnish suburban railroad service except at a loss. This has been the result of many unrelated acts of Government.

Annual Federal expenditures for the benefit of railroad competitors have doubled since 1956 compared with the 10 years prior to 1956. The Federal Government has already spent more than \$4.5 billion and is currently spending over one-half billion dollars an-

nually for the benefit of air transport, without support from the users, thus causing further diversion of railroad passenger travel, as Mr. Alpert so ably showed.

In addition, almost \$11 billion a year is being spent by Government for highway purposes. These highway expenditures increased in 1959 to a rate 5.6 times the 1921 expenditures in constant dollars. Legislation producing the so-called user taxes for the Interstate Highway System, actually diverts annually \$600 million from general funds to support highways. Turnpike construction and programs of the Port of New York Authority have diverted many passengers from our trains.

In the last 4 years, \$200 million in Federal and \$85 million in State expenditures paralleled and duplicated our freight and passenger services with highways in New Jersey alone. These and previous expenditures enabled a busline to use public facilities and pay per bus-mile only about one-fourth what the Pennsylvania Railroad pays per freight and passenger car mile to use its own facilities and pay taxes in New Jersey.

The Nation's metropolitan areas not only are faced with ever-increasing traffic congestion but also are required to make enormous expenditures from general funds for highway purposes. Annually, \$27 million is spent for highways from general funds by the city of Philadelphia. New York City takes \$100 million annually from general funds for highways. The Federal Highway Act of 1956 has made it necessary for State and local governments to provide large sums of money to match the Federal appropriations for interstate highways and to provide supporting facilities. The maintenance of these new highways will be an even greater burden upon local government in the future.

The result of these various Government policies has been to divert much freight and passenger travel from the railroads and to weaken the railroads' financial structure. This is especially true with respect to our passenger services and our suburban passenger services, in particular. Following World War II, with total freight ton miles increasing 40 percent, railroad freight traffic decreased but the business of our competitors, using publicly financed facilities, increased terrifically. Passenger transportation followed a similar pattern: Passenger miles on the Pennsylvania Railroad decreased 60.9 percent, but the business of competitors, using publicly financed facilities, increased tremendously. These publicly financed facilities for the use of our competitors pay no State or local taxes, while the Pennsylvania Railroad paid \$33 million for such taxes last year.

The problem is acute in our metropolitan areas where the suburban services being performed by the railroads at a loss are an essential public service and a vital part of the mass transportation problem.

The Pennsylvania's suburban losses exceed \$12 million a year. These are real losses in cash dollars. Various factors contribute to these losses: Labor and material costs have spiraled to new highs as the result of increasing wage demands and inflation, prompted indirectly by acts of Government. Rail fares have been held down and restricted by Government, so that our revenues have been insufficient to meet the costs of these services.

Much of our offpeak weekday and weekend suburban travel has been diverted to forms of transportation using government-financed facilities, so that our suburban services primarily have the job of carrying the peak rush hour loads only 2 hours each way, 5 days a week. As a result, over 80 percent of the equipment and crew personnel used in this service is needed only 20 hours per week. Obviously, no private enterprise can survive with utilization of equipment and personnel on that kind of a basis.

However, the enormous expenditures for highway improvements have resulted in increasing downtown congestion, and diversion of passengers from rail transportation. Los Angeles is an example of a metropolitan area with a serious transportation congestion problem. It once had an extensive suburban rail network, with 4,100 trains a day, operating on 1,000 miles of suburban rail lines. Today, it is dependent on highway transportation for commuting, and is sadly in need of a rapid transit rail system, as admitted by everyone who is familiar with it.

Last year, San Francisco turned down \$377 million worth of freeway construction planned by the division of highways because of the devastating effect that freeway construction has upon land use, property values, and tax assessments in densely populated areas, and has designed a proposed mass transit rail system.

Other metropolitan areas such as Chicago, Cleveland, Pittsburgh, Boston, Baltimore, and even here in Washington, are proposing or considering rail rapid transit systems to alleviate highway congestion, and provide the public with the best total transportation system at the least total cost to the public as a whole. Probably the best progress and approach to this problem has been made in Toronto. There the first subway, opened in 1954, preserved the downtown area and increased annual property tax revenues by an amount equal to 2½ times the fixed charges on the subway construction. A second subway, costing over \$200 million, is now under construction.

Senator CLARK. Let me interrupt for a second, Mr. Symes, because I think this subway problem has to be put in perspective. Senator Bush asked a question of Mr. Alpert a little while ago about the use of New York City subways. Of course, you are familiar with the Philadelphia subway and its proposed extension. But, actually, it is true, is it not, that we cannot expect a subway system to reach out far enough to bring in the people from the suburban areas who are going to want to come in and leave town every day. So the subway is a good thing, but it certainly is not the total answer, is it?

Mr. SYMES. Absolutely not. The cost of projecting it to the real urban areas today would be absolutely prohibitive. As I will come to later, we already have a system to do what a subway would do, but it would be a duplication at terrific cost.

If Federal policies continue to develop transportation facilities without any program for all transportation, railroad passenger service must ultimately disappear. As private enterprise, we have no other choice but to attack our losses by raising fares and removing service. As remarked upon by Mr. Alpert, that is our only alternative as representatives of the stockholders. Insofar as mass transportation is concerned, both of these approaches are self-defeating.

Senator CLARK. We actually have a classic example in Philadelphia, do we not, with the Philadelphia Transportation Corp., and also, to a lesser extent, with your own suburban line, the Reading?

Mr. SYMES. That is right.

Public authorities have stated that sufficient facilities could not be constructed to carry suburban railroad rush-hour passengers by highway. If it were possible, \$1,273 million would be needed for new highways just to carry the Pennsylvania Railroad's suburban passengers by automobiles in the New York Philadelphia areas. It would be far cheaper for the Government to pay the railroads for these services than to make terrific highway expenditures, which would not solve the problem, but would create more. Furthermore, rail systems require a minimum of land contrasted with other systems of equal capacity. This fact permits maximum proper land use, which is absolutely essential in our metropolitan areas. It preserves the core area and increases, not reduces, the urban government income by increasing, rather than eliminating, tax ratables.

In analyzing the effect of this problem throughout the country, it is important that government recognize its responsibility to make all forms of urban and suburban passenger transportation part of its public services. Private enterprise, in the form of the suburban railroads, cannot afford to subsidize the communities by rendering these services under present circumstances. At the same time, the public and the large metropolitan areas cannot afford to do without the suburban rail lines in order to carry peakloads. The suggestion that suburban railroads continue to be used to carry these peakloads does not imply that metropolitan highway development should be curtailed. In fact, many metropolitan areas are learning that these rail systems will be necessary to handle the peakloads in order to make their proposed highway systems less costly and more efficient.

Probably the most sensible development in connection with the Interstate Highway System has been the combined use of highways with rail transportation in Chicago. There the rail rapid transit line, operating in the median strip of the Congress Street Expressway, is handling over 12,000 passengers per hour during the peak hour. This volume is only one-fourth of the designed capacity of the rail line. The four lanes of the highway at peakload are carrying only 7,650 people in the rush hour. The significance of this contrast is that one track of the rail line has the capacity to carry over six times as many people as now travel on the four lanes of the highway at the peak hour. To provide the present peak capacity of this rail line would require, in 1 direction, at least 20 additional lanes for automobiles, or 7 additional bus lanes, if everybody were forced into buses.

My testimony has described the problems facing railroads rendering suburban passenger services and how the magnitude and extent of these services has diminished in many metropolitan areas of the country. At the same time, my testimony has shown the important role being played by the suburban railroads in carrying the peak rush-hour volumes of people between the suburbs and the central core areas. The efficient and economical movement of these peakloads by suburban rail systems has become a matter of public necessity as well as economics.

However, as private enterprise, as I said, the railroads cannot continue to carry this load, subsidizing the public and its government, and remain economically sound. If the policy of the Federal Government is to continue to develop different types of transportation facilities, without any total program for transportation medium, then ultimately the suburban services as we now know them must disappear. On the other hand, the suburban rail services are indispensable to the development of the total metropolitan transportation systems. Metropolitan area governments can save public money by contracting to use these facilities, and reimburse the suburban railroads for the cost of carrying the peakloads, rather than by wasting millions of dollars to carry additional peak-hour highway loads which create congestion and chaos in the metropolitan core.

The Pennsylvania and the Reading Railroads have cooperated with the city of Philadelphia in experiments to solve the suburban transportation problem. The results from the city's standpoint have been most satisfactory. The program has started to expand, but the city needs help to solve this problem. Neither private enterprise nor local government can do this job alone, especially when the enormous amounts of Federal-aid expenditures for highways are creating an imbalance in the total transportation system.

Senator CLARK. Mr. Symes, let me interrupt you, if I may, to recall to your mind that this Philadelphia program is the result of a long-range plan which took a good many years to develop by the urban traffic and transportation board of which you were a very distinguished member. This legislation presently pending would make available planning grants so that other cities which are still dealing with this problem on a kind of piecemeal basis would have the opportunity to get together a workable plan which would help solve this problem. Would you not agree that the planning process is very important in this whole field?

Mr. SYMES. Very much so, and I would say this: After having been associated with this Philadelphia plan over the years, what has been done here has been a wonderful thing. But there is still a lot to be done to complete it, and it could very well set the pattern for a great many metropolitan areas around this country, the experiment that is going on there today. And it does require money to put the finishing touches on it out in the suburban areas, not in the city limits.

The potential is terrific, and we have demonstrated very definitely by this experiment that it is possible to take people out of their automobiles in the morning and evening peak and put them on mass transportation. To me, that has been the best test of the service.

Senator CLARK. Even though your equipment is not what you require?

Mr. SYMES. That is right. The equipment is 40 years old, and we do not have the parking facilities at the stations in the suburbs.

Senator CLARK. So even though you had two strikes against you, you were still able to do a job.

Mr. SYMES. That is right. We have increased the number of passengers by 25 percent on those lines. Whereas the lines we did not experiment with are continuing to go down.

Senator WILLIAMS. I might say, Mr. Symes, under the provisions of the bill, the money would be available for parking facilities, too, in the suburban areas.

Mr. SYMES. That is correct, and I think it is very important. As a matter of fact, it would pay off because you could put in parking meters that would pay for the cost of these parking areas, in my opinion. It would be a full payback as far as I am concerned.

Senator WILLIAMS. I know in my hometown, as a commuter down in New Jersey, the parking lot has meters, and it is filled every day.

Mr. SYMES. That is right.

Senator WILLIAMS. And it does stay filled.

Senator CLARK. You are doing that now, Mr. Symes?

Mr. SYMES. We are doing it now, Senator Clark, in a lot of stations because the stations were there, and it is limited now. What we are going to have to do is change the stations to some place where there is parking. You take Ardmore and Bryn Mawr and up Chestnut Hill. There is not enough parking at the stations.

Senator CLARK. I think you know my little station of Highland, which is now getting free parking up and down three streets to such an extent that you can hardly get through the street itself. But at the Chestnut Hill station, you do have a reasonably extensive parking lot. Has that been pretty much paying its own way?

Mr. SYMES. Oh, yes. Our big problem there is to keep the people from the supermarkets from using them.

Many of our Nation's metropolitan areas possess a great transportation resource in their existing rail lines which are capable of being used for suburban rail transportation purposes. As an example, I direct your attention to the map accompanying my testimony, which is the last page, which shows the major rail lines in the Philadelphia metropolitan area which are available for suburban railroad passenger operations. Note the interstate character of these lines. Note how these lines provide excellent distribution into the suburbs of the metropolitan area and enter the center of the metropolitan core with a minimum of land use, without destroying tax ratables and without causing congestion on the surface, streets and highways.

The costs of new systems being contemplated in some areas are large, but they will be a wise investment contrasted with the even larger amounts which would be required for additional land-consuming highways, which would be required to carry the loads projected for the rail systems. The cost of reproducing the rail facilities shown on this map would be one-half billion dollars. Grades for the most part have been separated. The stations are there. The two big terminals, the Reading terminal and our own two terminals downtown give complete access to the whole center core of the city. It is all there ready to use. All we would need is some good equipment and parking spaces.

Senator WILLIAMS. Does that figure include land costs?

Mr. SYMES. No, the land costs in there today would run away. That is just for constructing these 1,500 miles of track.

Senator CLARK. Mr. Symes, when you say the grades are, for the most part, separated, you mean actually that these are limited access rail lines on which express service could be furnished?

Mr. SYMES. Could be performed; that is right.

Senator CLARK. Without intersecting highways, which cause the major problem.

Mr. SYMES. That is right. For the most part, they have already been eliminated, either over or under. That was a terrific expense, but that is behind us.

Instead of forcing these rail lines out of business as the result of competing with Government-supported highway systems, how much cheaper it would be for the metropolitan areas to support, and utilize, the present rail systems.

New equipment and large parking areas at outlying points will enable the rail lines shown on this map to perform an essential service in a coordinated and integrated total passenger transportation system. All that is needed is public support for the public services rendered by these rail lines, just as public support is given for other public services such as water, sewer, fire, police, highway, and air transportation. Because of the tremendous financial burdens placed upon them by Federal aid expenditures, primarily for highways, local governments are today hard pressed for funds, and have seen their debt increase over 300 percent in the last 10 years. Therefore, the leadership needs to come from the Federal Government which has created this physical and financial problem.

I have described our problems, and why we cannot afford to provide, let alone improve, these services. I have shown how the Federal Government has poured millions of dollars into capital expenditures for other transportation facilities. We, as private enterprise, cannot afford to risk funds for passenger facilities and equipment to compete with Government-financed modes of transportation. I have also told you of the terrific increase in debt of our local governments, and our State governments are in the same condition, all as a result of Federal activities. These are the reasons why funds for capital expenditures for mass transportation must come from the Federal Government.

Therefore, metropolitan mass transportation bill S. 3278 should be passed to assist local governments and their public instrumentalities in improving the mass transportation services in our metropolitan areas and to give the public the best transportation at the least total cost.

S. 3278 represents an adequate vehicle with which to begin a transportation loan program upon which Congress can build in the future if the program proves to be successful in meeting the real need, and I am sure that it will. I think you are to be commended for your prompt consideration of this legislation and your support for it is urged as a step in the right direction toward solving the increasing transportation problems of our big cities. If this is not done, then the Federal Government will continue to waste money by destroying the central core of our cities, and will then spend billions to rehabilitate the damage and chaos it has created.

That is a summary of the statement I have.

Senator WILLIAMS. Thank you for an extremely helpful statement.

Senator CLARK. Could I ask one question, Senator?

Senator WILLIAMS. Senator Clark.

Senator CLARK. Mr. Symes, how important, in your view, is the low-interest feature in this bill? The administration opposes it and wants to have the regular market rate of interest apply to the bill. Some of the witnesses have testified that that might break the proposed program. What are your own views?

Mr. SYMES. It certainly would have some effect if it was a high interest rate, but I recall it calls for whatever rate the Government has charged the Treasury plus a quarter of 1 percent.

Senator WILLIAMS. Average cost.

Senator CLARK. It is the same rate that we apply now on the college housing program, which is, I think, one-quarter percent above what the Treasury is paying on all outstanding Government obligations on the average. However, that is, I think, at least 2 percent lower than you would have to pay on the open market.

Mr. SYMES. I should think that if the interest rate was the average cost of money to the Government plus a quarter of 1 percent for the good of this cause, it should not be a deterrent. If it were more, it very well could be some deterrent. Not too much, maybe.

Senator CLARK. I am going to let you argue with Senator Bush about that.

Senator WILLIAMS. While we are on that, I wonder if you could give the position of your railroads with respect to the Transportation Act of 1958. Have you used the provisions of that act, which is a loan-guarantee program?

Mr. SYMES. A Government loan. No, we have not used it, Senator Williams.

Senator WILLIAMS. Is the cost of money under the loan guarantee program a deterrent?

Mr. SYMES. That was not a deterrent to our using it. I do not think we would qualify in the first place under the provisions of it. In addition, you would have to take a pauper's oath to even get in the door to get some of it, under the conditions.

Senator WILLIAMS. Just one further question before you go on to Senator Bush's inquiries. Do you believe that the provisions of this legislation would be used by that metropolitan area?

Mr. SYMES. I am very certain that it would, yes. I am very certain it would because the city itself cannot do it.

Senator WILLIAMS. Senator Bush.

Senator BUSH. I have no questions, Mr. Chairman. I missed the discussion about the interest rate problem.

I would, on item D on the summary here, reiterate what I have often said that I think the existing law should remain the way it is. I would like to see this stricken out of the bill inasmuch as I do not think these loans should be made with an interest rate computed on the basis of the average interest rate payable on all Government loans when they are long-term loans. In other words, the interest charges payable to the Government should be based on the rate of interest paid for loans of a comparable category. Other subsidies could be given, but I believe they should be given directly. I do not think the Government should be in a position of borrowing money at a high cost and lending it out at a lower cost.

Do you want to comment on that?

Mr. SYMES. I have one comment on that in this respect, Senator Bush. In principle, I agree with you 100 percent. But this is so important to government, I would not want anything to deter it in any way. It might have some slight effect. But I think government has much at stake in this. Actually dollar savings in the long run, of somebody's money. There is not any doubt in my mind after care-

ful study that for each dollar put into this, there will be a savings of \$10 of somebody's money. I do not care whose money it is; it is dollars. I think there ought to be some little incentive there to encourage it.

Senator BUSH. This would give a pretty good incentive. It puts the long-term credit of the Federal Government right behind it, and that is about as good as you deserve, I think.

Mr. SYMES. I cannot ask for very much more than that.

Senator BUSH. I have no more questions.

Senator WILLIAMS. Thank you, again, Mr. Symes. It is a very great pleasure to have you.

(The prepared statement of Mr. Symes follows:)

STATEMENT OF JAMES M. SYMES, CHAIRMAN, THE PENNSYLVANIA RAILROAD CO.

Mr. Chairman and gentlemen of the committee, my name is James M. Symes. I am chairman of the board of the Pennsylvania Railroad Co. I have been associated with the railroad industry for 44 years, mostly in the operating department.

I appreciate the opportunity to appear before this committee and understand that your present inquiry deals with the nature and extent of the urban mass transportation problem and the need for Senator Williams' bill S. 3278 to help improve mass transportation services in an effort to cope with this problem. You are to be commended for the promptness with which you are considering this legislation. It indicates your recognition of the seriousness of the metropolitan mass transportation problem.

Before commenting on this subject, I would like to state that the Pennsylvania Railroad plays a very important part in the performance of suburban passenger transportation services of our Nation's metropolitan areas. Our facilities serve many of these areas from the eastern seaboard to the Mississippi Valley. We have extensive suburban passenger services serving northern New Jersey and New York City, Philadelphia, and Pittsburgh with other suburban trains serving Baltimore, Washington, Cleveland, and Chicago.

While these areas vary in size as well as differing in the extent which they are served by suburban railroads, their basic mass transportation problems are similar. They are faced with a major problem with regard to all forms of transportation. As cities grow, the situation becomes more acute. Varying in magnitude, the problem is very much the same whether you are in California or in New York. Traffic congestion is mounting, and, with it, increasing transportation costs. It has been estimated that in just the New York area traffic congestion is costing the public over \$2 billion a year.

The public finds itself paying more and more for transportation through increased taxes, increased congestion, and increasing fares of the public carriers. The story is one of increasing traffic congestion both on newly constructed metropolitan highways as well as city streets. Government leaders recognize the problem being created by the tremendous costs occasioned by the transportation demands generated by an increasing population, and the absence of a total transportation plan in either the local, State, or Federal Government.

While the nature of the problem is the same, the degree of its impact in different areas is not the same. It exists to a much greater degree in the densely populated sections of the country such as Los Angeles, San Francisco, Chicago, Detroit, Cleveland, Philadelphia, New York, Boston, and right here in Washington. On a smaller scale, the problem exists in other areas where bus lines which took the place of the former railroad rapid transit and interurban lines have in some cases obtained special tax and other concessions to keep them alive or have gone out of existence. The problem exists throughout the metropolitan areas of the United States where two-thirds of the present population of the United States live and move, and where 85 percent will live by 1980.

The suburban services being performed by the railroads as a public service are a vital part of this problem. We are faced with tremendous losses in the operation of these services. On the Pennsylvania alone, our suburban service losses exceed \$12 million a year, and these are real losses in cash dollars.

To understand the developments of this problem, it is necessary to review history. The suburban transportation problem is the direct result of many unre-

lated acts of the Federal, State, and local governments, combined with technological improvements in other forms of transportation. Up to this time, regulation, promotion, and treatment of various forms of transportation have been segregated at the Federal, State, and local levels. There has been little or no coordination which would permit the Nation to benefit from the inherent advantages of each transport mode. The need for correction of these conditions is pointed out in the Department of Commerce report of March 1960, on "Federal Transportation Policy and Program".

The unrelated actions of the Federal Government started when railroads had a virtual monopoly on the land movement of people, except in very small local areas. At that time, the railroads operated extensive through and local passenger service. Local trains, connecting various communities and the fringe areas of larger cities acted as feeders to the through passenger trains. In the case of the Pennsylvania Railroad, this passenger service was profitable.

As the population expanded from the central cities into what had previously been the local towns along the railroad, a daily movement of individuals between the local towns and the center cities developed. During that transition period, there was demand for reduced rates for people traveling this route regularly. So-called commutation rates were established even prior to 1900, and approved by the Interstate Commerce Commission. These commutation rates, as established on the Pennsylvania, were about one-third the regular passenger rates. They were described and approved by the Interstate Commerce Commission as "additive" revenue accruing over and above the normal local passenger train revenues and were, therefore, a cut-rate business. Today, the regular rail revenue at basic rates, as well as the feeder value of these trains, has practically disappeared. All that remains are the peak rush hour volumes of people who travel at the deficiently low rates originally fixed to produce only "additive" revenue, and which were recognized, at the time when they were described as such, as being totally inadequate to carry the total costs of the service.

In spite of the efficiency which we have been able to effect, the railroad has not been able to escape the torrent of increasing costs. Today, we are paying hourly wages which, on an index basis, are 400 percent of what we paid in 1921. The similar index cost of materials and supplies is 250 percent of what it was in 1921, so that the combined index costs of wages and materials and supplies is 350 percent of what it was 39 years ago.

Contrast this with the fact that the basic coach fare today is only 14 percent higher than it was in 1921. The commutation yield has increased 100 percent, but it is still only 70 percent of today's basic coach rate. In spite of its low yield, this cut-rate business is the main source of revenue to pay our expenses for carrying the peak rush hour volumes of suburban rail travel which occur only 20 hours out of each week.

It is true that we have not paid the total differential of the cost increase in dollars, because we have improved efficiency by the capital expenditures which we were able to make, and have been forced to curtail other expenditures. However, even if half of this cost increase could be absorbed, it should be obvious that no business could survive profitably with an increase in rates of only 14 percent and an increase in costs of 250 percent.

This may raise a question in your minds as to why the rates were not increased. A pattern of Federal expenditures and control has restricted rate increases.

With the development and improvement of highway transportation, starting even prior to 1920, there came the continuing expenditure by all forms of government for highway improvements, increasing practically every year. The States started an improved road program. The Federal Government, through the Bureau of Public Roads, which was originally in the Department of Agriculture, started Federal aid highway programs. Millions of Federal general tax funds were diverted to highway improvements, greatly promoting and enabling extensive use of the private automobile.

These publicly financed highway activities, augmented by various public works programs, continued until the Federal Highway Act of 1956. This act established some new taxes and, in addition, appropriated a number of excise taxes heretofore credited to the general fund. With the 90-10 program on top of the 60-40 and 50-50 programs, inspired by the Federal Government, the expansion of highway building absorbed all the funds that State and local areas could produce, not only from highway user taxes but by additional diversions from general taxes. The State and local areas now have practically no reserves

left to meet other problems, and, in fact, their debts have increased 309 percent since 1946.

With such help from all levels of government, the private automobile became one of the biggest competitors of the railroads and diverted much of their profitable passenger business. Highway development also saw the growth of bus lines which could use at the owner's discretion the publicly financed facilities made available to them. Bus rates were established just below rail coach rates, and, continuing in that position, were able to divert much passenger traffic from the railroads.

Concurrent with the expansion of automobile use came the development of air transportation, subsidized almost immediately by the Federal Government. At the same time, the Federal Government started an airport and airway system program to promote aviation. The Federal Government also paid the cost of practically all the research and development that went into new planes, while another branch of Government subsidized the airline operators and guaranteed a substantial profit. Gradually, some of these direct subsidies to certain trunk airlines were eliminated.

In the meantime, growing public expenditures for the airports (half of which came from the Federal Government) continued to build and expand the terminal facilities. Local governments, which had to produce matching funds for airport improvements, frequently found it necessary to finance these improvements by bond issues supported by general taxation. The Federal Government also furnished the constantly expanding air navigational facilities and airways system. Air rates were established just above the rail rate structure (and, in certain cases are now below rail fares). Thus, they have created a ceiling pressure, to keep rail rates down.

In 1936, the Interstate Commerce Commission reduced rail coach fares from 3.6 cents a mile to 2 cents a mile, and it was not until 1957 that rail coach rates had again reached the level which they were in 1921. State regulatory agencies patterned their practices after the examples set by the Interstate Commerce Commission and other Federal groups, so that the railroads in rendering their suburban passenger services, as well as their through passenger services, found themselves caught in an economic vise between ever-increasing costs and continuing restrictions upon management freedom to adjust fares and services, to meet these rising costs.

The Interstate Commerce Commission continues to assume control of basic coach and "commutation" fares. Various public utility or other regulatory commissions, as they have been established throughout the States, patterned their activities after those of the Interstate Commerce Commission and assumed control over intrastate rates.

Following the pattern set by the Interstate Commerce Commission, the various State commissions have assumed more and more jurisdiction over rates and services. Local areas, as exemplified by activities in Pennsylvania and New Jersey, have increasingly protested increases in suburban service fares and have also attempted to control the amount of service remaining, on the basis of public need.

The problem of increasing costs, restricted fares, and loss of management freedom would have been sufficiently bad if railroad traffic had maintained the peak levels which the railroads once enjoyed, but the railroads have seen much of their traffic, both freight and passenger, diverted to other forms of transportation practically all of which use facilities financed by Government and which received direct or indirect financial help from the Government. Although the population of the United States increased 26 percent from World War II to 1959, the freight business of the inland waterways rose 304 percent, of the airlines 620 percent, and of motor trucks 235 percent, but railroad freight traffic declined 3 percent. Only 30 years ago, railroads handled 75 percent of the Nation's total intercity freight traffic. Today, the railroads account for only 45 percent of the total volume, primarily as the result of this Government-supported competition.

These Government-financed facilities, used by railroad competitors, pay no State or local taxes while the Pennsylvania Railroad in 1959 paid \$33 million in State and local taxes, practically all of which were property taxes or in lieu of property taxes upon its own privately financed facilities.

A similar situation exists for the intercity passenger traffic. Since 1946, with a population increase of 26 percent, total passenger transportation has increased 109 percent. Passenger traffic by highways is up 144 percent; private airplanes

show an increase of 376 percent; and air carrier traffic increased 404 percent; but railroad passenger business decreased 66 percent. Note the terrific increase in highway as well as private and commercial air travel, using publicly financed facilities.

We do not have the financial resources, nor will we be able under any stretch of the imagination, to continue absorbing the losses occasioned by our passenger services, a large part of which are caused by our suburban service losses in the metropolitan areas. Since World War II, our passenger losses have exceeded \$644 million, and these losses are actual dollars. In 1958 and 1959, they consumed 79 percent and 56 percent, respectively, of our freight earnings, which are already too low, as the result of the diversion to other forms of transportation using publicly financed facilities.

As the result of these low earnings, we have been forced to curtail the use of maintenance of way materials to a new low. During the last 5-year period, compared with similar periods over the previous 30 years, for each mile of track maintained, we have installed the fewest number of crossties, the least amount of new rail, and the smallest amount of secondhand rail. The culmination of these forced curtailed expenditures has resulted in deferred maintenance to way and structures as of December 31, 1960, amounting to \$204 million.

This same lack of earnings has had a similar effect upon our freight and passenger equipment. The size of our passenger train car fleet is the lowest in the last 35 years. Compared with the equipment situation 30 years ago, just prior to World War II, the number of our passenger train cars has decreased 23 percent, the average age has increased 60 percent, and the number of unserviceable cars has increased from 6.7 percent of the total fleet in 1940 to over 25 percent of the fleet today. A much similar situation obtains with our freight train cars, the fleet being the smallest it has been in the last 35 years, and the number of unserviceable cars the highest which we have had in the last 20 years. As of December 31, 1959, the deferred equipment maintenance on the Pennsylvania Railroad totaled over \$67 million. Thirty-three million dollars of this was chargeable to passenger train cars due or overdue for class or intermediate repairs. With respect to our passenger train fleet, excluding suburban service electric coaches, 84 percent are over 25 years old. Of the multiple unit electric cars used in our suburban passenger service in the metropolitan areas of New York, Philadelphia, Baltimore, and Washington, 67 percent are over 25 years old.

In the face of such low earnings and Government-supported competition, the railroads, and the Pennsylvania Railroad in particular, have not been able to earn the rate of return necessary to maintain a healthy financial situation, much less earn a return comparable with other industries. For the years 1955 through 1958, the rate of return on net assets for nonregulated corporations, except financial institutions, averaged over 10 percent. Among the regulated industries, public utilities averaged 9.7 percent. Air transport, using facilities provided and paid for by Government and receiving other forms of Federal support, had an average return of 9.1 percent. The shipping industry, with large Federal subsidies, was able to average 10.6 percent. Class I railroads earned only 4.9 percent; and traction and bus companies, 5 percent.

In contrast, the Pennsylvania Railroad was able to achieve a meager return of only 1.9 percent. If we had not been forced to absorb over \$200 million of passenger losses in these 4 years, we would have earned about 3.6 percent. However, even this would have been an improvement. Yet, contrast this with the 10.25 percent rate of return on investment tentatively recommended by the Civil Aeronautics Board for the big four air carriers (American, Eastern, United, and TWA) and the 11.25 percent return recommended for the other eight domestic trunklines.

Another result of this poor return which has been largely due to our passenger losses has been that our capital expenditures have fallen to a new low rate compared with our business. In 1958, our capital expenditures for equipment amounted to only \$34,797,000 and for roadway and structures, only \$12,394,000, or a total of \$47,191,000, the lowest amount in the last 35 years. The amount for 1959 was even less, being a total of \$45,456,000 in current dollars. The amount for that we cannot maintain our present position, let alone improve our facilities and services, with such meager capital expenditures as the result of low earnings. The unrelated acts of Government are responsible for those low earnings, and, from the facts which I have presented, you have seen that the Federal Government is primarily responsible.

In the 7 years following World War II, we did manage to purchase more than \$105 million worth of new passenger equipment. We also made large expenditures for heavy repairs to passenger cars when we could afford them. However, in the last 8 years, we have not been able to afford large expenditures for new passenger equipment. In 1956, we did purchase seven coaches of experimental tubular design for use in through passenger service, and in 1958 and 1959, expenditures exceeding \$4 million were made to purchase new equipment for the joint service with the Hudson & Manhattan Railroad between Newark and New York and for six stainless steel electric coaches of entirely new design. The latter cars are an effort by the Pennsylvania Railroad to find the most efficient suburban service equipment which will give the customer the best service. However, we cannot afford to spend additional money to acquire new suburban service equipment, at the same time that we are losing \$12 million annually in providing this service for the benefit of the public and the community. Suburban passenger service is a public responsibility and the solution is a public problem and not a railroad problem.

Contrast the meager earnings of private enterprise and the inability of the railroads to make even adequate capital expenditures with the enormous Federal, State, and local expenditures for public aid to other forms of transportation. In the 10-year period from 1947 to 1956, prior to the Interstate Highway Act, all forms of government spent for highways an average exceeding \$2.4 billion a year, over and above user taxes. For 1957, the highway expenditures from general funds increased to \$2.9 billion. For the year 1958, they increased to \$3.6 billion, even though these figures include a diversion of over a half billion dollars a year from general funds to so-called user taxes. The expenditures for highway and street purposes by all units of government increased from \$1,340 million in 1921 to \$10,884 million in 1959. These are not constant dollars, but even on a constant dollar basis, the 1959 expenditures were 5.6 times what they were in 1921.

From 1955, the year before the passage of the Interstate Highway Act of 1956, until 1957, the year following, an amount exceeding \$1,100 million per year was diverted from general funds to so-called user taxes. It should be recognized that the Federal Government was spending for highway purposes somewhere in the neighborhood of one-half billion dollars from general funds in 1955. This means that \$600 million annually were taken from general funds to support the highway trust fund. At the same time, and following this diversion, efforts to repeal the excise taxes on rail passenger services imposed during the war to restrict passenger travel, were unsuccessful because the Federal Government said it needed cash. In fact, the excise tax on travel still remains.

Let us look at the Federal program with respect to other forms of transport: in the 10-year period from 1947 to 1956, the Federal Government spent \$802 million for the inland waterways, or an average of \$80 million per year. In 1956, \$96 million was spent on the inland waterways, and in 1958, \$111 million, with no income to the Federal Government in the form of "user" taxes.

For air transportation, there has been an average expenditure by Government from general funds of \$236 million per year for the 10 years, 1947 through 1956. This rose to \$257 million in 1957, and to \$332 million in 1958. The program expenditures of Government funds following World War II for airport improvements in States now served by Pennsylvania Railroad passenger trains amounted to \$374 million. Another \$75 million were spent in States which no longer have regular Pennsylvania Railroad passenger service. Across the country, a grand total of \$1,100 million of public funds have been appropriated for airport improvements. One-half of this amount, plus another one-half billion dollars spent prior to World War II came from the Federal Government. Putting it another way, \$450 million, or 40 percent of the total has been programed for States which are, or were, served by Pennsylvania Railroad passenger trains.

Beginning in 1925 at less than a million dollars a year, the expenditures for the Federal airways system have grown to a high estimated for 1961 to be almost \$500 million with a cumulative total through fiscal 1961 of \$2,900 million. The combined expenditures of public funds for airports and airways amount to more than \$4,500 million all without support from the users of these facilities. It is significant that from 1947 to 1956, total Federal aid to all forms of transportation was only 17.6 percent of the State and local expenditures, whereas, in 1958, it had increased to 37.4 percent, or proportionately more than double. These expenditures of public funds provide aid to all other forms of transportation, both passenger and freight, but nothing but restrictions and taxes for the railroads.

This is a picture of Federal aid which has been established by the Government to assist other forms of transport. It is being used to divert freight and passenger travel from the railroads and has created the unequal basis upon which the railroads are forced to compete today.

Additional Federal aid is in the form of subsidy payments to domestic airlines, totaling another \$580 million. This amount does not include premium payments for the handling of airmail. These payments for 1960 are estimated to total \$54,430,000, the largest amount yet. The net result of these Federal Government handouts is further diversion of business from the railroads. The effect of this diversion has been to strip the Pennsylvania Railroad of much of its freight and through passenger business. In the 12-year postwar era from 1947 through 1959, passenger-miles on the Pennsylvania Railroad declined 60.9 percent. Most of this decline was sustained in the through passenger service as the direct result of many unrelated acts of Federal, State, and local governments. This diminution of business has left the Pennsylvania Railroad with a disproportionately large amount of suburban passenger business in the metropolitan areas of the East. Even this suburban passenger service has been adversely affected by the Federal aid and other public expenditures for metropolitan area highway facilities. The construction of Federal-aid routes in the Philadelphia, New Jersey, and New York areas, has provided duplicate facilities, to compete with the services furnished by the Pennsylvania Railroad.

To realize the effect of these Federal Government expenditures in this area, it should be noted that in the 40-year period from 1916 through 1956, only \$85 million in Federal funds were spent on New Jersey highways, or about \$2 million per year. In the 1958-59 program, Federal funds totaled almost \$70 million. In the 1959-60 program, they total \$75 million. For the 4 years from 1956 through 1960, the Federal Government will have provided \$200 million in Federal-aid highway funds against only \$85 million from the State.

It is interesting to note that local highway project funds to match Federal funds are provided not only by the State but also by the Port of New York Authority. In 1956-57, almost \$7 million of Federal Government funds were spent to support port authority facilities and that for 1959-60, over \$51 million are to be spent. All of this is for the purpose of providing facilities directly in competition with the railroads for both freight and passenger, including suburban passenger business. The Port of New York Authority pays no taxes on these facilities. Yet, by contrast, the taxes paid by the Pennsylvania Railroad in New Jersey since 1946 have totaled over \$81 million, or almost \$6 million annually. This inequity is further portrayed by a comparison of the relative costs charged by Government for the use of highways in the New Jersey-New York City area where the Pennsylvania Railroad renders a large amount of suburban passenger service. In 1958, the railroad paid taxes for the use of private facilities it constructed and maintained to the extent of 9.34 cents per car-mile, while the State's largest suburban bus company, Public Service Coordinated Transport, paid a tax of only 3.6 cents per bus-mile for the use of public facilities.

Some people objected to this comparison and they insisted on including the toll charges for use of public facilities by the buslines. To meet this objection, we included the maintenance cost of buildings, stations, etc., as well as the tolls paid by the bus company and added the cost which the railroad must pay to maintain its own facilities. The net result was that 21.6 cents per mile was being paid by the railroad to use its privately owned, constructed, and maintained facilities while the public-provided comparable facilities cost the competing bus company only 5.7 cents per mile. This is not criticism of the bus company. It is only a statement of fact, to show the inequitable treatment by Government of the railroads as contrasted with another private enterprise using facilities provided by the public at a cost of millions of Federal dollars.

The net result of these public expenditures and the development of the port authority's trans-Hudson vehicular crossings is that there has been very little increase in the movement of people. In effect, these expenditures have really served to decrease the number of rail passengers during the last 35 years from a period when suburban passenger business was a profitable business until today when it is no longer profitable. This policy of providing public aid for railroad competitors is repeated in each area the Pennsylvania Railroad serves.

Approximately \$27 million are spent annually from general funds for highway facilities and traffic control in the city of Philadelphia. In a 12-year program, the Pennsylvania State Highway Department will spend \$3 billion, \$2.2 billion of which will be provided by the Federal Government.

Annually \$100 million are taken from general funds in New York City for highway purposes, where almost \$3 billion has been spent just for highway construction since 1931.

In the matter of passenger transportation in metropolitan areas, the Federal Government has not only aided the development of highways, but has also granted extensive subsidies to helicopter services. An outstanding example is the direct Federal subsidy payments to New York airways which have averaged \$38 per passenger since 1953. Even by 1958, the subsidy was still averaging \$24.30 per passenger contrasted with the average passenger revenue of only \$7.21. In other words, for every dollar received from passengers in revenue, the airline receives over \$3 per passenger in direct subsidy from the Federal Government. It is significant that these helicopter lines are projected for suburban service development.

The effect of Government aid to other forms of transportation has been to divert much of the midday and weekend travel from the railroads. Thus, our suburban service is left with the peakloads, 2 hours in the morning, 2 hours out of the evening, for 5 days a week, or only 20 hours out of the week. The development of the automobile and the 5-day week have taken away practically all Sunday travel or a large part of the Saturday travel, and have decreased the total Monday to Friday travel. However, from 1940 to 1959, the weekday peak hour load has increased 59 percent in the New York area where practically all of our suburban service is interstate. In the Philadelphia area, the increase of the 5-day per week peakload from 1940 to 1959 has been 60 percent. The increase in the suburban service peak hour loads has been even more outstanding in some areas of extensive suburban development. Even with the enormous highway expenditures and the Federal highway funds spent to divert travel from the railroads in the north Jersey coast area, the number of peak hour railroad suburban service passengers increased 65 percent from 1940 to 1959. The rush period volume (7 a.m. to 10 a.m.) was up 55 percent. In the Philadelphia area, the Media-West Chester line peak hour load increased 70 percent. The rush period load was up 97 percent. Also in the Philadelphia area, on the main line to Paoli, the peak hour suburban service load increased 146 percent with the 3-hour rush load up 129 percent.

The result is that 80 percent of our equipment is required to meet the peakload which exist 20 hours out of the week. The same ratio is almost equally applicable to crew utilization. Obviously, no private enterprise, in the face of rising costs, restricted fares, and Government-supported competition, can survive with utilization of its equipment and personnel on such a basis.

The various statements have been made that railroad facilities are required for freight business and that the charges against the passenger services are only bookkeeping. However, the utilization of our fixed facilities, as measured by the occupancy of our tracks and terminals by suburban passenger trains in the New York and Philadelphia areas, demonstrate that over one-half of these facilities are required for through passenger and suburban service. In fact, if the suburban services were eliminated, most of these facilities could be reduced by at least 50 percent. If all of our passenger services were discontinued, our stations in New York and Newark, as well as our intermediate facilities, could be abandoned and everything from Newark west could be further reduced. Yet, we have an extensive investment in suburban passenger service facilities and equipment in the New York and Philadelphia areas; the Pennsylvania Railroad suburban service investment totals over \$171 million. For years, we have earned no return on this huge investment. Instead, we are losing \$12 million a year, simply to render a public service. Last year, our total passenger losses amounted to \$37,673,049. I can assure you that if all our passenger services were eliminated, we could save every dollar of these losses.

As private enterprise, the railroads have had to attack these losses by raising fares and removing train service in an effort to make ends meet. Insofar as the public and the total transportation situation is concerned, both of these methods are self-defeating. Yet, with ever-increasing public aid being given other modes of transportation and no help for themselves, the railroads have no other alternative.

On the other hand, our Nation's metropolitan areas cannot afford to experience the demise and eventual abandonment of suburban rail passenger service which is so essential to the livelihood of these metropolitan areas, particularly in carrying the volumes of people moving during the peak rush hours. The

untaxed expenditures of the Port of New York Authority, aided by Federal, State, and local funds, have caused a tremendous decline in the morning rush period movement of passengers into New York City from the New Jersey suburbs. Today, 75 percent of the total daily inbound rail passengers travel during the rush period. In spite of diversion, however, during the rush hour, 44 percent of the people still travel by rail. In spite of the investments of the Port of New York Authority to divert passengers to rubber tires, there has been no increase in the total rush hour movement from New Jersey to New York. However, on the other side of New York, from the West Chester-Fairfield suburbs, and from the Long Island suburbs, the rush hour movement of persons has increased 90 percent, and the movement by rail has increased 49 percent.

If the Federal Government is to continue its present policies to divert people from the rails, terrific public expenditures will be required to handle the volume now being carried by rail. We made a study to determine what would be involved in the Philadelphia and New York areas if an expansion of the highway system were necessary to take over the Pennsylvania Railroad's entire suburban load. This study showed that it would cost \$611 million in the Philadelphia area, and \$662 million in the New York area for additional highway facilities to cover just the Pennsylvania Railroad's present suburban train peakload volume by highway along routes over which most of these passengers are moving today. Of course, this study does not show the devastating effect which such highway construction would have upon the suburbs and cities, and upon their tax bases.

We also made a study of the costs of handling increased metropolitan area peak-hour loads by new highways compared with handling them on existing railroad facilities. Because their present volumes are nowhere near their potential capacity, the suburban railroads can absorb large increases in peak-hour volumes at only a fraction of the cost required to expand an already congested highway system, and do so without requiring additional land for rights-of-way.

Therefore, suburban railroads should be an essential part of the total passenger transportation system of any large metropolitan area. They provide reliable all-weather service and can assume, on almost a moment's notice, large increases in traffic volume when other surface transportation is crippled. This was capably demonstrated by the railroads in the recent March snowstorms. With other surface and air transportation crippled, the rail systems were the only bright spots in the storms for thousands of commuters left stranded in their automobiles, bus terminals, and airports. An editorial from the Philadelphia Inquirer of March 5, 1960, summarized the situation as follows:

"Most important of all was the reliable rail transportation. The Nation was given another spectacular example of why commuter trains are the lifelines of big cities and must be preserved."

Furthermore, rail systems require a minimum of land contrasted with other systems of equal capacity. This fact permits maximum proper land use, and taxing capability which is essential in our metropolitan areas. It preserves the core area and increases, not reduces, urban government income by increasing rather than eliminating tax ratables.

A notable example of this is the experience of Toronto, which slightly over 5 years ago inaugurated its first subway system. Of special interest to government leaders should be the increase in property values and, consequently, in the tax base which has taken place as the result of the subway construction and operation. The subway has encouraged redevelopment and new development along its entire route. In the 14 subdivisions which border or are tributary to the subway, assessments increased \$240 million, or over 45 percent, from 1950 when subway construction began until 1959, after 5 years of operation. This was almost double the percentage increase for the 36 subdivisions not adjacent to the subway. Furthermore, increases of 79 and 93 percent have taken place in two of the subdivisions immediately adjacent to the subway. The significant thing is that rather than destroying downtown property values, the subway was virtually paid for itself because of the resulting increase in city tax revenues of about \$5,500,000 in 1959. This is almost 2½ times the amount of money necessary to service the debt on that portion of the subway costs representing the off-street right-of-way and basic structure.

Contrast Toronto's experience with that of Los Angeles. Two-thirds of the total 3,300 acres of downtown Los Angeles is now occupied by streets and parking facilities and is indicative of the problem facing metropolitan areas wholly dependent upon highway transportation for the movement of peak-hour loads.

In fact, when you take away the streets and highways, over one-half of the remaining land area is devoted to parking. At one time, Los Angeles had 4,100 suburban service trains per day on over 1,000 miles of suburban rail lines. These have all been forced out of existence by the publicly financed highway programs in the Los Angeles area. Los Angeles has just received an engineering report recommending the construction of four rail rapid transit lines along major traffic corridors in an effort to solve its transportation problem.

In San Francisco, studies conducted over the last 9 years have reached the point where design of the proposed new rail system is being made in detail. The first phase of this system would cost over \$700 million. The entire system will cost ultimately over \$1,500 million. This program has resulted from the recognition by the people of San Francisco that metropolitan areas need to have suburban rail lines as part of their total transportation system. Just last year, San Francisco turned down \$377 million worth of freeway construction planned by the division of highways because of the devastating effect that freeway construction has upon land use, property values, and tax assessments in this densely populated area.

Other metropolitan areas throughout the country faced with traffic congestion and ever-increasing transportation problems, are recognizing the need for development or expansion of rail systems. This has been the case in Boston, Philadelphia, Pittsburgh, Cleveland, and Chicago, and, of course, you are acquainted with the proposals of the mass transportation plans for the Washington metropolitan area.

In analyzing the effect of this problem throughout the country, it is important that Government recognize its total responsibility to make all forms of urban and suburban passenger transportation part of its public services. Private enterprise, in the form of the suburban railroads, cannot afford to subsidize the communities by rendering these services under present circumstances. At the same time, the public and the large metropolitan areas cannot afford to do without the suburban rail lines to carry peakloads.

The suggestion that suburban railroads continue to be used to carry these peak-hour loads does not imply that metropolitan highway developments should be curtailed. In fact, many metropolitan areas are learning that these rail systems will be necessary to handle the peakloads in order to make their proposed highway systems less costly and more efficient. For example, Dwight Palmer, commissioner of the New Jersey State Highway Department, stated that they had a program worked out for highway development during the next 15 years costing about \$3 billion. This assumed that the suburban rail lines would continue in existence. If the suburban rail lines were wiped out, he stated that they would have to spend \$6 billion, not in 15 years, but in 10 years, and that if he had to do this he could not find the engineers, contractors, cement, steel, and other raw materials within that time; and that if he did find them, he might just as well spray concrete all over the north end of the State, since there would not be enough room to build highways to carry the peak traffic loads.

Even the Port of New York Authority, which has constantly promoted the use of rubber tires for the local movement of people, in announcing the expansion of its bus terminal, made this significant statement, "This, of course, is still dependent upon the continued availability of the existing suburban railroad lines."

The Governor of New Jersey has stated that utilization of present facilities, particularly railroad trackage, is the most logical and least expensive means of solving the mounting transportation problems. In other words, it is cheaper to buy the insurance of the suburban rail lines, to move the peakloads of the individual between his residence and place of business, than it is to do it exclusively by highways, because the problem is one of moving people and not vehicles.

This is easily understood when you analyze the capacity of a single traffic lane in passengers per hour by various modes of transportation. With a capacity of from 40,000 to 48,000 passengers per hour, one track of a suburban rail or rapid transit system is equivalent to almost 20 lanes of expressways handling automobiles. As I previously mentioned, if the suburban railroads were not available to carry these peakloads in the larger metropolitan areas, the public would be faced with even greater expenditures than presently contemplated for its highway system.

The most sensible development in connection with the interstate highway system has been the combined use of highways with rail transportation in Chicago's Congress Street Expressway to carry the peakloads. This project typifies the role being played by the rail systems in metropolitan areas. In August 1956, this eight-lane highway, although not completed to the Chicago city limits was opened to traffic into downtown Chicago. Only 16 months later, the expressway was handling a peak-hour traffic volume almost equivalent to its designed capacity. Today, it is up to capacity of 7,650 people per hour. Yet, during the rest of the day, the eight lanes of this expressway are used at less than half of their capacity. At the same time, the rail rapid transit line, operating in the median strip of the expressway, is handling over 12,000 passengers per hour during the peak hour, and this volume is only one-fourth of the designed capacity of the rail line. The significance of this contrast is that—

1. One track of the rail line operating at only 25 percent of its capacity is carrying more people in the peak hour than four expressway lanes.

2. The rail line has the capacity to carry over six times as many people as now travel on the four highway lanes at the peak hour.

3. Since the highway has the capacity for three times of its off-peak-hour load and the rail line has six times the capacity of the peak-hour highway load, additional highway construction is unnecessary.

4. If this high-speed rail line were abandoned, seven additional expressway lanes for use in both directions would have to be constructed immediately to provide sufficient highway lanes for automobiles to carry the present peakloads, or at least two more lanes exclusively for buses.

5. To provide the present peak capacity of this rail line would require in one direction at least 20 additional expressway lanes for automobiles or seven additional bus lanes, if everyone were forced into buses.

The transportation evolution which has taken place in the metropolitan areas throughout the country has been the result of the transition in vehicle speeds and capacities of our various transportation systems. Until nearly the mid-point of the 19th century, horses and horse-drawn vehicles on dirt roads were the fastest form of transportation. In the middle 1800's, steam railroads and later interurban electric lines were developed and became the prime carrier of people because of their faster speeds and higher capacities. In turn, the development of the automobile brought greater speed and mobility to the urban areas and rapidly replaced the electric interurban and branch lines of trunk railroads. As population and the use of automobiles expanded, the pressures grew for more and better roads and streets. At the same time, more and more space per passenger became necessary because of the low average occupancy of automobiles which, here in the Washington area is about 1.3 passengers per car and in some areas, has reached as low as 1.1 passengers per car. Today, in spite of modern technology, the average speed of the automobile in urban areas during rush hours is down to that of the horse-drawn vehicles. In fact, it is reported that it was possible to cross downtown Los Angeles in a horse-drawn vehicle in 1900 faster than the same distance can be covered in an automobile in the afternoon rush hour today.

This transition has also changed travel distances. The average person seems willing to spend about 20 minutes each way to and from work. By foot, this took him 1 mile; by horsecar, 2; by streetcar, 4; and subsequently, in the 1920's he was able to go as far as 8 miles from downtown by automobile. Later, highway improvements encouraged the movement of people farther out into the suburbs. Today, with increasing traffic congestion on the urban highways, the suburban resident finds his trip lengthened well beyond the former 20 minutes. A further step to the use of modern suburban rail systems would permit not only a reduction in time of trip, but also an expansion of the area available for residential development. Thus, it would appear that it is time for another step in this transition period and that we need to consider the movement of people rather than the movement of vehicles.

This testimony has indicated the problems facing the railroads engaged in rendering suburban passenger services and how the magnitude and extent of these services has diminished in many metropolitan areas of the country. At the same time, my testimony has shown the important role being played by the suburban railroads in carrying the peak rush hour volumes of people between the suburbs and the central core areas. The efficient and economical movement

of these peakloads by suburban rail systems has become a matter of public necessity and economics.

However, as private enterprise, the railroads cannot continue to carry this load, subsidizing the public and its government, and remain economically sound. If the policy of the Federal Government is to continue to develop different types of transportation facilities without any total program for transportation media, then ultimately the suburban passenger services of the railroads must disappear, because passenger losses will force the railroads with suburban services into bankruptcy. On the other hand, the suburban rail services are indispensable to the development of the total transportation system. Therefore, metropolitan area governments can save money for the public by contracting to use these facilities and reimburse the suburban railroads for the cost of carrying the peakloads rather than by spending unnecessary millions of dollars to carry additional peak hour highway loads which create congestion and chaos in the metropolitan core.

Since all transport facilities must be built to handle peak hour loads, such peak hour loads moving along high-density travel patterns can be handled far more economically by mass rail transport than by any other means. Therefore, the public's future will be affected by the extent to which suburban rail systems will be included in a publicly programed total transportation system.

In order to assist in finding a solution to the suburban travel problem, the Pennsylvania Railroad with the cooperation of the Reading Co. entered into an experimental service with the city of Philadelphia to determine whether congestion in midcity could be reduced to prevent the necessity for further high-was expenditures and further reductions in tax ratables. This experiment which reduced fares and increased service was made on the Chestnut Hill Branch of each railroad, extending 12 and 10.4 miles, respectively, from center city. On October 26, 1958, the number of trains was increased up to 50 percent on the Pennsylvania, and increased slightly on the Reading Co. Fares were cut to a flat single trip cost of 30 cents, a reduction of as much as 45 percent. The city paid a part of the cost of the increased operation but the railroads continued to assume the risk of losses. In September 1959, a similar experiment was inaugurated on the Reading Co. Fox Chase line.

The results of this experimentation on the Chestnut Hill lines of both railroads showed an increase of 19.2 percent for the first 6 months, and an increase of 26.6 percent for the second 6 months of the experiment over what would have occurred in this period if the experiment had not been in effect. The continuation of the experiment into its second year has seen the number of passengers increasing even above the increased volumes experienced last year.

Philadelphia city officials estimated that as the result of these experiments, 1,500 automobiles per day were no longer adding to center city traffic congestion. Because of the low passenger fares, the motorists were saving \$370 apiece annually, and the city would ultimately save \$170 per motorist each year.

From the railroad viewpoint, these experiments were a financial failure, since the lower gross revenues resulting from the fare reductions and the increased expenses caused by the additional service resulted in greater losses. However, from the standpoint of the city, the substantial increase in rail passengers meant a large number of automobiles had been taken from the highways and from center city, proving that the objective of alleviating highway congestion and reducing the need for additional highway expenditures could be achieved. That this is realistic is shown by the facts in just 1 year from 1958 to 1959, we experienced a 31 percent increase in the number of peak hour passengers using our Chestnut Hill branch, and that 60 percent of the new people traveling by rail formerly made the trip by automobile. It must be realized that this experiment succeeded only because the very low fares persuaded people to use the railroad suburban service.

With this experience, the city decided to create a nonprofit corporation with power to contract for specific suburban railroad passenger services. This approach was necessary because the Federal Government had upset the city's original plan for financing the total passenger transportation system. After an extensive study of the problem in the Philadelphia metropolitan area, the Urban Traffic and Transportation Board of the City of Philadelphia recommended in 1955 a balanced total passenger transportation system in which the inherent advantages of each mode of transport would be utilized to provide the

public with the best passenger transportation at the least total cost to the public as a whole. It stated that highway construction and maintenance expenditures could be reduced if public mass transportation were utilized more extensively, particularly to carry peak-hour loads and, if necessary, public financial support should be used where necessary to effect these savings. It recommended that user charges be used to provide a means of financing a major portion of this program and that, in the case of the highway system, toll charges be levied upon the users of the metropolitan area highways to insure that those who chose to exercise their privilege of using these highways in the densely congested core areas would pay their full cost. However, the Federal Highway Act of 1956 prohibited using 90-10 money for toll roads and thus prevented the program from being placed into effect. Unsuccessful attempts were made to develop legislation which would provide a means of financing and providing the total passenger transportation system which the area required. The city therefore devised the vehicle of a nonprofit corporation which would permit the program to get underway, and which could eventually be joined by other local government units as they saw the wisdom of the program and would be willing to support it. This corporation, which has just been formed and is known as the Passenger Service Improvement Corp. of Philadelphia, will initially assume responsibility for the services being operated in the present experiments, with the possibility of extending its jurisdiction to other suburban rail services within the city in the future. It is proposed that this corporation will set fares, arrange services, engage in promotional activities and receive the revenues of the services for which it contracts. Rail services to suburbs beyond the city limits could become a responsibility of the passenger service improvement program, if and when suburban counties or communities choose to become a part of it and support the corporation.

It is recognized that it will take some time before the corporation can assume full responsibility for suburban rail services. It is proposed that it will be a gradual absorption by the corporation over a 5-year period of all expenses chargeable to these services. The corporation is to guarantee a "floor" for expenses during the transitional period, but this corporation will need financial help.

Neither private enterprise nor local government can do this job alone, especially when the enormous amounts of Federal aid expenditures for highways are creating an imbalance in the total transportation system. I have already mentioned that of the \$3 billion 12-year program of the Pennsylvania State Highway Department, \$2.2 billion will come from the Federal Government. I have also shown what the effect has been in the past of public expenditures for highway facilities in our metropolitan areas. In spite of their magnitude, these expenditures have not served to move more people into our metropolitan areas, but have resulted only in a diversion and serious decline in the total number of people traveling by rail. This caused a deterioration of the rail suburban service and helped to increase losses in rail suburban operations. The public, however, is still dependent upon these rail services to carry the rush-hour loads.

Many of our Nation's metropolitan areas possess a great transportation resource in their existing rail lines which are capable of being used for suburban rail transportation purposes. As an example, I direct your attention to the map accompanying my testimony which shows the major rail lines in the Philadelphia metropolitan area which are available for suburban railroad passenger operations. Next, note the interstate character of these lines radiating from the core in Philadelphia into 13 counties of the three-State area of New Jersey, Pennsylvania, and Delaware. Also note how these lines provide excellent distribution into the suburbs of the metropolitan area and enter the center of the metropolitan core with a minimum of land use, thus preserving the compactness of the center core without destroying tax rateable and without causing congestion on the surface streets and highways. Other areas which once had similar rail networks permitted them to deteriorate by permitting Government support exclusively for auto-dominant transportation systems, and completely ignored the value of the rail systems and their need for similar public support as part of the total transportation system. I have mentioned the problems facing other metropolitan areas which have concentrated upon highway systems as an answer to their congestion problems and are now considering construction of entirely new rail systems to alleviate their transportation problems. The cost of these new systems will be high, but they will be a wise investment

contrasted with the even larger amounts which would be needed for the additional land-consuming highways which would be required to carry the loads projected for the rail systems. Even the cost of reproducing the rail facilities in the Philadelphia area shown on this map, would be one-half billion dollars. Instead of wasting this great value by permitting these rail lines to be forced out of business, as a result of their having to compete with Government-supported highway systems, it would be much cheaper for this metropolitan area to support and utilize the present rail systems rather than having the experience of other metropolitan areas which are faced with virtually starting from scratch to build a completely new rail system.

New equipment and large parking areas at outlying points will enable the rail lines shown on this map to perform an essential service in a coordinated and integrated total passenger transportation system. All that is needed is public support for the public services rendered by these rail lines, just as public support is given for other public services such as water, sewer, fire, police, and highway, and air transportation.

The metropolitan areas have found that suburban rail systems will be a physical as well as an economic necessity in the future. However, suburban rail systems need not be viewed as being similar to today's systems which have been handicapped by the railroads' financial limitations as a result of Government restrictions and expenditures to promote all other forms of transportation. With adequate funds, modern technology can provide many innovations and improvements in the facilities and equipment for the present day suburban rail systems. This will make them even more efficient than they are at present and provide the public with faster, more comfortable, and more reliable suburban service at a minimum total cost to the public and the community.

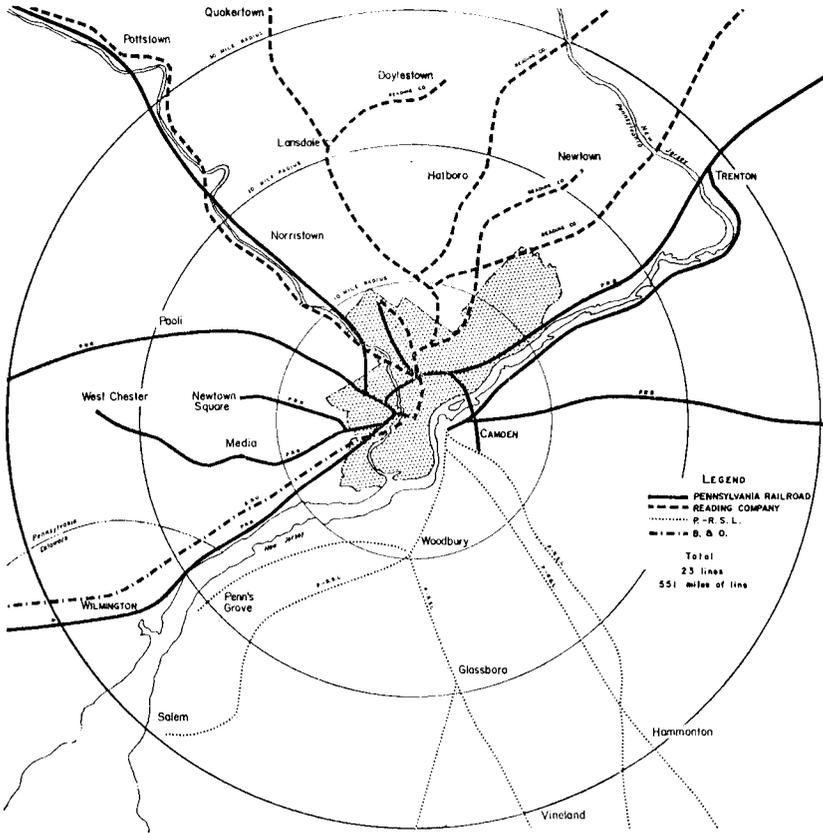
There is a tremendous potential for development and increased capacity inherent in these suburban rail systems. The use and development of that capacity and the provision of similar services where the loads are justified will provide the most economic solution to the congestion problem in our metropolitan areas. This is not wishful or biased theory. It has been demonstrated in practice.

However, the suburban railroads are not in a financial position to do this job alone. As private enterprise, their only solution for the situation they are in is to raise fares, to recover costs, or to completely abandon their services. Our financial situation and the losses we are incurring in operating these services are such that we cannot afford to make capital expenditures for improvements. Neither can the total governments afford to make these expenditures by themselves. Because of the tremendous financial burdens placed upon them by Federal-aid expenditures for highways and other purposes, local governments today are hard pressed for funds and have seen their debt increase over 300 percent in the last 10 years. Therefore, the leadership needs to come from the Federal Government, which has helped to create this physical and financial problem.

I have shown you the problems which we face. I have shown why we cannot afford to provide, let alone improve, these services. I have shown how the Federal Government has poured millions of dollars into capital expenditures for other transportation facilities. This is why we, as private enterprise cannot afford to risk funds for passenger facilities and equipment to compete with these Government-financed modes of transportation. This is why the Federal Government must assist in providing funds for capital expenditures. This is also why the metropolitan mass transportation bill, S. 3278, should be passed, to assist local governments and their public instrumentalities to improve the mass transportation services in our metropolitan areas and give the public the best total transportation system at the least total cost to the public as a whole.

S. 3278 represents an adequate vehicle with which to begin a transportation loan program upon which Congress can build in the future as the program proves to be successful in meeting the real need, which has already been demonstrated.

You are to be commended for your prompt consideration of this legislation. Your support for it is urged as a step in the right direction toward solving the increasing transportation problems of our great metropolitan area. If this is not done, then the Federal Government will continue to waste money by destroying the central core of our cities and will then spend more billions to rehabilitate the damage and chaos it has created.



**RAILROAD FACILITIES
IN THE
PHILADELPHIA METROPOLITAN AREA
AVAILABLE FOR
SUBURBAN PASSENGER SERVICE**

Senator WILLIAMS. Our next witness is Mr. David Berger, city solicitor of Philadelphia.
Good morning.

**STATEMENT OF DAVID BERGER, CITY SOLICITOR,
PHILADELPHIA, PA.**

Mr. BERGER. Mr. Chairman, distinguished members of this subcommittee, the city of Philadelphia deeply appreciates this further opportunity to appear at these hearings in support of S. 3278. This bill represents, in our judgment, the most important positive program undertaken by the Federal Government to solve a national urban transportation crisis.

As this committee well knows, we live in an increasingly urban civilization. Such a complicated, interdependent and interrelated pattern of living requires an adequate transportation system. This transportation system is no less than the very circulatory system of the body politic. If, therefore, our metropolitan centers are not to be strangled to death, but if, on the contrary, they are to continue to grow to meet the needs of the surrounding urban communities which are dependent upon them, we must ward off an impending coronary attack in the form of urban transit congestion.

Exclusive reliance upon private transportation, chiefly by the passenger automobile, is foolish indeed and frequently fatal. It is for these reasons that I say to you that there is an urgent necessity for action to solve the Nation's urban transportation crisis.

One of the first and foremost objectives of any transportation program is the improvement and expansion of the available mass transit facilities, especially those which provide commuter service. In Philadelphia, it is the railroads which offer, we believe, the greatest potential for supplying commuter needs. It is in this context that the so-called Philadelphia plan to solve the commuter problem was developed and promulgated. Perhaps because of my personal connection with the consummation of the Philadelphia plan, Mayor Dilworth has asked me to explain briefly the nature and operation of the Philadelphia plan and the relationship of Senate bill No. 3273 to the future of the plan.

In 1956, Mayor Dilworth requested the city solicitor to take immediate action to implement the recommendations of the city's urban traffic and transportation board—that is the body which Senator Clark mentioned a few moments ago—a committee comprised of leading financiers, industrialists, transportation experts, labor leaders, and other civic minded citizens. While these proposals included the unification and coordination of all public transportation facilities in the Philadelphia area, naturally emphasis was placed upon the expansion of railroad commuter passenger service.

Fortunately, Philadelphia is already supplied with perhaps the finest basic network of mass transit facilities in the Nation—15 railroad lines traversing every section of the city and connecting the city with each of the surrounding counties. These supplement our rapid transit system of subways, elevated cars, streetcars, and buses. However, as the studies of the board showed, passenger operations over these railroads had become inadequate for present needs and, what is worse, were declining with ever-accelerating speed. As ridership declined, so also did revenues. The railroads' response was twofold: (1) To curtail train service, and (2) to raise rates. But, raising the cost of passenger fares and deteriorating both the frequency and quality of passenger service succeeded only in driving more of the traveling public from using the railroads.

On behalf of the city and its 2 million residents, I repeatedly resorted to the Pennsylvania Public Utility Commission, the Interstate Commerce Commission, and the Federal and State courts to do what I could to halt the wave of train curtailments and fare increases. But such efforts are at best only a stopgap. Certainly, in view of the passage of the Transportation Act of 1958, unilateral action to resist service abandonment and rate increases is doomed to fail.

Accordingly, by 1958, I had concluded and therefore advised Mayor Dilworth that the mass transportation problem could not be solved by fighting to keep trains on the tracks. Instead, I suggested that the city ought to cooperate with the railroads, and by negotiating a series of agreements, develop a broad, comprehensive and long-range program. The basic objectives of these agreements would be to maintain existing service, to add additional trains where appropriate, to reduce fares, and to coordinate with the railroad service local bus and streetcar service.

After months of negotiations, an agreement was successfully concluded with our two local railroad carriers, the Pennsylvania Railroad and the Reading Co. For the sum of \$320,000, estimated to be the out-of-pocket cost, the railroads operated for a 12-month period approximately one-third more trains on their lines serving the northwestern section of the city at fares reduced on the average of 40 percent.

At the same time, local bus fares were tied in also at reduced fares. Bus service was made available at both ends of the railroad trip and featured a loop bus to take passengers to downtown offices for a 10-cent fare. Thus, a person could ride a bus to the station, ride the train to a terminal, and then go to his office. This bargain, if taken advantage of by the average commuter for a year, would save him about \$250, not counting the saving on wear and tear of frazzled nerves from bumper-to-bumper traffic.

The success of this project in increasing the use of commuter trains by over 30 percent and correspondingly decreasing the use of the passenger automobile for daily trips into the center of town, has exceeded all expectations. So encouraging were these results that last September a similar agreement was executed with the Reading Co. for additional railroad service over its lines serving northeastern Philadelphia. There is one essential difference for "Operation Northeast." While the city is paying the Reading Co. \$105,000 for a 33-week experimental period, it retains all fares collected on the additional trains. Thus, in effect, the citizens of the northeast are direct partners with the city in this venture.

So far, the passenger statistics of "Operation Northeast" can only be described as "phenomenal." The latest figures show that the number of passengers carried by Reading trains on this line has more than quadrupled. Revenues have more than doubled—in fact, almost tripled. What is more, our market research reveals that if other improvements besides increased service and lower fares were provided, the success of these pilot projects would be even more startling. At it is, we estimate that there are about 2,000 less cars per day in the stream of center city traffic.

Thus, for a modest expenditure of approximately \$500,000 per year, the city has undertaken two experiments which have definitely proved that there can be a solution to the mass transportation problem.

The city of Philadelphia has moved toward a permanent solution of this problem. Upon thorough consideration and at the conclusion of negotiations among city officials, civic leaders, railroad executives and union officials, a nonprofit corporation has been formed to administer the Philadelphia plan. For the first time an agency has been created whose directorate includes representatives of the gov-

ernment, public at large, the railroads and the railroad unions, each of whom has a direct stake in the successful solution of this problem.

This corporation is called Passenger Service Improvement Corp. of Philadelphia and is headed by a board of 15 directors. Of these, two are members of the mayor's cabinet, two are members of city council, seven are civic leaders unconnected with the city, two are railroad officials (one each selected by the Pennsylvania and the Reading), and two are union officials selected by the Railway Labor Executives' Association. The Passenger Service Improvement Corp. is intended to do exactly what its name implies—improve passenger service. This corporation will negotiate contracts with the railroads which will provide not only for the continuation of operations northwest and northeast but also for operations on three additional railroad lines, which are called operations Torresdale and Wynnefield-Manayunk. This will then give us a grand total of six railroad lines within the jurisdiction of the Passenger Service Improvement Corp., during the year 1960.

The City Council of Philadelphia is presently considering the basic legislation to carry out these plans. But substantial assurance of the long-range success of Passenger Service Improvement Corp. will be based to a large extent on the passage of the legislation now being considered by this committee. This is because, as I have indicated, the key factor is the introduction of substantial technological improvements, which, although requiring a large capital outlay will more than pay for themselves by permitting large-scale operational economies and foster increased patronage with attendant larger revenues.

I give you those two as examples of that, Senator Williams—the elimination of the so-called stub-end terminals, the 16th Street terminal and the 12th Street terminal of the Reading.

Our plans call for an underground connection between those two terminals so that it will be possible to have one loop railroad which will take people from one section of the city outlying to another section of the city outlying and, in the meantime, make frequent stops in the central part of the city.

Senator WILLIAMS. Are those both Reading terminals?

Mr. BERGER. No, one is the Pennsylvania and the other is Reading.

Through the aegis of the Passenger Service Improvement Corp., this nonprofit corporation, assuming that this administration approves the bill, which I hope the Senate and the House will pass, we will then be in a position to apply for the loan which we will need in order to make the capital outlay to make this improvement. But this improvement, we have been assured by our technical experts, will more than pay for itself in terms of decreased operating costs and maintenance costs and increased revenue from additional patronage.

This is the kind of thing we have in mind that we call a substantial technological improvement which would be, otherwise, impossible of achievement.

Senator WILLIAMS. I am glad you added that specific term of reducing cost. I am sure this same operating experience that comes out of old-style facilities will be matched all over the country. I know it is true in the New York area.

Mr. BERGER. In fact, I was about to point out, Senator, that the most important, from a short-range point of view, of these improve-

ments is the replacing of obsolete equipment with modern streamlined cars which are both economical to operate and to maintain.

I heard Mr. Symes testify that some of the cars are over 40 years old. We know that and, naturally, that these old-age cars have high maintenance and operating costs. It would be similar to a taxicab company using a fleet of 1920 Buicks. They might look very good if they were kept polished and all of that. But the cost of maintaining and operating them would be prohibitive. It would be cheaper to spend the money to junk that fleet of 1920 Buicks and put in a fleet of new cars.

That is the kind of reasoning which we think makes sense. Elimination or reduction of these high costs can most feasibly be accomplished by the substitution of the new efficient equipment for the old.

Cost reduction is, however, but half of the answer. Revenue must be increased; additional passengers must be won back to the railroads. One of the major methods of attracting the commuter to use the railroads is replacement of the inadequate "horse and buggy" stations with modern, efficient ones having adequate parking space and the relocation of these stations convenient to the new centers of population.

The critical question arises, however: How are these new trains and new stations and new improvements to be provided? The railroads' passenger operations, as this committee well knows, have long been operating "in the red." The railroads have neither the incentive nor, so we are told, the funds to invest in passenger facilities. It was for this reason that the report of the Interstate Commerce Commission on the passenger train deficit proposed public subsidies that public funds be expended for the construction of passenger facilities. But who is to provide these public funds?

As I have indicated, the urban transportation problem is not just a local affair. It concerns equally municipalities, States, and the Federal Government. Each level of government must share the responsibility. In view of the limited taxing power and fund raising resources of municipalities and individual States, it seems clear that only the Federal Government can finance a large-scale capital improvement program by means of the extension of Federal credit.

Let me give you the example of Pennsylvania. Our State constitution provides that no debt shall be created by or on behalf of the Commonwealth except for highway purposes. And "highway purposes" would not include passenger trains and railroad stations, or other equipment of this kind. The financing power of the city of Philadelphia is also severely restricted since the State constitution limits Philadelphia's indebtedness under a formula which amounts to 13.5 percent of the most recent 10-year average of assessed valuation of real property within the city's limits. By recent calculation, Philadelphia's borrowing capacity is now \$463 million, but of this amount, only \$37 million remains for new borrowing of which some \$19 million has already been committed.

While the city is fortunate, as compared with many other municipalities, in that self-sustaining loans, including the so-called revenue bond issues, are held not to be part of the city's debt for purposes of the constitutional limitation, such loans must be approved by the voters. And it may take as long as 8 months before money can be

made available on this basis, and as long as 2 years until the actual bonds are sold. Furthermore, attempts to float bonds in the amount required might well prejudice the financing of all municipal improvements by unduly raising the interest rate. There is another most important consideration, Senator. The urban transportation crisis, and especially the railroad commuter problem, extend beyond bounds of any one city, and even beyond the limits of any one State. To require one municipality to bear the entire burden of modernizing and improving mass transit facilities for a metropolitan region extending beyond the core city into surrounding counties and adjoining States would not only overtax its resources, it would also run afoul of legal and political obstacles.

The city, therefore, views the "public facility loans" provision of the bill introduced by Senator Williams of New Jersey as the most far-sighted and realistic approach yet proposed to the problem of obtaining modern additional transit facilities. In no other manner can the enormous investment capital necessary be gathered together and in no manner can so low an interest rate be obtained.

Senator WILLIAMS. Can we pause there, Mr. Berger?

Mr. BERGER. Yes.

Senator WILLIAMS. What would be the borrowing agency in the Philadelphia complex?

Mr. BERGER. We would say that if the plans go according to our present intentions, the Passenger Service Improvement Corp. would qualify as an agent of the municipality and, thereby, would be able, we believe, to qualify under the provisions of your bill.

Senator WILLIAMS. Are there any constitutional or statutory limitations on the ability of that authority to borrow money?

Mr. BERGER. No, I think we would have the power. And without restriction, we would not be limited—I say "we"—the Passenger Service Improvement Corp. would not be limited in the same way in which the city or the State is limited. I think there the limitation is economic and financial. That is, it would have to be demonstrated to the administrator first that the Passenger Service Improvement Corp. qualifies under the terms of the bill; secondly, that it has a plan; thirdly, that the need is critical; and, fourth, that it is a kind of plan which makes sense and one which can be accomplished and, as I will point out shortly, can give reasonable assurance of repayment of a loan.

Senator WILLIAMS. I would think, without question, from all of the testimony we have heard of the Philadelphia experience, you would qualify in terms of the workable plan and need. I just wondered about the nature of the corporation and what life was breathed into this corporation by the city of Philadelphia or by any other governmental bodies. Has the city made it officially responsible for the transportation problems in your city?

Mr. BERGER. This is what we have done. I did not quite understand the thrust of your question, Senator, at first.

We have first created a corporation by securing a decree of our court. This was challenged, and the court, over the challenge, upheld it. An appeal was taken to the Supreme Court of Pennsylvania and was withdrawn so that the legality of the corporation and its creation has been established by law and is *res judicata* in Pennsylvania.

The membership of the board of directors has just been announced. The first meeting was held last Wednesday.

There is pending before the City Council of Philadelphia legislation in the form of two bills. One is a general authorization ordinance or bill, and the other is a definite appropriating ordinance. The second, by the way, appropriates the sum of \$250,000 for the balance of the year, 1960, to the Passenger Service Improvement Corp. The basic concept is that this corporation will act as the agency of the city, not only in the planning and coordinating of all the transportation and traffic problems in the entire area, but also will be the agency to contract with the railroads and other corporations for the purpose of additional railroad services and other services.

Moreover, in terms of capital acquisitions, it is contemplated that the corporation would be the purchaser of equipment, let us say, and it would finance the purchase through loans such as this bill which your committee is now considering would authorize. It would then enter into an agreement with the railroads, and this agreement would call for the repayment over a period of years corresponding with the number of years of the loan of a sufficient amount to meet the principal and interest payments.

We have had a good deal of experience in Philadelphia with this kind of financing, and it is not at all unprecedented. As a matter of fact, as my prepared statement points out, as I would like to summarize it for you, our experience has been uniformly good. We have borrowed millions of dollars. That is, the city of Philadelphia. That money has been used to acquire transit facilities, including, but not limited to cars. A recent example is our \$25 million bond issue of the city of Philadelphia, the proceeds of which were used to buy some 270 new subway elevated cars.

We did this by entering into an agreement with the Philadelphia Transportation Corp., which is the company which operates our rapid transit system. We have agreed to pay, over a period of 30 years, a sufficient number of dollars per year to meet the principal and interest payments. This is one of a series of such arrangements. So far as I know, in every instance, all commitments have been met. All principal and interest payments have been met.

As I point out in my prepared statement, Senator, that money is coming from the revenues, and those revenues are produced by the riders. Therefore, the people who are using the facilities and enjoying the benefits of the extension of the Federal credit will be the very people who will repay this money, not the general taxpayers. I think that is an important point to be made here, sir.

Senator WILLIAMS. From your experience, I gather you will recapture passengers for the roads. You have indicated, even without modernizing equipment, you quadrupled passenger service among the lines.

Mr. BERGER. Yes.

Senator WILLIAMS. But I do think it is now clear that the transit corporation will be, with the two bills now pending, a public instrumentality within the meaning and purview of the bill.

Mr. BERGER. Yes, and we intend to use it in that respect.

Senator WILLIAMS. You intend to use what in that respect ?

Mr. BERGER. The nonprofit corporation, Passenger Service Improvement Corp.

Senator WILLIAMS. Do you feel that the corporation would seek resources under this bill if it should become law?

Mr. BERGER. Yes, sir; we do. We hope and believe it would qualify, and we think, through the means of these agreements such as the one I illustrated, it will be possible to set up arrangements under which the repayment out of revenues will be assured. Our experience, as I say, indicates very clearly on the basis of projections estimates and actual experience that the riders themselves will produce the revenues which will be adequate to meet these payments of principal and interest.

Senator WILLIAMS. I would think that if this bill does become law the Philadelphia experience would be an example for other parts of our other communities within our country. If these resources were available through this legislation, it would stimulate further efforts similar to yours.

Mr. BERGER. I would hope so, and there is another point there which Mr. Symes made, and I really want to reemphasize it at this point because I think it is relevant.

Our technical people assure us it is almost like a law of physics. When you make these technological improvements, including the replacement of antiquated equipment with new, modern, streamlined equipment, although you have a large capital outlay at the beginning, the fact is that the savings in operational and maintenance cost will more than make up the cost of repayment per year of principal and interest. So you see that it becomes a really economically feasible proposition.

When you add to that the additional patronage which you are going to get and, therefore, the increased revenues, then you begin to get a faint glimmer of a hope toward cutting down the enormous deficits which today exist in this field.

Senator WILLIAMS. I will even permit you to get a little plug in for a local product. Are not the Budd cars—

Mr. BERGER. Yes, they are a very good car.

Senator WILLIAMS. I believe, on one of the New England roads—Boston & Maine or the other that goes out of Boston north—has just contracted for a substantial number of those cars which are modern and efficient and must be far cheaper to operate.

Mr. BERGER. They are. We just contracted for \$25 million worth for our subway and elevated system. And our figures were really startling, Senator. They showed, as I say, being conservative, because you know figures can get you into an area of controversy when you are basing them on projections, but being conservative and eliminating controversy, that at the minimum the savings on operational and maintenance cost alone will at least equal, if not substantially exceed, the annual cost of those bonds. That is the principal and the interest payments. It is just one of those astounding phenomena. We found the same thing is true in other areas of substantial technological improvement.

If we can get rid of those stub-end terminals, for example, that will bring about very substantial improvement.

Senator WILLIAMS. You are familiar with the article by Mr. Berge that appeared in the Atlantic Monthly?

Mr. BERGER. Yes, I am. It was an interesting coincidence that that article appeared approximately at the same time our urban transportation board was preparing to release its plans based on very intensive study for the elimination of these two stub-end terminals.

Senator WILLIAMS. In the New York area, particularly on the New Jersey side, you know we have many stub-end, inefficient operations. Our proposal there will be to eliminate them and use the existing terminals of the Pennsylvania, Hudson, and Manhattan.

Mr. BERGER. I am going to say another thing there. I think your bill has another very excellent provision, and that is the one that Senator Clark mentioned about planning. We strongly endorse the planning phase of your bill. We think it is absolutely important that in every area—every metropolitan area, there be proper planning so that we can make the maximum use of existing facilities.

For example, we have one line called the Torresdale line. That is a main line between Philadelphia and, say, New York, and there are main-line trains on it. In order to get this Operation Torresdale, we are going to have to construct what is known as a turnaround. These studies, again, indicate that that is a good technological improvement. It will enable us to run many new trains of high frequency over the same tracks on which we are going to have the New York to Washington speed trains. And we want to use the same tracks for freight.

In other words, by utilizing the existing equipment, high-cost equipment, we think we can cut down the unit cost. By the same token, we believe that if we do have an agency such as the Passenger Service Improvement Corp. of Philadelphia, which will ultimately take over the functions of the urban traffic and transportation board, which I mentioned, its technicians will be able to not only make the best plan for the total utilization of the transportation facilities, but will do so in the most economic fashion. You will be able to use the same transportation for freight, for interstate passenger trains, for intrastate passenger trains, and for commuter trains. When we get all of that using the same tracks, we are going to cut down the unit cost.

That is one every important way of cutting down deficits, Senator, and is another reason why we strongly endorse the provision of your bill for planning.

Senator WILLIAMS. You are not only a city solicitor; you have become a traffic expert, I see.

Mr. BERGER. I have been working on this for 4 years, as I indicated.

Senator WILLIAMS. What would you estimate the cost of your planning efforts to be on mass transportation? In the Philadelphia committee?

Mr. BERGER. You mean up to date?

Senator WILLIAMS. Yes.

Mr. BERGER. I would say that we have spent several millions of dollars on planning. The interesting aspect of that is that in 1958, when we appropriated \$320,000 for Operation Northwest, in effect, that is what we were doing. We were planning, again, but this is a sort of do-it-yourself kind of plan.

Instead of getting a study which would have a lot of figures in it and projections, we decided to find out, as Mr. Symes pointed out, whether or not, in the face of a constantly declining ridership, which

began in 1947 and was continuing at a constant rate of 6 percent, it would be possible—I underline the word “possible”—to get thousands of people to change their habit patterns and get them out of the automobiles back into the commuter trains.

So we took these two lines as an experiment. Despite the fact that our market research indicated that we had to not only increase our frequency of service, reduce our fares, have better parking, relocate our stations, have additional services of one kind or another—despite all of that, we decided to just go ahead with the increased frequency of service and the reduced fares. Those two factors alone brought about this startling result.

Based on that, we think we have reason to believe that if we go through with a full-scale plan and really give people some good equipment where they can read their newspapers without going blind or being shaken up too badly, and add additional services, and one other thing—we are serious about this—we think that the approach to the problem as we get underway and make the improvements will be one of modern merchandising. We think that if the entire community, as it will in the various metropolitan areas, gets behind this, and takes a forward-looking approach to this instead of a pessimistic or backward-looking approach, we believe that we will do a lot, not only to solve the city's problems, but also to cut down on these enormous deficits.

But over and above all, we say that no one approach and no one piece of legislation will solve this crisis. But there is one approach and one bill which surely advances the country along the path in its quest for a permanent solution. That approach is the one offered by Senator Williams, and that legislation is S. 3278. The city of Philadelphia strongly recommends that this subcommittee report favorably upon it.

Thank you.

Senator WILLIAMS. Thank you. It is extremely helpful to us to hear the very intimate experience you have had with a very complex problem. It is easy to see the imagination and the effort of the Philadelphia people who have worked through this maze. And there is promise where there has only been pessimism.

I have just one further question. I do not know that you feel competent to testify in response to this, but we are concerned with the question of the interest rate. This is a rate which is well below the commercial rate. We, in proposing to set it on the same basis as the college housing rate, felt that we would stimulate the use of the proceeds and resources that would be made available that would not be used if the rate were substantially higher.

Do you have any feeling on the interest rate question?

Mr. BERGER. I do, and I want to say candidly that I am not prepared to say that I would oppose the legislation if you changed the interest rate. But let me point out how it works out, practically. If we plan a project which costs, say, \$25 million, and if the interest should be roughly 3½ percent, we are on a 30-year basis. It could be said that the annual payback would amount to roughly \$1.5 million.

On the other hand, if it is increased to, say, 4 percent, we are going to have a payback of about \$1.8 million. The \$300,000 a year may very well mean the difference between what we call a self-sustaining project and one which cannot be shown, by projection, to be a self-sustaining project.

Senator WILLIAMS. Even at that, are you not conservative? Is there any 4-percent money?

Mr. BERGER. I am being extremely conservative. That is why I used those figures. If we are going to talk about 5-percent money, I think costs go way out of proportion. That is why I strongly endorse the low-interest rate.

Senator WILLIAMS. That interest difference, the amortization difference between the lower rate and the higher rate, might well make the difference between a program and no program.

Mr. BERGER. Absolutely. It might be critical. As I say, in all fairness and candor, I would not say I am against this program or bill if you change the interest rate. But I think Mr. Symes is correct that the equities being what they are and the tremendous present need being as critical as it is and as long as we do have this kind of deficit which we have already shown and experienced, I would say that you ought to keep the low-interest rate in there. This will assure self-liquidating projects. That is, saving there in the interest rate, the payback, will make possible economically feasible programs.

Senator WILLIAMS. Thank you, Mr. Berger. Thank you very much.

Mr. BERGER. You are welcome.

Senator WILLIAMS. We have the honor to have Mr. Luther Gulick with us this morning.

We have been going without a break since 9 o'clock, Mr. Gulick. I wonder if we should take 5 minutes, if you would not object.

STATEMENT OF LUTHER GULICK, PRESIDENT, INSTITUTE OF PUBLIC ADMINISTRATION

Mr. GULICK. I would not object at all.

Senator WILLIAMS. I would not want to have our reporter here too tired for your testimony. I want to be a little fresher myself.

(A short recess was taken.)

Senator WILLIAMS. All right, we will come to order.

Mr. Gulick, again, let me say how much we appreciate your bringing your talents here to our problem in the subcommittee.

Mr. GULICK. Senator, it has been a long, hard, and extremely instructive morning. My statement appears not to have arrived, so I have no temptation to read anything to you.

Senator WILLIAMS. My comment was as I came in, "I hope you do not read anything, but just give us the benefit of your wisdom in your own way."

Mr. GULICK. So I will touch on a few points.

First, my name is Luther Gulick. I live in New York City, directly in the center of Manhattan Island. I am the president of the Institute of Public Administration, which is a nonprofit research and educational organization. It is the lineal descendant of the first organized citizens' supported governmental research agency in America and was started in 1905 as the New York Bureau of Municipal Research.

I am also the vice president of the Regional Plan Association of New York. This is a voluntary group which, for 30 years, has been working on the broad problems of total regional planning in the New York-New Jersey-Connecticut area.

I am a member of the National Planning Association Steering Committee, so I am concerned also with the broader picture. I have spent my life working for governors, mayors, and during the war periods, and a number of other periods, for the Government of the United States. At the present time, my work with the Federal Government is with the Outdoor Recreation Resources Review Commission in which I am interested because of the significance of outdoor recreation in the Federal program and its impact on urban life.

During the last 2 years, the Institute of Public Administration has been directly concerned with problems of urban transportation. We were a membership group which made the Washington mass transportation survey and assisted in the development of its final program which has been submitted to the Congress by the President of the United States. We have undertaken the drafting of the two major pieces of legislation growing from that program. First, the creation of a Federal corporation to deal with the transportation problem in the District of Columbia; and, second, the draft of an interstate compact which would bring together the State of Maryland, the Commonwealth of Virginia, and the Federal Government, as represented by the District of Columbia, in an interstate compact agency. This work is being handled in cooperation with the governments of the three jurisdictions that I have referred to. So we have been concerned both with the factual side and with the administrative and governmental aspect of the problem.

May I say that there is no solution for the problem of metropolitan and urban mass transportation through fighting and through jurisdictional conflicts? We have just seen from the very eloquent experience of Mr. Berger and Philadelphia what we have found in all other metropolitan areas—that there is no solution through fighting with the railroads. There is no solution for the railroads in fighting with the governments and their responsible political leaders. There is no solution in going at this problem with conflicting jurisdictions. The State cannot say, "This is our job and not your job." The locality cannot say, "This is our job and nobody else's." The Federal Government cannot stand aside and say that transportation in the large urban areas is a local responsibility and must be handled by the local area and by the local people.

The transportation problem is all one ball of wax. You cannot find a solution for the highway problem without getting into the problem of mass transportation as over against privately owned cars and buses. You cannot deal with this without dealing also with parking. You cannot deal with the highway problem without dealing also with rail transportation. You cannot deal with rail problems without dealing both with freight and with passengers. You cannot deal with these without considering the commuter as well as the through operation.

So what we must recognize is that we are now in the middle of our, shall I say—or at the beginning of an extraordinary revolution in the pattern of urban life. This is not true only in the United States, although we lead the procession because we have the automobile development and greatest development of hard-surface roads anywhere in the world. It is true all over the world. During the last 2 months, I have been as far as India, Pakistan, Iran, Turkey, Egypt, Italy,

France, England, and Western Germany. I can tell you that what we are seeing here today in the urban areas is something that is happening all over the world.

The population is expanding, and they are crowding into the cities. So that the new pattern of urban life is a new pattern socially and economically and spacially, and the key of the whole business is transportation. Therefore, when I saw that your committee, Senator Williams, with such distinguished representatives, not only of my own State, but of other States, was tackling this problem, I said, "This is the beginning of a new day for the American urban communities."

Just as in 1862, the Congress of the United States proceeded to do something constructive for the rural areas when the Moral Act was passed and the great system of land grant colleges and the programs which ultimately developed—not only education, but many types of rural help—came forward, so we stand now at the period of American history where this Nation is predominantly a nation of big urban concentrations. It is a mistake to think of these as "cities," using the term that we have used in the past. It is a new type of settlement spread out with the old urban concentrations at the center, yes, but suburbs which are manufacturing suburbs as well as residential suburbs, so that it is a new structure of interrelations of human beings, not only in their daily life, but in their economic productivity.

The efficiency of America economically over the next two generations will depend upon the success of our development of these urban concentrations as efficient elements of the total economy. Just the other day, I was observing the steel that was going into a building on Park Avenue next to my office. I found that steel came by trucks from Indiana, not by rail. When I talked with them about it, they said, "Oh, yes, they left the night before." Inside of less time than the passenger trains run from Indiana to New York, they delivered the steel on a schedule in the city of New York so that truck No. 185 for the 10th story got in there just ahead of truck No. 186 and 187 and 188. They are able to schedule this construction over these long distances because of what—a structure of highways which has been built into the economy and around which the economy has redesigned itself.

This business now means that the streets of our cities, the highways of our country, are part of the assembly line of the American economy. To this extent, they have now been woven into a national system of life and the national system of economics. So that when we talk about the problem of mass transportation in the cities, we are dealing with a circulation problem for human beings within a new urban pattern, a pattern which must be made efficient from the standpoint of economics and must be made satisfactory from the standpoint of the good life.

There are three basic facts. The first is that this is a new pattern. Nothing can stop its development, but it can be a very unsatisfactory period of development if it is not approached broadly. Secondly, transportation is the key. Third, and this I think is your most important task, is to recognize that this problem is powerfully impressed with a national interest.

The National Government cannot say, "This is a problem in which we are not concerned." After all, from the very beginning, this Na-

tional Government was set up with a recognition of a responsibility in the field of interstate commerce and circulation. It was set up from the beginning with a constitutional responsibility for post roads. When this Nation now begins to be primarily a nation of great urban concentrations and when the efficiency of our economy and the safety of our defense depends upon this new pattern and upon its effectiveness, the National Government cannot stand aside and say, "This is not a problem for the National Government."

Senator WILLIAMS. Would you pause there a moment, Mr. Gulick?

The Treasury Department suggests that the transportation problems we are discussing are primarily the responsibility of municipalities and public and private transit authorities. I do not know with what authority the Treasury Department speaks to transportation problems, but is it your view that their conclusion really does not face the situation that presents itself?

Mr. GULICK. It does not face the situation as it exists today, but it will be obvious to all in another decade that it does not face the situation which is developing in this country. Most of our great metropolitan areas already straddle State lines, and it is the feeling of those who say that the problem is entirely local that these State lines are going to be obliterated by the creation of local governmental authorities that reach across State lines.

Furthermore, the problem of national defense should indicate that the security of this country rests, not alone on its military powers, but on its total economic capacity. And the efficiency of our economic structure is going to depend very heavily on the effectiveness of these great urban concentrations because these are the predominant new structures of America, both economically and socially. So that if the National Government is going to put to one side its responsibilities, let us say—we heard this morning a good deal about railroads and about the failure and the inability of the railroads to deal with the commuter problem because of the lack of national leadership and help and the inappropriateness of regulation which has been established in a day of monopolies.

The Federal Government is building the intermunicipal and Interstate Highway System. Does the Federal Government wish to forgo its participation in that national highway program which was undertaken, if I remember rightly, partly for purposes of defense, indicating the significance from the standpoint of the Congress, at least, of the connecting up of the urban areas as part of our total national economy.

Senator, the urban transportation problem could be solved very simply by vastly expanding the urban highway facilities and parking facilities.

But may I point out that this would destroy the urban center as a part of American life. You can pave a city over completely and thus have excellent space for automobiles to park and plenty of roadway for automobiles to travel on. In the end, you would end up by not having a central city and not enough has been said in the discussion today of the importance of congestion. Congestion of men who are at work on administrative, managerial, professional, and technical problems in high concentration is one of the essential factors of the effectiveness of the American economy and social system today. We must plan for effective congestion.

If you tear the cities apart by building great throughways through them separating the centers of office space and management and finance and all these other factors through the creation of great open spaces, you will find, I am certain, that you have destroyed the essence of the congestion and closeness of contact, the ease of association of men who are engaged in their various lines of administration and management. You can take certain aspects of the present situation and move them out into the suburbs and far scattered areas. This is now being done, and this will undoubtedly produce a better city. You can take certain aspects of administration and carry them out, but the really central problems which you must recognize exist here in the Government of the United States, in Washington, where men like yourselves have to be in easy access one to the other, in easy access of the professional groups which are related to our whole business life and our community life and our social life.

This ease of human relationships must be preserved, and the greatest cities of the world through past centuries have been cities which made this direct and fertilizing contact between individuals easy, so that it can be an accidental as well as an intentional opportunity for human contact.

The great city is designed for the ease of contact, and it is not only the ease of individual contact for ideas, but it is the ease of contact in the economic world as well. A recent mass economic study in the New York metropolitan region, conducted by the Littauer School of Harvard under a grant from the Ford Foundation and the Rockefeller Bros. says the reason that New York is now the largest manufacturing center in the Nation is not because it has the great producers of labor such as the motor industry and some of the large hard-goods manufacturing operations, but because it has the men, small enterprises, which are able to exist and are able to operate at a profit because of the ease of the internal contacts that take place within the congestion of a great urban center. So that the preservation of congestion under proper conditions is one of the conditions of the effectiveness of the American economy.

So, Mr. Senator, my final word is to say that your bill, S. 3278, represents, in the judgment of myself, after my contacts with the problems of governmental management and planning, an important step in the right direction. It could be as important for the metropolitan development of this country as were the early moves when this Government undertook to give direct help and assistance in the development of rural life in this country.

It seems to me that the most important aspect of your bill from my standpoint is encouragement that it gives to those who are concerned with broad metropolitan thinking with reference to transportation. Second, a comprehensive approach to transportation, looking at all phases of the problem. Third, the introduction of the note of cooperation on all hands instead of fighting about the problem and trying to shove the responsibility off onto other people.

What we now need is men in public office and in the management of private transportation enterprises who are eager to get together around the table and find solutions. So that your bill, with its introductory statement on policy and purpose, is an important stepping stone in the development of American thought in this field. Your

readiness to include metropolitan mass transportation surveys within the scope of the Housing Act and its amendments is a step in the right direction.

Senator WILLIAMS. Would you care to comment on that? There has been, of course, question as to why the transportation measure is included within a housing bill. It is our feeling that this is the only significant place in all of our Federal planning and program where most metropolitan problems are considered. Therefore, transportation, as one of the most important aspects of the metropolitan situation, should here be included. But that has not been uniformly accepted.

Mr. GULICK. Senator, I can understand that some people would like very much to start a new Federal department to deal with the problem of transportation. While this may become necessary in due course, at the moment, the Federal Government's most direct impact in the concentrated metropolitan areas is in connection with the Housing Act.

In connection with that, it was discovered that no progress would be made without development of planning and the encouragement of planning through the slum clearance program. The urban redevelopment program has represented a very important forward step.

Senator WILLIAMS. And are these not linked?

Mr. GULICK. This is the link in the process, and there is no reason for feeling that it is an inappropriate step in this connection.

May I point out, however, that as you broaden the function of the Housing Act in this way, you need to give consideration to the limitation of the appropriation which now provides for a limit, as I understand it, in the section 701 as amended in 1954, of a total of \$20 million of which over \$10.5 million has already been committed. In your appropriation, in the budget for 1961, you have a provision of something like \$2 million supplemental. This does not begin to meet the requirements of the expanded act.

Senator WILLIAMS. Commissioner Walker pointed out that defect. It was encouraging, too, that Mr. Walker approves of the planning section and recognizes the planning section would need more money and did not reject the possibility of getting more money for an expanded program planning through inclusion of transportation specifically within that section.

Mr. GULICK. Mr. Chairman, I would also suggest that your committee undertake to persuade the Advisory Commission on Intergovernmental Relations, which represents State and local government as well as the National Government, which was set up by Congress in 1959, to undertake specific work in the field of transportation problems. This will require added funds or arrangements on their part in order to do a more effective service. At this stage, we need to proceed by every avenue that is available because the transportation situation is now in a desperate situation in the large urban areas.

As you can see from the emergency approaches that are being followed in Boston, Philadelphia, New York, Chicago, St. Louis, the bay area of San Francisco, Los Angeles, and many other cities—all of these represent important contributions to American thinking. But the solution is not going to be found solely by catch-as-catch-can approaches.

Senator WILLIAMS. Thank you very much, Mr. Gulick. I know our record is a great deal more complete with your experience and your testimony this morning. Thank you.

Your whole statement, when it arrives, will be included in the record.

We understand that Mr. Gilliss, director of the Metropolitan Transit Authority of Los Angeles, has arrived, and we would be glad to hear him now, which will make it possible to conclude our hearings this morning before luncheon.

STATEMENT OF C. M. GILLISS, EXECUTIVE DIRECTOR, LOS ANGELES METROPOLITAN TRANSIT AUTHORITY

Mr. GILLISS. Mr. Chairman, I will be brief since it is past your lunch time. My name is C. M. Gilliss. I am the executive director of the Los Angeles Metropolitan Transit Authority. Before joining the authority in 1959, I was director of California's State Department of Public Works and chairman of the California Highway Commission. I have been directed by the authority and Mr. Eyraud, who would be here today if we could get together, to appear before you today in support of the objectives of S. 3278.

In the interest of a complete record, and for the convenience of your staff, here is brief background material about the MTA. The MTA is a self-supporting public corporation of the State of California. Since March 3, 1958, the authority has operated the major bus and streetcar system in Los Angeles and three adjacent counties. The MTA carries more than three-quarters of a million passengers a day on its 91 lines.

Los Angeles is a unique complexity because of its low density of population and its high percentage of automobile ownership. The area comprises some 4,880 square miles in which nearly 7 million persons live.

The people, through the California Legislature, established the MTA in order to have a State agency that could operate efficiently across the artificial political boundary lines of the 150 cities and communities and counties served.

The authority is governed by seven members appointed by the Governor of California to a staggered term of 4 years each. The members serve without salary.

The MTA meets its obligations through money deposited in the fare box. It has no subsidies. It has no recourse to taxes. It is exempt from property taxes, but pays fuel tax.

The purchase of the several private companies that were predecessors to MTA was made on March 3, 1958, and was financed through the issuance of revenue bonds in the amount of \$40 million.

The MTA operates 1,495 buses, 89 trolley coaches, and 199 streetcars and trains, and they travel 180,000 miles a day in keeping their schedules; that is more than seven times the distance around the earth.

In addition to the responsibility for operating and improving, where possible, the existing public transportation system, we are attempting to find a fast, convenient, and modern rapid transit system.

By midsummer, we will have completed studies that will show the type of mass rapid transit system best suited for Los Angeles. The

study will show where the lines and stations should be located, what kind of equipment will do the job that we think of when we talk of mass rapid transit, and will answer the question: "How much will it cost?"

In California, we believe we have the finest system of highways and freeways in the United States. Governor Brown recently joked that the Hollywood Freeway was the longest parking lot in the world. These freeways perform an amazing job, and yet they are filled to capacity on the day they are opened.

Enough people come to California to stay every month to establish a brandnew city the size of Reno, Nev.; Biloxi, Miss.; or Independence, Mo. More than 40 percent of these people come to Los Angeles.

It does not take an expert to predict what kind of traffic paralysis faces Los Angeles and the country's other principal metropolitan areas.

We have every reason to believe that southern California will continue to enjoy what is now considered its normal, healthy growth. As it grows, the heart of its commerce can go to work. The nerve center of its government and finance can be ready to send out its messages, but unless the transportation arteries are open and free-flowing, the whole body of the metropolis will atrophy.

Speaking to the bill itself, its importance lies not so much in the amount of money provided in the bill, or in its offer to lend money at Federal Government interest rates, plus one-quarter of 1 percent. The significance lies in the recognition by the Congress that improved transit is one of the keys to the orderly development, or redevelopment of the Nation's headquarters cities.

Los Angeles could certainly use some study or planning money and perhaps could qualify under this bill. But when we get really down to the problem of building even a primary system of mass rapid transit, we are speaking about a project twice as costly as Hoover Dam.

Senator WILLIAMS. How much is that?

Mr. GILLISS. Hoover Dam cost \$160 million. We are talking in the neighborhood of \$350 million to \$450 million.

If Los Angeles were ready to build today, its rapid transit system, the reasonable share it could expect from this \$100 million might be eaten up in the rising costs during the few months necessary for this bill to pass and for our application to be approved.

Senator WILLIAMS. Of course, your situation is unique, but in most cities, the metropolitan areas that we think of in terms of acute mass transit needs, there are abundant existing facilities that are becoming deteriorated and being abandoned. You have to start from scratch, do you not?

Mr. GILLISS. We do on the fixed system, Senator. We have the flexible system that belonged to three private companies. Those private companies were losing money and cutting back service. Eventually, we could see a city without public transportation. That is why the MTA was charged with the two jobs—the one to operate the existing systems and improve it, if possible; the other to develop a mass rapid transit system.

Senator WILLIAMS. You had a system of railroad passenger service at some point.

Mr. GILLISS. Yes, we did.

Senator WILLIAMS. This, as we understand it, has been largely abandoned. Is that right?

Mr. GILLISS. Almost altogether.

Senator WILLIAMS. Does that mean that the rail rights of way have been taken for other purposes?

Mr. GILLISS. At least half and, more correctly, three-quarters of the rights of way are gone. They have become parkways for avenues and the rails have been taken up and the rights of way abandoned or sold.

Senator WILLIAMS. Have you reached a point in your thinking and planning that you feel there will be a need of now creating a rail rapid transit system?

Mr. GILLISS. The need is already here.

Your staff had a list of some questions that related to the bill, and I believe that the committee is entitled to some straight answers to those questions.

In Los Angeles we believe we are doing every possible thing toward achieving a solution to our transportation problem. We have the cooperation and understanding of the highways and planning groups. This is unusual because, in a sense, we are competitors, with them for moneys.

We in Los Angeles are attempting to find a system that can be financed with revenue bonds, because that is the authority we now have in the State act, although to many, such financing appears to be highly unlikely. Certainly, Federal partnership in one of several ways would help a great deal.

It has been said that the metropolitan areas of the United States cannot afford a modern mass rapid transit system. I think it can just as reasonably be said that the metropolitan areas cannot afford not to have an up-to-date mass rapid transit system. No one can really calculate the man-hours, equipment time, and delay to commerce occasioned by the traffic jams on the Nation's highways. Certainly, the aggregate of these costs would quickly buy the relief that an adequate mass transit system offers. These metropolitan areas are the headquarters cities through which the public and private business of the whole Nation flows. They are the capital cities for the function of commerce and government.

Speaking specifically to the "priority" section of the bill on page 6, line 3, I suggest that this language might defeat at least one stated purpose of the proposed legislation. If I understand the bill correctly, it intends to provide moneys for the study and planning for a mass rapid transit system. The priority language would require that an agency have workable plans before it would qualify for money to make the plans.

Senator WILLIAMS. No.

Mr. GILLISS. It would not?

Senator WILLIAMS. We hope that priority provision will stimulate planning. Authority for funds for planning is separate and apart from this section.

Mr. GILLISS. It is?

Senator WILLIAMS. Yes.

Mr. GILLISS. Thank you, Senator, for a clarification.

About this system that we had that you mentioned—around the turn of the century, Mr. Henry Huntington built the Pacific Electric Interurban Lines. This answers the question: What impact do transportation systems have on overall land use and urban development? In Los Angeles, this is a classic illustration because we are successor to the largest and most comprehensive urban system ever built in the world. Mr. Huntington's system ran from 60 to 70 miles in every direction from the heart of Los Angeles. The MTA still operates one of those lines to Long Beach, using big red cars more than 40 years old.

Mr. Huntington did not lay out a transportation system. He laid out lines to serve the lands in all directions from downtown Los Angeles, lands which he and his associates owned and controlled and planned to develop. The transportation dictated the land use and development. Most of the communities of the Los Angeles metropolitan area were founded along these lines, as a result of this great man's dream.

The automobile, unfortunately, was a tough competitor. Pacific Electric Interurban Lines lost money. It was purely a question of economics. They abandoned the interurban system and sold the rights-of-way.

The Federal Government has demonstrated its interest in urban redevelopment; it must also be interested in a transportation system to serve the redeveloped areas. The Federal Government has already shown its interest in the Interstate Highway System, to connect the great centers of the Nation. It must also be interested in a supplementary system which will relieve these freeways of congestion.

The stated purpose of the bill is to assist and encourage comprehensive planning and development of urban transportation. It intends to provide dollars for planning and dollars for the capital plant. It does a little of both of these things, but not enough of either. In view of the magnitude of the problem, it has a long way to go.

But it is a significant bill and an important first step because it would establish congressional recognition of and Federal partnership in the biggest cities' biggest problem.

Mr. Chairman, that is the end of the formal presentation.

Senator WILLIAMS. I wonder if it would be proper to say that Los Angeles presents a classic example of the massive expense of permitting existing rapid transit rail facilities to be abandoned and the rights-of-way taken for other purposes, putting all of the burden of traffic on the highways, and the highways and the freeways gobbling up the value of the center city. At the end of the road, you have to go back to rail facilities for efficient transportation.

Mr. GILLISS. There are people who disagree on almost anything in Los Angeles, but they all agree on that.

Senator WILLIAMS. Of course, that is the conclusion we have been working with, and you come right from the area. The fact that you make that conclusion is the most compelling reason, I would think, for new effort in solving transportation problems.

As has been said here by all of the witnesses, this bill that we are considering will not solve the problem, but it certainly is moving in the direction of solution.

Mr. GILLISS. It is. We will have to reestablish some of these abandoned rights-of-way. We either must use freeway rights-of-way, flood control channel rights-of-way, or old rail rights-of-way or buy private rights-of-way. The purchase of private rights-of-way makes the whole project almost prohibitive.

Senator WILLIAMS. I wonder if you have heard this—and I do not know who it was that said it of Los Angeles. He said: "I have seen the future and it does not work."

Mr. GILLISS. No, I have not.

Senator WILLIAMS. I think that we have all of the experience that we need from your testimony and your response to the inquiries, and we are very much helped by it and very grateful to you, Mr. Gilliss, for coming East to be here personally to give us this experience.

Mr. GILLISS. Thank you very much for the invitation, Senator.

Will you want Mr. Eyraud, our chairman, here in the morning? Or are you continuing in the morning?

Senator WILLIAMS. We are continuing in the morning. If he is in town, we would be very glad to have him with us in the morning.

Mr. GILLISS. Thank you, sir.

Senator WILLIAMS. If we can help you in any way with our facilities—

Mr. GILLISS. I appreciate your time and courtesy.

Senator WILLIAMS. Thank you.

The hearing will recess now until 10 o'clock tomorrow morning—a more conservative hour.

(Whereupon, at 12:55 p.m., the hearing recessed, to reconvene at 10 a.m., on Wednesday, May 25, 1960.)

HOUSING LEGISLATION OF 1960

WEDNESDAY, MAY 25, 1960

U.S. SENATE,
COMMITTEE ON BANKING AND CURRENCY,
SUBCOMMITTEE ON HOUSING,
Washington, D.C.

The subcommittee met, pursuant to recess, in room 5302, New Senate Office Building, at 10:03 a.m., Senator Harrison A. Williams, Jr., presiding.

Present: Senators Williams, Sparkman, Douglas, and Bush.

Also present: Senator Keating.

Senator WILLIAMS. The subcommittee will please come to order. We have Senator Keating with us, who, due to other commitments, wishes to make his statement now.

Will you proceed, Senator?

STATEMENT OF KENNETH B. KEATING, A U.S. SENATOR FROM THE STATE OF NEW YORK

Senator KEATING. Mr. Chairman and members of the committee, I appreciate very much having this opportunity to present my views on this proposal to come to grips with one of the crises plaguing America's cities. S. 3278 represents a historic chance for the Congress to contribute substantially to the solution of the problems of urban congestion and commuter transportation.

As one of the original cosponsors of this legislation, I commend this subcommittee for its promptness in scheduling this hearing. I also want to salute all who cooperated in the drafting of this proposal, including the American Municipal Association, which, of course, has been a pioneer in this vital field. The number of cosponsors backing this bill, as well as the numerous identical measures introduced in the House of Representatives testify eloquently to the widespread interest in the enactment of mass transit legislation.

To any one who has studied the development of our modern urban centers it is clear that among its most serious ramifications is the inadequacy of mass transportation facilities. It is obvious that many of our great cities are slowly strangling to death due to downtown congestion. The onset of the automobile as the normal means of transportation has turned center cities into veritable nightmares of snarled traffic and overstuffed parking facilities. The hit-or-miss manner in which much municipal planning has been carried out in recent years has served to compound the problem with regard to means of transit to and from our cities and their burgeoning suburbs.

The problem of traffic congestion in metropolitan areas is a matter for national concern, demanding national attention, due both to the

inability of localities to meet the problem and to the national welfare which is involved.

Today, of course, roughly two-thirds of the American people live in urban areas. This percentage increases daily, thus intensifying the problem.

We must remember that what is involved here are not just single cities, but vast and sprawling metropolitan areas which overflow municipal, county, and often State lines. In many, many instances it is clearly an interstate problem. New York City, for example, draws on residents of Connecticut and New Jersey, as well as New York State, for its daily working force.

We must also take note of the fact that our major industrial organizations, our centers of business and culture, many of our colleges, museums, cultural centers, libraries, hospitals, and research centers, are located in urban areas.

The city is, indeed, the heartbeat of America's social, economic, cultural, and educational life. To the extent that any city is made a better, healthier, more productive place in which to live and work, the whole of our Nation is the benefactor. Conversely, the breakdown of urban services, and resultant urban decay, robs the present of its opportunities and robs the future of its rightful heritage.

Urban conditions can thus spell either dynamism or stagnation. A healthy, vigorous city climate is the atmosphere of growth and prosperity. A climate choked by the weeds of neglect, of backwardness, of civic apathy, is not the garden when progress grows.

Thus, much of the stupendous problem of metropolitanism must eventually come to rest at the door of the National Government. It must not by any means be expected to supply all the answers, or all the resources, but it does have definite obligations.

The Federal Government must assume the mantle of leadership where our cities have failed or where they have been unable to meet the challenges confronting them. In my view, the problem of transportation into and out of our urban areas is just a problem. I regard S. 3278 as a sound and positive first step toward a full solution of the problem with reasonable Federal participation.

Although I do not subscribe to every single feature of this proposal, I believe it provides a solid foundation upon which to build the legislation which is needed in this field. Based on the evidence produced by the many fine experts this committee will hear from, I am confident you will come up with a sound and effective measure.

S. 3278 meets the challenge of the commuter problem in a moderate but constructive way. It recognizes the need for overall planning and the need for loans to help struggling municipal transit systems. It appreciates the difficulty of trying to go too far too fast in this field and is thus realistically attuned to the political temper of the Congress. It can be enacted in this session of Congress.

The urban planning grants authorized under section 2 of this bill recognize that the planning of transit facilities must be an integral part of overall urban planning and development. This is extremely vital if our metropolitan areas of the future are to grow in a sound and efficient manner. We must make every effort in this and other Federal programs to insure that, to the fullest extent possible, Federal projects and Federal participation in local activities is integrated into

local planning. Clearly, it is of the utmost importance that mass transportation facilities conform to and be a cohesive part of sound patterns of community growth.

The loan provisions of this bill go to the heart of the city transit crisis. The unfortunate fact of life is that because urban commuter operations have become so unprofitable, most banks will not lend them money for new and improved equipment. Or, if they will make loans, the interest rates are prohibitive, thus making reasonable fares impossible.

The problem is compounded by the fact that although many of our larger cities have nearly doubled their taxes in the last decade or so, they have reached their legal debt limit in their efforts to meet the demand for the great number of services required by city residents.

Because this is a problem with national ramifications and because the cities are unable to do the job fully themselves, the long-term, low-interest loans authorized by this bill constitute a proper area for Federal participation. The purchase of commuter equipment and the financing of the construction of integrated transportation facilities in metropolitan areas which will be made possible by these loans can result in more modern and attractive service. This can contribute significantly to luring additional travelers back to commuter facilities.

I am confident wise and vigorous application of the loan powers provided in this bill can help shore up and revitalize sagging commuter systems all over the country. A direct result can be significant alleviation of the problem of urban strangulation and paralyzing traffic congestion, thus contributing to revived business activity in our central cities.

Thus, in the long run, America's taxpayers can benefit from the improved transportation facilities made possible by implementation of this bill's provisions. New wealth can be created by stimulating business activity in downtown areas. Tremendous losses in man-hours can be eliminated by utilization of speedy and efficient commuter systems. The substantial Federal investment in the commendable urban renewal program can be protected by insuring that eradication of center city blight will be integrated into the establishment mass transportation systems.

Clearly, if we do not take this modest but decisive first step, the present costs involved in these fields will multiply to staggering proportions. In my view, we cannot afford to tarry any longer in bringing the facilities and resources of the Federal Government to bear on this problem.

Finally, I am pleased to note that this program is to be administered by the Housing and Home Finance Agency. This constitutes a recognition that there is a close relationship and there must be close coordination between urban renewal and urban planning projects and the development of mass transit programs.

It is my hope that eventually the Housing and Home Finance Agency will form the nucleus of a Federal Department of Urbiculture, such as I have proposed in S. 2397, or a similar department, exclusively devoted to Federal programs with a primary impact on metropolitan areas. As I envision this department, one of its major divisions would deal with mass transportation problems and with the administration of the program to be launched as a result of this bill.

Mr. Chairman, I am fully cognizant of the fact that this measure is

not a panacea for the vexing problem of mass transportation in this Nation. It does not provide pat or insured solutions, but it is clearly a step in the right direction.

The vital thing is that this legislation recognizes that there must be national interest and a national effort directed toward the creation of coordinated, balanced mass transportation systems in the major metropolitan areas in which two-thirds of our people today live and work.

It provides the machinery to assist in a comprehensive study of our overall transportation problem. It will encourage the formulation of workable master transit plans in congested areas. It authorizes loans which are essential to bring local transportations up to date so that they can attract additional business.

These are three essential ingredients in any long-range Federal program to end the mass transit problems which today threaten to strangle the very existence of our urban areas and thus sap the strength of the entire Nation. I hope the committee, on the basis of these hearings, will report a bill which will permit us to get started on this great task which is so essential to saving and reviving our cities.

Senator WILLIAMS. Thank you, Senator Keating.

This morning we are to hear the statement of Mayor Celebrezze of Cleveland.

Mr. Mayor, we understand you have other missions this morning so we will give you the opportunity now.

STATEMENT OF ANTHONY J. CELEBREZZE, MAYOR, CLEVELAND, OHIO; ACCOMPANIED BY MICHAEL M. LUCAK, CHAIRMAN, AND GASPARE CORSO, MEMBER, CLEVELAND TRANSIT SYSTEM, AMERICAN MUNICIPAL ASSOCIATION

Mayor CELEBREZZE. Mr. Chairman and distinguished members of the committee—

Senator WILLIAMS. Would you care to identify your associates, Mayor?

Mayor CELEBREZZE. My associate to my left is Mr. Michael Lucak, chairman of the Cleveland Transit System, and to my right is Mr. Corso, a member of the board of the Cleveland Transit System.

I would like, Mr. Chairman, at this time, with the committee's permission, to introduce into the record a survey that was made by the AMA captioned "The Collapse of Commuter Service."

Senator WILLIAMS. We are happy to receive it. Does that deal with problems nationally?

Mayor CELEBREZZE. The AMA made a survey in five of the largest cities as to the critical conditions of commuter and rapid transit service, and our findings are contained in that report which I think will be helpful to the committee.

Senator WILLIAMS. It will go in the record at the end of your presentation.

Mayor CELEBREZZE. Mr. Chairman, I am Mayor Anthony J. Celebrezze, now serving my fourth term as Mayor of Cleveland. I am a past president of the American Municipal Association, a member of the executive committee of the U.S. Conference of Mayors, and a

member of the President's Advisory Commission on Intergovernmental Relations.

Mr. Chairman, I am sure that this committee has heard all the facts concerning the great need for this type of legislation. Therefore, I will just submit my statement for the record, and, if I may be permitted, ad lib for a few minutes.

The problem in the city of Cleveland, and this is true generally in large cities, has been the great traffic strain that has been put upon it by a vast network of freeways. Someone said the other day the great national flower will soon be the concrete cloverleaf.

The vast number of automobiles coming into our communities has subjected our downtown areas to great stress. The city of Cleveland alone needs \$125,550,000 to extend its rapid transit system, which is more than is being asked under the present bill.

We feel that there must be some relief given to the urban communities of this Nation in order to prevent complete traffic strangulation of our communities.

With the estimated increase, in the next 10 years, of some 15 million automobiles, the problem with which we are faced now will become tremendously more burdensome.

I think that the cities could make a good case for more transit subsidies since we subsidize so many other forms of transportation. However, the mayors are not asking for subsidies. We are asking for loans.

The city of Cleveland has a rapid transit system which is about 18 miles in length. That rapid transit system was made possible because we were able to borrow some \$30 million from the old RFC. Without that loan we would not have been able to build our rapid transit system.

Senator BUSH. What is the nature of that rapid transit system, Mayor? I mean is it subway or surface?

Mayor CELEBREZZE. No, it is surface. It is all surface.

Senator BUSH. Surface?

Mayor CELEBREZZE. Yes.

Senator BUSH. Trolleys?

Mayor CELEBREZZE. Tracks. Trolleys, yes. That is in addition to our bus transportation system. It goes from one end of town to the other.

Senator WILLIAMS. Is that still in use?

Mayor CELEBREZZE. Oh, yes, very much in use. I may say that it is one of the very few rapid transit lines—as a matter of fact, our whole transit system is on a self-sustaining basis, and we would like to keep it that way. That is why we are so keenly interested that a loan program be set up rather than a subsidy program.

Senator BUSH. Does it operate at a profit or break even?

Mayor CELEBREZZE. It just about breaks even. It is not subsidized directly with any tax moneys as is the case in New York or Boston. The only indirect subsidies are that they do not pay any normal taxes that a private operating firm would pay, gasoline tax and things of that nature.

We are in the process of expanding it now. We have our plans. We are ready to move. The question that the city is faced with is how do we get money to do it? We think the answer is the same as it was back when the RFC was established—a lending corporation.

Actually, the lending corporation as is called for under the present bill would not be any additional burden on the Federal Government. Actually I think it might prove profitable. Since the agency is already established a complete new overhead will not be involved. With one-quarter of 1 percent for a service charge, I think, like the old RFC, you will show a profit. It is just a question of using the credit of the U.S. Government in order to make it possible for communities to meet this critical problem.

I am sure the committee is familiar with the estimated increase in automobiles of 15 million in the next 10 years which I cited earlier, and I am sure the committee is familiar with the estimated population increase of 34 million over the next 15 years. We have got to be able to move people, and we cannot move them by automobile alone. This is an urgent problem insofar as urban communities are concerned. Some type of aid program or loan program must be established.

You will notice from the survey that was made and which I introduced into the record that the city of Cleveland has a great deal of area devoted to parking spaces. This means our tax duplicate is going downhill not only because of the tremendous amount of property we have to take off the tax duplicate for parkway purposes but also the tremendous amount of property we have to take off the tax duplicate to convert into parking areas.

I will be happy to answer any questions that may be directed to me.

Senator WILLIAMS. Senator Bush?

Senator BUSH. Let's take the city of Cleveland. It is your city. If you could borrow what you think you need to improve your situation there along lines you think it should be improved, what would you do? Never mind how much money you would want, but what would be the essential things that you would do with a loan in order to accomplish what you think is the desirable purpose there?

Mayor CELEBREZZE. The statement I submitted cites what we want to do.

Senator BUSH. On page 877.

Mayor CELEBREZZE. On page 877.

Senator BUSH. Yes.

Mayor CELEBREZZE. We urgently need at the present time in the city of Cleveland about 35 more miles of rapid transit or rail service.

In the city of Cleveland we work in conjunction with the existing facilities owned and operated by the railroads. In other words, we enter an agreement with the railroads to use, wherever possible, their right-of-way, thereby not taking any more property off the tax duplicate, and, of course, reducing cost to the bare minimum because improved property need not be bought.

That has been worked with the New York Central. We are in negotiation with the Erie. We are in negotiation with the Pennsylvania on use of right-of-way which we pay them for.

Senator BUSH. Just looking at your page 877 for a moment, you say:

Here are some of the major improvements we must make in Cleveland to create the rapid transit system we need,

and when you say,

West. Center strip of Northwest Freeway to West 210th Street, \$5 million, what does that mean? To open up a new line?

Mayor CELEBREZZE. Yes. That would be completely new.

Senator BUSH. Then the "southwest" would be an extension that would be another new line?

Mayor CELEBREZZE. That is right.

Senator BUSH. You mean the improvements would be getting right-of-way and laying the tracks?

Mayor CELEBREZZE. Let me say this: It is an addition to the existing facilities that we have.

Senator BUSH. Yes, I understand.

Mayor CELEBREZZE. But it is a new line.

Senator BUSH. It would be new?

Mayor CELEBREZZE. Yes.

Senator BUSH. That is just the cost of acquiring the property and building the line? The cost of cars and equipment is additional?

Mayor CELEBREZZE. This is all-inclusive. On the bottom we have rapid transit cars, 190 at \$95,000 each.

Senator BUSH. You have \$18 million in there.

Mayor CELEBREZZE. \$18,500,000.

Senator BUSH. I take it that is in addition to the cost of extending these lines?

Mayor CELEBREZZE. It is in addition to the cost, but it is included in our \$129 million figure.

Senator BUSH. In the \$129 million, yes.

Mayor CELEBREZZE. Yes.

Senator BUSH. But it is not included when you take each one of those sections, west, southwest? That is just the cost of construction?

Mayor CELEBREZZE. That is right.

Senator BUSH. It does not include the equipment?

Mayor CELEBREZZE. That is right. And in most instances it is scaled down because we try to utilize as much as possible existing railroad-operated rights-of-way.

Senator BUSH. Do you think your city council would approve the borrowing of \$129 million under Senator Williams' bill.

Mayor CELEBREZZE. Yes, I do. However, the transit board is run by an independent board, by charter. The board has been removed from the jurisdiction of the mayor and the city council. It is an independently established board.

After all, what we are asking for actually is in the great American tradition. The economy of this Nation is dependent on the extension of credit. What we are asking for is a kind of an installment plan. If an individual wants to buy a house that costs \$20,000, he does not have \$20,000 but he has a downpayment and he can finance it over a period of years. That is what we are trying to do.

Senator BUSH. Do you think the extensions you project here would be profitable and that they would more than carry themselves, so to speak, and enable you to retire debt and pay current charges on these extensions as well as on your existing services?

Mayor CELEBREZZE. It is our hope. That statement I cannot make positively because there is a limitation on what the rider will pay by way of fare. You can get to a point where your fares get too high. But we feel if these loans are made over a 30- or 40-year period we can handle it as we are now handling the \$30 million loan by RFC on a self-sustaining basis.

Senator BUSH. I have not been in Cleveland for a very long time, but you used to have very wide streets there, especially in the downtown section. I remember that area very well. But has your automobile traffic situation gotten terribly bad downtown now?

Mayor CELEBREZZE. Well, since you were there we have built a great many more freeways. As a result more and more traffic is pouring into the downtown section. That presents a real parking problem.

At the end of the extensions of the rapid transit we build parking lots. Our experience has been that the automobiles will use these parking lots on the outskirts of the city, and the drivers will take the rapid transit into the city.

There is no doubt about it that in the next few years there will be complete strangulation in our downtown sections unless we want to deplete our tax bases by building a great many more parking lots and a great many more freeways.

Senator BUSH. Is the principal shopping center there in downtown Cleveland still about the same as it was 10 years ago?

Mayor CELEBREZZE. No, no. I think it will show the same as any other large city—that there is a decrease in the valuation of your downtown properties because of congestion.

Senator BUSH. There is?

Mayor CELEBREZZE. Yes. As we analyze this, and from basic experience, after serving as mayor of Cleveland for four terms, this kind of a program is essential. If we do not do it through loans we probably will have to have a subsidy to do it, because it is a must.

As is brought out in the report that we prepared last year, if commuter lines and the rapid transit lines were to go out of existence, it would cost, under the present setup of highway financing, the Federal Government about \$31 billion to replace them with roads. And that does not solve the problem because, as I say, in Cleveland our basic tax is a real estate tax.

We have now the inner belt freeway which is in the process of completion. That is $3\frac{1}{2}$ miles, and at a cost of some \$75 million. But the sad part of it was it went through a commercial district, and it took about \$30 million worth of taxable property off the tax duplicate.

Of course, it does not stop there. You have the cost of maintenance. Well, part of the maintenance comes out of your gasoline tax, but taking care of the slopes and cutting the grass comes out of general operating funds, and therefore you have a greater burden on your general operating funds, and your tax duplicate keeps going down. So eventually you are going to be in difficulty.

That is the problem that we are faced with.

Senator BUSH. Do you feel that with this type of improvement in surface transportation that you can reverse the trend, so to speak, to the suburbs?

Mayor CELEBREZZE. You mean the moving out to the suburbs?

Senator BUSH. Yes.

Mayor CELEBREZZE. I have taken the position always that it is not a flight to the suburbs. It is a natural growth. Communities expand. I think it is not that they are trying to get away from the basic city. It is a question of—

Senator BUSH. It is not an evacuation?

Mayor CELEBREZZE. No. I like to think that it is just the normal expansion. The more people you have, the more space they are going to take.

I think as we analyze the problem in the city of Cleveland—and we are now in the process of trying to get loans for urban renewal in the downtown area—there is a reversal insofar as the elderly people are concerned and executives, in that they would live closer to the downtown area if you build apartments there.

But the other I think is just a natural growth. I do not think it is a flight from the central city. I think it is just a natural growth. With more people you have to keep expanding out. That is the history of all towns.

Senator BUSH. You think the central city with its business enterprises and office buildings and all that is a solid thing?

Mayor CELEBREZZE. Yes. If the central city goes under, then everything is going under.

Senator BUSH. What?

Mr. CELEBREZZE. If the central city goes under, then I think everything will go under, because it is the central city that furnishes the basic services of sewer, water, and transportation for practically the whole county.

Senator BUSH. I mean I am just raising the very ugly thought that with these terrible problems created by traffic density there is a tendency, there is in my State, for business to move out on the fringes too, thus taking away from some of the congestion and crowding downtown.

I have seen that happen in the old centers of activity.

Mayor CELEBREZZE. I agree with you on that point.

Senator BUSH. Part of that expansion is due, as you say, to a natural growth, but not all of it is.

Mayor CELEBREZZE. No, no.

Senator BUSH. It is a little bit disturbing and has a little bearing on this subject.

Mayor CELEBREZZE. Of course, the city of Cleveland does not have too much open land left. Then we come along with a freeway right through a commercial center, and we take about \$30 million off the tax duplicate and we do not have sufficient land to replace that which we lost. As a result they go out to the suburbs too.

Senator BUSH. Thank you, Mr. Chairman.

Senator WILLIAMS. Senator Douglas?

Senator DOUGLAS. I regret that I have been late in coming.

Mayor, you own your transit system in Cleveland, do you not?

Mayor CELEBREZZE. Yes.

Senator DOUGLAS. This was the final result of the fight begun by Tom L. Johnson 60 years ago and carried on for decades and which finally resulted in municipal ownership?

Mayor CELEBREZZE. That is right.

Senator DOUGLAS. How long have you owned the system?

Mayor CELEBREZZE. Since 1942. The purchase of it was under my predecessor, Senator Lausche.

The rapid transit went into being—that is, the negotiations started—I think in 1949 with the RFC for a loan of \$30 million, which we got, and we opened our first section of rapid transit in 1954.

Senator DOUGLAS. Of course, there was great enthusiasm on the part of the private owners of the transit systems for municipal ownership when their lines began to lose money, and they developed a fondness for municipal ownership—to be bailed out at high valuations. Did this happen in Cleveland?

Mayor CELEBREZZE. No. We got bargain rates when we bought out the old Cleveland Railway System.

Senator DOUGLAS. That is a little different from some of the other cities in the country which paid high rates and then found they had an obsolete traction system on their hands.

Mayor CELEBREZZE. We paid \$14½ million for the line when we bought it from the old Cleveland Railway System.

Senator DOUGLAS. Have you made the transition from streetcar lines to buses?

Mayor CELEBREZZE. Yes. We took the last streetcar off the streets in the city of Cleveland in 1954, and we have not had a streetcar since then.

Senator DOUGLAS. I want to congratulate the mayor and his predecessor.

Senator WILLIAMS. Then your system is a bus system?

Mayor CELEBREZZE. It is a bus and rapid transit. The rapid transit is on rails, and, of course, the buses go on the freeway system.

Senator WILLIAMS. Electrified system?

Mayor CELEBREZZE. Yes; it is an electrified system.

Senator WILLIAMS. Did I understand, Mayor, that you said that there is in the process of building 3 miles of freeway that will cost \$75 million?

Mayor CELEBREZZE. That is just about completed.

Senator WILLIAMS. That is part of the interstate program?

Mayor CELEBREZZE. That is part of the interstate program. It runs right through a commercial section of Cleveland, and there were a great many bridges that were necessary in order to span our main arteries in the downtown area. The purchase of the property plus these bridges that we had built is what makes it so costly.

Senator WILLIAMS. That is under the 90/10 program I suppose?

Mayor CELEBREZZE. Yes; 90 percent Federal, 5 percent State, and 5 percent local.

Senator WILLIAMS. Just one other question, Mayor. Your voters have authorized a bond issue, have they not, for an inner subway loop?

Mayor CELEBREZZE. The voters did authorize a bond issue for some \$36 million to build a subway, but that was on a countywide basis, and the county commissioners decided they did not want to build a subway, and the bonds have now expired. The term is up.

Senator WILLIAMS. I see. That authority no longer exists?

Mayor CELEBREZZE. No longer exists. The bonds expired. That is, the authority to issue the bonds expired.

Senator WILLIAMS. Just one further question. I wonder if your associates would estimate what the interest rate would be for borrowing for your improvements in the regular commercial markets at this time given the credit standing that you have?

Mayor CELEBREZZE. Their estimate is it would be at least 5 percent.

Senator WILLIAMS. You are familiar with the method of arriving at the interest rate under the provisions of this bill?

Mayor CELEBREZZE. Yes.

Senator WILLIAMS. And you are aware that it would be in the neighborhood of $3\frac{1}{8}$ to $3\frac{5}{8}$?

Mayor CELEBREZZE. Yes.

Senator WILLIAMS. Would this difference in the cost of money and the rate of amortization be important and have any bearing on your situation?

Mayor CELEBREZZE. Oh, very much. Very much. We feel, and I have always contended, that a solution to this—unless you want to go into direct subsidies—is to borrow money at the lowest possible rate over the longest period of time so that you can still amortize it and still perhaps maintain your system on a self-sustaining basis.

Senator WILLIAMS. Would it be your feeling that the city of Cleveland would make application for money under the provisions of this bill?

Mayor CELEBREZZE. We have all our plans and we practically have our application drawn up. We are ready.

Senator BUSH. How much are you asking for, Mayor?

Mayor CELEBREZZE. Well, we need \$129 million, but it is obvious we cannot get \$129 million when the sum is \$100 million, so we will take our fair share, whatever that may be.

Senator WILLIAMS. I do not have any further questions. We are very grateful indeed, Mayor Celebrezze.

Mayor CELEBREZZE. Thank you very much.

Senator WILLIAMS. You are always welcome here and always very helpful here.

Mayor CELEBREZZE. Thank you.

(The prepared statement and material submitted by Mayor Celebrezze follow:)

STATEMENT OF ANTHONY J. CELEBREZZE, MAYOR, CLEVELAND, OHIO, AMERICAN MUNICIPAL ASSOCIATION

My name is Anthony J. Celebrezze. I am the mayor of Cleveland, now completing my fourth term as mayor, and I am a past president of the American Municipal Association, a member of the Executive Committee of the U.S. Conference of Mayors and a member of President Eisenhower's Advisory Commission on Intergovernmental Relations.

Gentlemen, I am honored to be invited to testify before this committee on Senator Williams' bill to provide long-term, low-interest loans to municipalities and other public bodies engaged in the improvement of mass transportation facilities.

There is no other committee of Congress which has demonstrated more interest in the problems of our metropolitan areas. The question you are considering today is, I think, one of the most important and difficult domestic problems facing our Nation.

In every metropolitan area in the country, urban and suburban governments are faced with the problems of increasing traffic congestion, increasing costs, and the use of increasing amounts of tax ratable land for tax-free highway and parking facilities. Traffic congestion is not only draining local government revenues but is resulting in enormous economic losses to our national economy.

Just to keep from being inundated by the present mounting tides of traffic pouring over these metropolitan areas, vast systems of radial and circumferential highways are being built with billions of dollars of city, State, and Federal funds. By the time these highway projects are completed, increased volumes of traffic have swept past their capacities.

The problem is highlighted by the fact that 11 percent of the Nation's streets and highways, located in our metropolitan areas, are carrying 44 percent of the Nation's road vehicular miles. Of the \$111 billions spent on streets and highways in the United States from 1921 through 1956, almost one-half, exclusive of bond issues, has come from property and general taxes at the local level. Strangling traffic congestions is draining the financial resources of our local governments. Tax bases decline as property is removed from tax duplicates for construction of urban freeways and parking facilities. Congestion and lack of mobility result in declining business and employment, which diminish urban wage, sales, and other business tax receipts. The resulting reduction in local government income places further burdens upon the taxpayers to meet the needs of the community.

Transportation in our metropolitan areas has been thrown out of balance by the increased use of the private automobile. We must restore that balance. No one means of transportation can do the job alone. Only the personal automobile and taxi can efficiently handle the lowest volume individual passenger movements. However, if all workers and customers were to travel downtown by cars, three times more area would be required to park their cars than would be required for their offices and stores. Modern buses are most practical in providing the lighter volume public transportation feeder and distribution services. For heavy volume traffic one track of modern rail service on separate right-of-way can economically and effectively move as many seated passengers as 20 lanes of automobiles or 6 lanes of buses on expressways.

Thus, to make modern urban highways most efficient for the least expense, their capacity should be designed to fit in with an adequate, publicly supported total transportation system consisting of highways, rapid transit lines, and suburban railroads. Otherwise, elimination of transit and rail suburban services causes the expenditure of even more public funds for the additional highway facilities necessary to handle the ever-increasing loads plus the former rail and mass transit riders.

In a study of commuter problems conducted by the American Municipal Association surveying the five cities of New York, Boston, Philadelphia, Cleveland, and Chicago, it was demonstrated that if only 25 percent of those now riding mass transportation lines were to be forced onto the highways (and unless the present trend is halted the percentage will be much higher), it would cost these five cities \$4.4 billion to provide the highway capacity to move a comparable number of people.

If rapid transit lines, including railroad commuter lines, were to suspend operations completely, it would cost \$17.4 billion to build highways to serve a comparable number of people in these five cities. This does not include the additional costs of constructing parking facilities, the loss in taxes, or the cost of traffic engineering. In terms of 30-year, 4-percent bonds, the present high-speed transit and commuter railroads are equivalent to a billion dollars a year saving in equivalent highway construction.

To look at it in another way, if we were to replace the 2,633 route miles of rail transit serving these five cities on a mile-for-mile basis with an eight-lane highway system of equivalent length and equivalent capacity, the cost would be \$31 billion.

The Federal Government is now firmly committed to a vast highway program, half of the costs of which are in the densely populated urban areas. It is obviously to the national interest to encourage mass transit and suburban rail systems at only a fraction of the cost of providing a publicly financed highway system of equivalent capacity.

Metropolitan areas are gaining population more rapidly than the country as a whole; employment will increase in these areas, and despite decentralization, movement in and out of the central business district will grow, much of this growth being over the rush hours. At present, mass transportation carries a major, if gradually decreasing, proportion of the commuter traffic. Further minor slippage, with corresponding demoralization of the mass transit service, could easily result in as much as a 25-percent increase in automobile traffic.

Arriving at the right balance between automobile driving and riding on public carriers is the crucial task if we are to make the most effective use of present streets and of expensive new facilities. While each city must provide adequately for the automobile and motortruck as essential parts of modern urban life, an inviting alternative to the private car must be offered in the form of a

vastly improved transit and commuter system, wherever the advantages of high density make the extensive use of public transport obviously necessary.

The major problem here lies in achieving much greater speed, comfort, and convenience for passengers at fares they are willing to pay. Suburban rapid transit service now rendered must be improved to meet the demands of growing suburban areas, 10 to 20 miles from city center. Speeds should be increased by obtaining new, high-speed cars, by eliminating stations in areas of low population density, and by modifying service to meet traffic demands. Maximum use of feeder services by automobile and bus should be encouraged by locating stations at points readily accessible to highways, and by providing ample parking facilities. Express bus service must be inaugurated to those outlying urban areas which are inaccessible to rapid transit. Finally, and by no means least important, all public transportation services in the region which feed passengers to each other, or between which there is a possibility of exchange of a significant number of passengers should be integrated into a transportation system offering coordinate schedules.

In Cleveland, we have carefully studied this problem and we know what we must do to achieve the above results. The cost of these improvements, which I will detail below, are staggering. But the cost of not doing this job is even more staggering. Here are some of the major improvements we must make in Cleveland to create the rapid transit system we need:

West: Center strip of Northwest Freeway to West 210th Street.....	\$5,100,000
Southwest: Cleveland Hopkins Airport extension.....	5,600,000
South: Private bus roadway on Big Four Railroad.....	2,300,000
Southeast: Garden Valley and Pennsylvania Railroad.....	14,000,000
East: Heights extension to Mayfield.....	8,000,000
Northeast: New York Central Railroad from Superior Station to 260th Street.....	12,000,000
Downtown:	
Downtown distribution subway.....	40,000,000
Two additional tracks from Shaker Junction.....	1,500,000
Total:	
Rapid transit construction, engineering, and real estate.....	88,500,000
Rapid transit cars (190 at \$95,000).....	18,050,000
Additional maintenance facilities.....	3,000,000
Parking.....	5,000,000
Highway grade separations.....	15,000,000
Grand total.....	129,550,000

It is imperative that these improvements be made as quickly as possible. The long-term, low-interest loans called for in the Williams bill will help us speed up the job. The amount of authorization called for in the bill is far from adequate, for as you can see the city of Cleveland alone would be able to use more than the amount authorized in the bill, and I am sure that every other major city in the Nation is in similar circumstances.

The city of Cleveland was able to acquire the modern rapid transit system it now has through RFC financing. Other loans made throughout the Nation by the RFC were used to revive economic activities which I am sure have returned billions of dollars of additional revenue to our Federal Treasury.

Similarly today, if you will take the prudent step of authorizing long-term, low-interest loans to improve mass transit facilities in our major metropolitan centers the additional wealth you will create by restoring business activity in these centers, the staggering loss in man-hours you will eliminate, the protection of Federal investments in urban renewal you will achieve, will in the long run create billions of dollars of additional revenue for the Federal Government for a very modest investment.

The final costs of not taking these modest steps now will be so enormous as to stagger the imagination.

Senator WILLIAMS. Mr. Virgil Gunlock, chairman of the Chicago Transit Authority, is our next witness.

Welcome to the subcommittee, Mr. Gunlock.

We have your prepared statement. You deal with it any way you please, Mr. Gunlock, either read it or summarize it, whatever you choose.

**STATEMENT OF VIRGIL E. GUNLOCK, CHAIRMAN, CHICAGO
TRANSIT BOARD**

Mr. GUNLOCK. Senator Williams and gentlemen, I have a written statement here. I will explain this briefly.

I am chairman of the Chicago Transit Authority which is a municipal-owned corporation or is a municipality itself which was created by an act of the State legislature to own and operate transit facilities in Chicago and Cook County.

The operating area is all of Cook County except six townships in the northwest corner and one township in the southwest corner.

The authority operates 149 bus routes for about 1,900 route miles, and here I am talking about 1 mile of bus route because in some places we are on a one-way street and we now talk about a single mile of bus route because of that.

We operate nine rapid transit routes which consist of a combination of subway and elevated routes, a total of 203 miles.

We operate in Chicago and serve 29 other municipalities surrounding Chicago.

There are, in addition to the authority, a number of suburban bus routes, small ones, and two or three local bus routes in this metropolitan area, the Evanston Coach Co., the South Suburban Safeway, the Leyden Coach Co., and so forth.

The authority was created in 1947. It borrowed money to buy the Chicago Surface Lines, which was the old street car company, the Chicago Rapid Transit, which was the elevated company, and the Motor Coach Co., which was a bus company operating on the boulevards.

The total borrowing for this purpose and some other property which we acquired was \$135 million on revenue bonds.

All of our costs must be met out of fares.

The cost of this borrowing was $3\frac{1}{4}$ percent to $4\frac{1}{2}$ percent.

However, it was long-term borrowing, will be paid off in 1981, and for the \$135 million we will pay in excess of \$241 million. About \$75 million of this has been paid, leaving \$166 million of revenue bonds outstanding.

Our debt cost, principal and interest, annually is more than \$8 $\frac{1}{4}$ million.

Senator BUSH. Have you been meeting your fixed charges regularly?

Mr. GUNLOCK. We have been meeting our fixed charges. There are some charges which are not cumulative that we have not met.

For instance, city compensation we have met in only 2 years of the 13 that we have been operating, but it is far down the line in the list of charges.

We have not paid anything into our modernization fund in recent years.

Senator BUSH. But your debt service you have met?

Mr. GUNLOCK. Our debt service we have met regularly, and we are within a very few thousand dollars, about \$36,000, of having met our annual depreciation service.

In addition to the revenue bond debt we have borrowed \$42 million through the issuance of equipment trust certificates. This is a process by which we mortgage the equipment until it is paid for.

We have retired all of that debt except about \$10 million.

We have retired a total of \$107 million of debt service. But the interest rate on the recent borrowing was 6 percent. I am sure that any borrowing that we would make at this time would be at least—

Senator BUSH. Can you borrow on a tax-free basis or not?

Mr. GUNLOCK. Our bonds are tax free.

Senator BUSH. 6 percent interest tax exempt?

Mr. GUNLOCK. That is right. So you can see that is pretty high interest.

Senator BUSH. Why are not people eager to buy those? They sound pretty good.

Mr. GUNLOCK. I would say there is a general distrust of transit operation, a feeling that it may not be a good investment. It historically has not been a good investment.

Senator BUSH. The figures you cite are pretty good. They have been meeting their debt service with regularity. That is the test. And with plenty to spare evidently.

Mr. GUNLOCK. I would say that is true for the 13 years we have been operating, but we have to go to 1981 to retire this debt.

We have spent \$140 million for modernization of equipment and facilities. We have bought nearly 4,400 new pieces of operating equipment. That is about the number of pieces of equipment we are operating. But we do not have all new equipment because some of that equipment was purchased as streetcars and had to be retired. We retired our last streetcar in 1958.

Now our surface system is completely bus, either trolley or motor bus. I believe it is the largest bus operation on this continent.

Senator BUSH. You still operate the elevated there?

Mr. GUNLOCK. Yes; we still operate the elevated and have three new subways, which were not built out of fares. I may have given the impression that everything we had came out of fares in my previous statement. I would like to correct that here.

We have the State Street subway, the Dearborn-Milwaukee subway, and the new Congress subway which were not built out of fares but were built by the city of Chicago. Of the cost, \$25 million came from a corporate bond issue. About \$26.5 million came from Federal public aid grants. The other \$50 million came from a transit fund which had been paid to the city over a period of 20 years by the previous operating companies.

In the Chicago area, which is about a 30-mile area for the purposes of the recent transit survey, it is shown that there are about 10 million person trips made per average week day. About three-fourths of these trips were made by automobiles, and about one-fourth of these trips were made on some form of transit, either commuter railroad, bus system, or the rapid transit system. Of these trips, 82 percent were made on facilities of the Chicago Transit Authority, 12 percent of the trips on commuter railroads, and the remaining 6 percent distributed over a number of small bus operations in the locality.

The population in this area was slightly over 5 million.

Since this survey there has been a slight decrease in transit riding and a slight increase in automobile riding, but the transit authority still daily hauls we estimate from our daily records about 1 million persons who take about 1,800,000 rides daily.

The automobile, of course, is of major importance in the total transportation for this large area—about 1,200 square miles that I am talking about. But when we talk about the central area, the dense area of Chicago, it is an entirely different story. There rapid transit becomes very, very important to the life of the city and to the community.

As we concentrate this period into the rush hour, rapid transit really assumes vital importance in moving people in and out of the central district.

Between the hour of 4:45 and 5:45 p.m., over 227,000 people leave the area. Of this total, 34 percent use suburban railroad service; 33 percent use the transit authority's subway-elevated system. That makes 67 percent, or two-thirds, which use some form of grade-separated railborne transit.

Another 16 percent ride the surface buses, making a total of 83 percent that move from this area in this peak hour by some form of transit. Automobiles and cabs account for 16 percent, and service vehicles 1 percent, for a total of 17 percent who move by some form of private automotive transportation.

So you can see that the automobile as it serves the rush hour of the central district is much less important than it is to the less dense total metropolitan area.

This becomes even more enlightening if we consider the rush 15 minutes, which is between 5 and 5:15 p.m., when everyone is trying to go home at the same time. During that period 74,000 people were moved from the central business district. And during this period the commuter railroads did 39 percent of the business. They have assumed a very great importance during this rush period.

Our subway-elevated system took one-third or 33 percent of the people, making a total of 72 percent.

Nearly three-fourths of the people that were moved out in this peak period were moved by some form of rail service that was not at street grade. Buses accounted for 14 percent. They have dropped a little. That makes a total of 86 percent hauled by some form of transit.

During this period the automobiles which completely congested the streets—there was no room for I think any more automobiles to move during this period—only hauled 13 percent of the people. Less than 10,000 people were hauled by automobiles during this period. And service vehicles only 1 percent. Or a total of 14 percent for those who occupied street services other than buses.

I think this clearly demonstrates the importance of transit to the service of a central area, and particularly the importance of grade-separated rapid transit.

Senator BUSH. May I ask a question, Mr. Chairman?

Senator WILLIAMS. Certainly.

Senator BUSH. I have heard that the Chicago and Northwestern is making a determined effort to improve its service and has developed some new equipment for the commuting service on that run north from Chicago particularly. Are you familiar with that or not?

Mr. GUNLOCK. I am generally familiar. They have about \$28 million of new rolling stock, very modern equipment, on order.

Senator BUSH. They do not have that in operation yet?

Mr. GUNLOCK. They have I think a few of the cars.

Senator BUSH. They have a few?

Mr. GUNLOCK. But they are just starting to come to them.

Senator BUSH. It is a little early perhaps to tell the effect that this may have on the service.

Mr. GUNLOCK. The Chicago and Northwestern, if I could speak for them briefly here, I believe is optimistic about the opportunity of serving in the future and are trying to improve their service and acquire new equipment for that service.

Actually they serve a territory with three lines which is the fastest growing suburban area in our whole metropolitan area, and their business has been increasing in the last few years slightly, not a big increase but a slight and healthy increase, indicating that this growth will bring them more business.

There is only one tough thing about that, and that increase all comes in the rush hour. Nearly 68 percent of their business is hauled in the rush hour in the evening or the rush hour in the morning.

With our operation about 50 percent of our business is hauled in the two rush hours in the morning plus the two rush hours in the evening. But the commuter railroads have a much more difficult task to do in that their passengers are all concentrated in one rush hour in the morning and one rush hour in the evening.

Senator BUSH. Nobody has discovered a solution to that problem yet, have they?

Mr. GUNLOCK. I do not believe there is any solution to it. We have tried repeatedly for staggered hours. We were successful in obtaining staggered hours during World War II, but during that period many of these places were working three shifts and staggered hours did not make too much difference.

Senator BUSH. Yes.

Mr. GUNLOCK. It is a little different today. It is difficult for them to stagger their hours very much.

Senator BUSH. Yes. I congratulate you on this presentation. I think it is a very interesting one, and I think you do pretty well with an awfully difficult transportation problem out there to have handled the finances of the situation as well as you have.

Mr. GUNLOCK. Thank you, Senator Bush. I would like to point out something here about the carrying capacity of transit. We have nearly one hundred traffic lanes leading in and out of the central business district of Chicago, and I previously pointed out the small job that the automobile could do even with this many lanes during the rush hour.

However, in the State Street subway alone we are able to handle more than 300,000 people per day in and out of Chicago or the central business district with no street congestion.

Coming from the north in the rush hour in the morning we bring in 32,000 people on two tracks, while the famous North Outer Drive hauls only 15,000 people with six lanes operating inbound at this period, of express traffic, or less than half of what can be put on two tracks of the rapid transit system.

In the New Congress expressway we haul in the evening rush hour 12,000 passengers outbound, in the maximum hour, while there are about 6,500 people that go out in the same hour on the four lanes of the expressway. The expressway is operating near capacity, but the subway is operating at only about one-third capacity.

This 10-mile stretch of expressway cost about \$150 million. The subway in this same stretch cost about \$35 million; \$25 million of this was borne by the city. The other estimated \$10 million was borne by the highway agencies as a replacement of the old "el" that existed at that location.

So that while the subway has three times the carrying capacity, it cost only about a third as much.

There are over a million dwelling units in Chicago, and 40 percent of these dwelling units have no resident who owns an automobile. They depend on transit for their movement, daily movement.

Of this 5 million population in the whole metropolitan area, there are only about 2 million who are registered automobile operators, leaving about 3 million who cannot drive an automobile. So many of those have to depend on some form of transit. Many workers and shoppers prefer not to drive an automobile because of the difficulty of finding a parking place, or the cost of it.

In addition, there are many who just do not like the strain of driving.

While there has been a decrease in bus riding, there has been no decrease in our rapid transit riding in the last 10 years, which I think indicates the attractiveness of the high-speed ride which we have been providing.

We estimate that nearly 36,000 automobiles park in the central district at the peak hour. If we tried to do this job with automobiles alone it would take another 125,000 automobiles. Of course, this is absurd to think of that.

We now have 12 percent of our available central area land in parking, which I think is as high as it should be. Other cities, some of them, go as high as 35 percent. But I think in that case they begin to destroy themselves.

It would take 166 additional expressway lanes to service this many automobiles in the peak hour, 83 in and 83 out, to haul that many additional automobiles. This, of course, is absurd again.

It is my belief that no large city, as we know a large central city, can continue to exist unless it has a good transit system, and when it gets in the very large category it will require a grade-separated rapid transit system to handle these peakloads.

We have plans for some minor extensions of our transit system. Those plans are contained in this pamphlet which we got up about 4 years ago. The total cost of improving the system that we have plus the extensions that we think are needed plus the rolling stock that would be needed for those extensions is \$315 million. That would be spread over a 20-year construction period.

We have twice appealed to our Illinois Legislature for tax aid. We have asked for the right to apply local taxes to raise the money for this system. Our first attempt met with no success. Our attempt last year, I would say, we were close. We are hopeful of getting some aid for the capital costs of these improvements.

Senator BUSH. Mr. Chairman, I have a conflict this morning with the Armed Services Committee and I am going to have to excuse myself, but I have been looking through that pamphlet and I think that is a very fine presentation. I congratulate you, Mr. Gunlock, on that as well as the whole presentation of his case here this morning. It is very well done.

Mr. GUNLOCK. Thank you, Senator.

I would just like to say we are operating now 400 cars on our rapid transit system that are over 35 years old. These should be replaced. If we could borrow money at a low interest cost it would pay us to replace these cars.

There are two projects in this pamphlet which are of high priority. One is the signal system, the entire signal system, which would add to the safety of our operation. It would cost \$28 million. We should do that. Some way, somehow, we should do that.

Another is the modernization and automation of our electrical system costing \$23 million.

We need now about \$91 million. If we could borrow this money at low interest rates, we should proceed with these three projects. The rest of this should come out of, we think, some kind of a tax subsidy, a local tax subsidy.

Senator WILLIAMS. I wonder if this would follow—and perhaps Senator Douglas would have a thought on this:

If part of your improvement were under a Federal program of long-term, low-interest loans, would that not make other money more available? Would not an investment in your system be more attractive? Do you think that would follow, Senator Douglas?

Senator DOUGLAS. It would seem to me so, but I would like to get Mr. Gunlock's opinion.

Mr. GUNLOCK. I feel that everything we do to improve the system, to modernize it and to improve it makes it more attractive. The little improvements that we have been able to make have made it more attractive. Our rapid transit system last year gained riders because we have tried to make the trip more attractive.

We just recently tried out some high-speed, high-performance cars. I have pictures of them here. These cars will go 76 miles per hour. They will accelerate at 3 miles per hour per second and decelerate at the same rate with normal braking. They will decelerate at a much higher rate in emergency braking.

This picture shows this train on the new Congress Street subway which is built in the median strip of the Congress Expressway.

This facility has increased in patronage 42 percent in the 2 years that we have been operating it. I think this shows that improved service is more attractive and will attract more riders. It also brings a demand for more improvement. Every time we put a new train on, they want it all over the system.

Senator WILLIAMS. I missed that, sir.

Mr. GUNLOCK. I say every time we put a new train on any place, they want new trains all over the system.

Senator WILLIAMS. We had a description of the Philadelphia experience. There they have quadrupled their rail passengers by just one expedient—not improvement of equipment but merely by putting more trains on, making the schedules more adaptable to the peak needs of one part of their community.

On this Congress Street development where you have highways and rail combined, an overall right-of-way, it would seem to me that this would be an example of planning that combined all the elements of transportation that we hope will come about if this bill is passed and will encourage a coordination of transportation plans of all the methods of travel.

Mr. GUNLOCK. Senator Williams, I will say that this is an example of the planning agencies working together to devise a project of this kind. I will also say that the funds for the planning grants which are provided in this bill would make it possible, if we could get some of those planning grants, to advance these projects, especially these high-priority projects, from the preliminary stage in which they are now to the actual plan and specification stage. So that if construction money does become available either through loans through this bill or through local funds, we would then be ready to actually let the contracts and go ahead with the work.

Today these projects are in preliminary form. They should be advanced to a more definite stage, that is, of actual construction plans and specifications.

I believe the planning grants provided under this bill would allow that. I believe the facilities loans that are provided under this bill would let some of these high-priority projects go ahead.

I realize that the amount of money is insufficient for all the demands that will be made upon it, but it will certainly be a start in what I think is the right direction. It is a recognition of a problem that faces us, and it is concrete action. I certainly recommend this.

Senator WILLIAMS. You are familiar with the provision for priority for applications where there is a workable plan and the need is demonstrated?

Mr. GUNLOCK. Yes; I think I can show you some pictures of train wrecks that we have had that could have been prevented by train control systems that will demonstrate the very high priority of need for that one project.

Senator WILLIAMS. Senator Douglas?

Senator DOUGLAS. Mr. Gunlock, I want to congratulate you on your testimony. You have been a very efficient public servant for a long period of time.

You probably know the difficulties which those of us who come from metropolitan centers face here, both in the Senate and in the House of Representatives. Namely, the gentlemen who come from nonmetropolitan centers insist that this is a problem that the cities can settle themselves and should settle themselves.

I wonder if you would speak to that issue.

Mr. GUNLOCK. Senator Douglas, the city has tried to do something about this over a period of years, and I think it has done about all that it can afford to do in building these three subways. Those capital improvements were fine improvements but they had to be paid for, and the city, by whatever funds it could find to pay for them, has gone ahead.

But the city has a great variety of services which its citizens must have, and it must spread its dollars pretty thin.

The city administration has been friendly toward this. They have tried to do all they can, but their money just has not gone far enough to accomplish the purpose.

Senator DOUGLAS. Mr. Gunlock, I have been looking over the preliminary census figures for 1960, and they seem to indicate that with the exception of the cities on the gulf and on the Pacific coast that the central metropolitan areas have been losing population during the last 10 years, and that while the metropolitan area population has

gone up very markedly, the entire growth has been in the so-called suburban ring of communities outside the central cities.

Is that not roughly the experience?

Mr. GUNLOCK. That is true, Senator Douglas. I think that is brought about by the expansion to new land. There is very little new land left in Chicago, and I think that is true in most of our central cities. The land that is available must be cleared; the improvements on it must be purchased and wrecked in order to provide new land for expansion within the central cities.

Senator DOUGLAS. We are getting tremendous growth of suburban population in all of the metropolitan areas, our own included, and do not these suburbanites make a demand upon the city that there be adequate highways so they can drive their automobiles? Is that not true?

Mr. GUNLOCK. There is a tremendous demand for new highways in the suburban areas, and the automobile is the chief server of those people—of the transit ride for those people.

Senator DOUGLAS. And this occasions expense for the cities insofar as they construct the highways inside the corporate limits? Is that not true?

Mr. GUNLOCK. The city has to pay part of the cost of constructing the highway within the corporate limits. It so far has paid all of the cost of transit improvements. It has to develop the other services such as the water service. The city builds its own bridges, while bridges beyond the city limits are built either by the State highway or the county highway department. The suburban cities do not have those same costs.

Senator DOUGLAS. These suburbanites who move out have their homes taxed in the localities where they live, and they pay virtually nothing to the support of the city where they work during the daytime? Is that not true?

Mr. GUNLOCK. That is true to the extent that they live outside the city. However, many of them have businesses in the city which do pay some sort of business tax.

Senator DOUGLAS. I understand, but they have removed their homes from the tax list. And there has been a general deterioration of homes inside the central cities? Is that not true? As the upper income groups move out, the lower income groups move in, the homes deteriorate, and the tax base shrinks? Is that not true?

Mr. GUNLOCK. That has been true. It has been markedly true especially, in our inner city. We have had some really difficult problems in our inner city, and there the problem is either renewal or a complete new change of face where the old structures are entirely destroyed, with land clearance or something of that sort. That has been a very difficult thing to do. It is expensive. But it must be done in order to give proper service to these people.

Senator DOUGLAS. The suburbanites use the city streets during the daytime, do they not?

Mr. GUNLOCK. They do.

Senator DOUGLAS. But do not contribute to the support of the city streets?

Mr. GUNLOCK. They contribute support indirectly. Not a direct support as a tax support. There is a large tax subsidy to the high-

ways, and they contribute nothing to that tax subsidy. They do contribute through an indirect motor fuel tax, State motor fuel tax, a very small portion of which comes back to the city.

Senator DOUGLAS. Only a small portion?

Mr. GUNLOCK. That is right.

Senator DOUGLAS. Similarly, they are protected by the city police department during their working hours? Is that not true?

Mr. GUNLOCK. That is true.

Senator DOUGLAS. And they have all the city facilities but make no contribution to meeting the cost of those facilities? Is that not true?

Mr. GUNLOCK. That is true.

Senator DOUGLAS. While this is going on, is not the city tax base shrinking both because of the deterioration of residences and because the high-speed highways which are put in destroy residential areas and those are taken off the tax rolls? Is that not true?

Mr. GUNLOCK. To build an expressway takes a strip 450 feet wide right through the city, and that takes a great deal of taxable property off the tax rolls.

Senator DOUGLAS. So the cities are being asked to assume terrific burdens, in part for the benefit of those who live outside the cities and do not make contributions to the support of the services which they use? Is that not correct?

Mr. GUNLOCK. That is true. However, the life of a city extends beyond these corporate boundaries, and the central city has to do some of these things as the parent city is compelled to do some of these things, but its costs are increased beyond what they should be.

For that reason, in the last two sessions of the legislature, we have attempted to raise the tax for these capital improvements on a county-wide basis. We have received almost solid support from the representatives from Chicago, but we have received mostly opposition from those people who live just outside of Chicago. They were the ones really that defeated us on that.

Senator DOUGLAS. Is it not true that the Illinois Legislature, like most of the State legislatures, is rurally dominated and that the non-metropolitan areas have a greater proportionate representation in the legislature?

Mr. GUNLOCK. That is true.

Senator DOUGLAS. What is the answer to all this? Would the answer be annexation of the suburbs by the city? Is that possible?

Mr. GUNLOCK. I feel that it should be and I feel that some day it will come about, but—

Senator DOUGLAS. You say thus far you have met the opposition from some of them?

Mr. GUNLOCK. That is right. We have had the opposition from these suburban areas in nearly everything we have tried to do, even when it benefits them.

Specifically, when we put the superhighway projects on the ballot, the ones at the outer ends voted against it, and they are the major ones to benefit from it.

Senator DOUGLAS. Since you cannot get help from the suburbs and since you cannot get help from the State, you are turning and saying you need help from the Federal Government. Is that correct?

Mr. GUNLOCK. That is true. We do need help. Specifically, we need this help that is proposed here. We need more than this, but we think that this is a very good thing. This is a positive step in the right direction.

Senator DOUGLAS. So this is your answer to the people who say that Philadelphia and New York and Cleveland and Chicago and Milwaukee should solve their own problems?

Mr. GUNLOCK. That is right.

Senator WILLIAMS. In that connection, Senator Douglas, I am sure we feel that adequate metropolitan rapid transit is not merely of local concern. Certainly metropolitan Chicago is one of the Nation's greatest wealth-producing areas, and transportation is vital to this. If transportation deteriorates, to that extent the Nation is weaker. But some people do not look at it that way.

But maybe we can persuade them in other ways from rural America now.

Chicago is the host to people from all over the country and regularly is a convention city; is it not?

Mr. GUNLOCK. That is true.

Senator DOUGLAS. You know, we do not have much influence. We invite our friends down from Milwaukee to visit, and we treat them royally, and then our Milwaukee friends cut our throats at every opportunity that they have.

But we hope that by continuing to behave like Christians toward them we may gradually soften the asperities of their nature.

Senator WILLIAMS. Is there anything in your plans for better transportation between the hotel regions of the city and the stockyards, for example? It is quite a long trip, I understand. I am thinking of July.

Senator DOUGLAS. The new convention hall is on 25th Street on the lakefront, and the journey will be much more pleasant and much cooler, and we invite the Democratic Convention to come to Chicago in 1964. It should have come in 1960 but——

Senator WILLIAMS. Where is the convention this year? The Republican Convention?

Senator DOUGLAS. That is in the stockyards. It was in the Cow Palace in 1956. It is in the stockyards this year.

Senator WILLIAMS. We will have a lot of Republican votes for this measure along about August 1.

Mr. Gunlock, we are very, very grateful indeed to you. You have been most helpful.

(The prepared statement of Mr. Gunlock follows:)

STATEMENT OF V. E. GUNLOCK, CHAIRMAN, CHICAGO TRANSIT BOARD

CHICAGO TRANSIT AUTHORITY

Chicago Transit Authority operates the local mass transportation system which serves Chicago and 29 suburban municipalities. The authority is a municipal body created by an act of the State legislature to own and operate mass transportation facilities for the local transportation of persons. The authority is governed by Chicago Transit Board consisting of seven members, four appointed by the mayor of the city of Chicago and three appointed by the Governor of the State of Illinois. The authorized operating territory is all of Cook County except six townships in the northwest corner and one township in the southwest corner of the county.

The authority now operates 149 surface bus routes with a total of 1,878 route miles. The authority also operates nine rapid transit subway-elevated routes with a total of 203 route miles. The authority has purchased and consolidated into one company three former operating companies, namely, the Chicago Surface Lines, the Chicago Rapid Transit Co., and the Chicago Motor Coach Co.

These companies were purchased by the issuance of revenue bonds totaling \$135 million. The interest rates on these bonds range from $3\frac{1}{4}$ percent to $4\frac{1}{2}$ percent. The annual debt service is now about \$8 $\frac{1}{4}$ million per year. This debt will be retired in 1981. The total cost of this debt from 1947 to 1981 will be \$241,288,817.55. About \$75 million has been paid on this debt leaving more than \$166 million outstanding. This does not include equipment trust certificates which have been issued in the amount of nearly \$42 million of which nearly \$10 million is still outstanding. Since its inception in 1947 the authority has spent \$107 million for debt service. The interest rate on the equipment trust certificates runs as high as 6 percent.

In less than 13 years of its operation the authority has spent \$140 million for modernization of equipment and facilities. It has purchased 4,386 units of rolling stock, including motor buses, trolley buses and subway-elevated rapid transit cars. The authority completed its conversion from streetcar to bus operation in 1958.

TRANSIT RIDING IN THE CHICAGO METROPOLITAN AREA

The Chicago area transportation survey, made in 1956, which covered an area of approximately 30 mile radius from downtown Chicago (1,236 square miles), showed about 10 million person-trips daily of which about three-fourths were by automobile and one-fourth by some form of mass transportation, including suburban railroads, subway-elevated rapid transit and surface buses. Of the 2,230,000 which used some form of mass transportation approximately 12 percent used suburban railroads, 82 percent used Chicago Transit Authority facilities, either bus or rapid transit cars, and the remaining 6 percent used 1 or more of the other local bus systems or suburban bus systems in the area. The population of the area in which the survey was made was estimated at 5,170,000 in 1956.

There has been a slight decrease in mass transit riding and an increase in automobile riding since the survey was made but the daily counts of passengers by the authority indicate that it is now serving approximately 1 million people on its combined facilities for a total of 1,800,000 rides each weekday.

TRANSIT RIDING TO CENTRAL BUSINESS DISTRICT

While the automobile seems to achieve major importance in the total person-trips in the larger area, it dims in importance when considering the central business district, and especially so when considering the ability to move people in a maximum hour. In a typical weekday last year, counts of persons leaving the central business district between 4:45 and 5:45 p.m. indicated that 227,203 people left this area in 1 hour. Of this total 34 percent used suburban railroad service and 33 percent used the authority's subway-elevated system making a total of 67 percent who traveled by some form of grade separated rail transit and put no burden on the street system in the central area. Another 16 percent rode surface buses, making a total of 83 percent moved by some form of transit. Automobiles and cabs accounted for 16 percent and service vehicles 1 percent—a total of 17 percent by some form of private motor vehicle.

The comparison becomes even more enlightening if the time is reduced to the peak 15-minute period which occurs between 5 p.m. and 5:15 p.m. During that period 74,191 people were moved from the central business district. The suburban railroads grew in importance during this peak as they moved 29,223 people or 39 percent of the total. The subway-elevated system again showed 33 percent for a total of 72 percent moving out of the central district in this peak period by some form of grade separated transit. During this period, surface buses hauled 14 percent, making a total for transit of 86 percent. Automobiles and cabs, which had completely congested the streets during this 15-minute period, hauled only 9,747 persons or 13 percent of the total and 1 percent traveled by service vehicles, making a total of only 14 percent by private automobile transportation. This clearly demonstrates the vital importance of mass transit, and particularly rail mass transit as represented by the commuter railroads and the subway-elevated system, to the proper functioning of the dense central district of a large metropolitan area.

CARRYING CAPACITY OF TRANSIT

With nearly 100 surface street traffic lanes servicing the central area, the automobile is able to make only a minor contribution to the mass movement of people in the peak period. In the State Street subway alone, there is a daily use by more than 300,000 people and there is still some unused capacity left. During the morning rush hour, the north side rapid transit division using two tracks, one on elevated and one on subway, brings in about 32,000 people to the central business district. The famous North Outer Drive with 6 lanes of traffic moving south at this same hour is only able to handle 15,000 people, or less than half as many as brought in by rapid transit. In the new Congress subway, which is in the median strip of the Congress Expressway, 12,040 passengers were carried on one rapid transit track during the afternoon westbound rush hour compared to 6,526 people carried in automobiles on four lanes of the Expressway. The Expressway in this case was being operated near capacity while the subway was being operated at about one third of capacity. By combining rail rapid transit with the expressway facility, the carrying capacity of the project has been increased about four times over what it would be with the expressway alone and at a comparatively small increase in total cost. The Congress Expressway, in this 10-mile stretch, cost about \$150 million and the additional cost of the West Side subway was about \$35 million. While it has three times the carrying capacity, the subway cost about one-third as much as the expressway.

TRANSIT IS INDISPENSABLE

There are over 1 million dwelling units in the city of Chicago. More than 40 percent of these dwelling units show no automobile ownership by any member of the household. Of more than 5 million population in the metropolitan area, there are only about 2 million registered automobile drivers. Many workers and shoppers prefer not to drive their automobile in the congested areas because of difficulties in finding a place to park or because of the cost of parking the automobile. In addition, many people prefer not to use an automobile because of the strain of driving in heavy traffic and because they prefer the safety, comfort and relaxation of riding to or from work, or to or from the shopping area on a transit vehicle. While there has been a definite decrease in overall transit riding the past few years, there is very little decrease in rapid transit riding, proving the attractiveness of higher speed obtainable on grade separated rights-of-way. It has been estimated that it would require 600,000 more automobiles to service the city of Chicago if this were to be done by private automobiles exclusively. In the central business alone, it is estimated that nearly 36,000 autos now park during the peak period and that they occupy 12 percent of the available land in this area. To provide parking space for 125,000 additional automobiles, which would be necessary to serve this area if public transit were abandoned, seems absurd. The 166 additional expressway lanes that would be needed to move these automobiles in the rush hours are equally as absurd from both the cost standpoint and the space requirements.

No large metropolitan area with a dense central city can continue to exist in its present form without adequate mass transit facilities to move the people who do not travel by automobile, and to service the downtown section which cannot be served by automobile alone. About half of the transit business, however, occurs in a 2-hour period in the morning and another 2-hour period in the evening which periods are too far apart to be serviced by the same drivers of the transit vehicles. This peak characteristic of transit makes it very difficult to render the required service in a proper manner at a reasonable fare. Increases in fare invariably drive more people from the use of transit and add to the total street congestion.

PLANS FOR THE FUTURE

The Chicago Transit Authority's plans for the future include further modernization of its equipment, improvement of its existing facilities, building of additional subways and rapid transit extensions, and purchase of additional equipment to supply service on the improved and extended rapid transit system.

Purchase of new buses for the surface operation can probably be handled from cash accumulations in the depreciation fund if the authority can continue to meet all its costs and pay the proper amounts into this fund.

The authority is presently operating about 400 old steel rapid transit cars which are more than 35 years old. These cars should be replaced with modern high-speed, high-performance rapid transit cars which have been recently developed experimentally by the authority in cooperation with equipment manufacturers. It is estimated that the cost of this replacement will be about \$40 million. No proposal has been made to do this by borrowing because of high interest rates which prevail on the last equipment trust certificates which the authority sold. These interest rates were 6 percent and there is probably no chance of getting any lower rate at this time on the local market.

The authority has proposed that capital funds for the rapid transit improvements and extensions be provided by tax subsidy, but these proposals failed to be approved in the last two sessions of our State legislature.

A complete description of the authority's proposal for improvements and extensions is included in the pamphlet, "New Horizons for Chicago Metropolitan Area", which is attached to this statement. In 1956 the total cost of this program was estimated at \$315 million. A 20-year period for construction was proposed.

There are two high priority improvements in this program that should go forward at this time. One is a complete signaling and train control system for the unsignaled part rapid transit train operation and the other is modernization and automation of the electrical distribution system. Cost of the first project is \$28 million, and the second is \$23 million. These two projects should be done as fast as availability of funds permit. Construction would take about 5 years. If long-term borrowing could be arranged at a reasonably low interest rate, the authority should proceed with these two projects and the replacement of the old steel transit cars. Total cost of these three items is \$91 million.

Other important items in the plan are the extension of rapid transit in the median strip of the Northwest expressway, extension of rapid transit in the median strip of the South expressway, a new Wells Street subway, express lanes in the Southwest expressway, easing of sharp curves on the existing elevated system, and the elevation of ground level section of tracks at three locations totaling about 8 miles of route. It is the transit board's opinion that these projects should be financed by public funds other than transit revenue.

In addition to the improvements and extensions mentioned above, the transit authority has proposed that large Park-n'-Ride garages be built at outlying rapid transit terminals in order to facilitate the coordination of the automobile ride with the transit ride. In the large metropolitan area of the future, the automobile and the feeder bus must serve as collectors for the rapid transit system. It has been proposed that the Park-n'-Ride facilities be built out of highway funds. However, the local highway agencies have not yet agreed to this.

CONCLUSION

Senate bill 3278 provides for urban planning grants and public facility loans for mass transportation facilities that are very much needed for the improvement of transit operation in the Chicago area.

The urban planning grants should make it possible to advance some of the Chicago Transit Authority's high priority transit projects from the preliminary planning stage to the final plan and specification stage so that contracts for equipment or work could be let as construction funds become available.

The public facility loans would provide these construction funds at low interest rates so that this money could be translated into modern equipment, better facilities, and faster, safer transit. There is a reluctance on the part of the operating companies now to further indebted themselves at high rates of interest even though the desire and public demand for improvements are ever present.

It is gratifying to those who carry the responsibility for transit operations to know that important Federal attention is being given to the vital role of transit in the Nation's economy. While we recognize that the amount of loan funds proposed will not go far in relation to the total need of the many transit companies throughout the United States, it is encouraging to know that this need is recognized and that positive action is being proposed.

As chairman of the Chicago Transit Board, I respectfully recommend the passage of Senate bill 3278.

Senator WILLIAMS. We are honored indeed to have as the next witness Dr. Detlev Bronk, who is president of the National Academy of Sciences.

Dr. Bronk, will you join our discussion here?

I will say that all of those who know of the National Academy's comprehensive study that is in preparation look to this with great hope. There will be some penetrating answers to our transportation problems as a result of that study.

I understand you are having seminars at Woods Hole during the summer, beginning August 1, I believe.

**STATEMENT OF DR. DETLEV BRONK, PRESIDENT, NATIONAL
ACADEMY OF SCIENCES**

Dr. BRONK. That is correct.

Senator WILLIAMS. I know people of my staff are going to follow your deliberations with a great deal of interest and, as I have suggested, we have a great deal of hope that you will arrive at worthy solutions.

Dr. BRONK. Thank you, sir.

Mr. Chairman and gentlemen, I will merely speak very briefly, largely with reference to this summer study of the National Academy of Sciences.

By way of identification, though you have already identified me, I am president of the National Academy of Sciences. For more than 30 years we have been responsible for the Highway Research Board of the United States, which is a unit of the National Research Council, which is a part of the National Academy of Sciences.

This began as a rather small organization in the early 1920's and has been largely concerned, and to a very considerable extent responsible for the development of our magnificent highway system in this country.

We are supported by the Federal Government and by, I believe, 46 States of the Union.

It is a continuing body which operates through the year, which conducts studies and gives advice on all sorts of problems relating to the construction of highways.

At the present time we have a study in process in the State of Illinois of very extensive nature and which is providing information to the highway departments of the various States and to the Federal Government.

I mention that, and I might also mention our Maritime Research Board and our Cargo-Handling Committee, because through these activities we became impressed by the fact that we have in part been responsible for—and scientists and technologists generally have been largely responsible for—greatly changed patterns of transportation, which in turn have had a profound influence on patterns of living.

Several years ago the Council of the National Academy of Sciences and I began to consider whether we were doing all that we could do, should do, in order to consider what are the changing trends in the transportation situation in this country. Were things developing which were not adequately guided and which might ultimately bring the country into a very serious condition? What were we doing to consider the changed patterns of life which are made possible by, and indeed to a very considerable extent fostered and forced by these changed patterns of transportation?

So we decided that in order to do what we could to aid our country, which is our only purpose—aiding the country and furthering science and technology—we would see if there was anything that we could do that we were not doing.

Whenever we talk with anyone about the overall problems of transportation, by air, by sea, by rail, by road, of goods and men, we have found that people were concerned but were not very hopeful that anything could be done.

This is not a satisfactory state of mind for a great and a developing country, and so while we did not know whether there was anything that could be done in a synthetic coordinated way, we decided that the least we could do would be to bring together a large group of thoughtful, knowledgeable people for a period of weeks to consider all of the aspects of this problem and advise with us as to whether there were things that could be done, and, if they could be done, how we as an organization should do them.

So we are not creating a transportation research board at the present time because we do not know whether we might become so involved with insoluble problems that we would fail grossly with what we should hope for as success.

What we are going to do is to look at the problems and get the very best advice we can as to what can be done, what should we do, and, consequently, we will, as you have said, Mr. Chairman, for a period of 5 weeks this summer at our summer study center in Woods Hole have representatives of some 20 universities who are concerned with transportation problems, with various industries, ranging from railroads such as New York Central, Rock Island, Canadian National, airlines such as American Airlines, United, Lockheed, Convair, the Consolidated Freightways, General Motors Co., Ford Motor Co., American Motors, the Railway Express Co., private agencies such as Resources for the Future, the Institute for Public Administration, the Brookings Institute, various Government agencies and associations such as the Association of American Railroads, the Air Transport Association, the National Transit Association, National Association of Bus Owners, the Automotive Safety Foundation.

In these discussions we hope we will derive the information and advice which is necessary to guide us in our further consideration of these problems.

But what I deeply feel is that the whole broad problem of transportation needs thoughtful, contemplative consideration. There has been such a great emphasis on this aspect of the problem, that aspect of the problem, this group and their very special concerns and special prejudices looking at one phase of the problem, another group at another.

This spring at the annual meeting at the National Research Council, which brings together representatives of some hundred or more scientific societies, we had one of our sessions devoted to problems of transportation. I regret to say that one of my colleagues in science criticized us for discussing a problem such as this. He said, "We are concerned with molecules and with crystals, and you have introduced a subject which is far too great for a scientist to deal with."

I am glad to say that when one of our engineering colleagues answered him vigorously he received great applause, which shows I

think that the scientists of the country are prepared to do everything we can to help you gentlemen and other gentlemen who are concerned with this aspect of the problem and other aspects of the problem in meeting these very difficult situations.

We were continually impressed by the way in which the various types of transportation are interlocked. Those of us who have been concerned with the Highway Research Board realize that in developing this magnificent system of highways throughout the country, we have presented city managers and city administrators with very grave problems with regard to transportation within the cities and living within the cities.

Speaking as a person who has been associated with aviation for 42 years, I realize that those of us who have been concerned with aviation have presented the railroads with very difficult problems. Yet, I think of an experience I had last January in going out to speak at the dedication of one of the new buildings of the University of Michigan. As I hurried out to La Guardia, I was informed that all flights were grounded. So I went back to my office at the Rockefeller Institute, called the New York Central, and they laughed when I asked for two bedrooms on the Wolverine because they were completely swamped by people who were unable to fly. Fortunately, because of this proposed transportation study, I had certain access to certain individuals in the New York Central who got me a bedroom, and I got to Michigan 6 hours late in order to deliver that address.

But this is a small, facetious illustration of the interlocked aspect of these problems. People we are told over and over again want door-to-door transportation, door-to-door transportation of goods, door-to-door transportation of people. I must confess that I have not done anything to help solve this aspect of the problem because, in going from my home on the Rockefeller Institute campus in New York to my farm in Pennsylvania, I used to go by taxi to the Pennsylvania station, ride the Pennsylvania Railroad from New York to Philadelphia, and use suburban transportation, and then have a car meet me at the station to take me to my farm.

Now, I go from door to door in a car. Yet, when I want to go by rail, I complain because the railroad service is not good enough. And, yet, do I do anything to support them in their offpeak period?

Senator WILLIAMS. Dr. Bronk, Peter Edson wrote on May 5 that your interest in transportation was increased when you, on a train ride to Philadelphia, found that your suburban train had been discontinued and you were left high and dry there. Is that right?

Dr. BRONK. This may have been a factor. I am human, subject to human emotions.

Mr. Chairman, what I am trying to say is that I think this is, as you know far better than I, a very complicated problem, and I think we, as a people, are unfair to the various services which are trying to provide service because there has never been a look at the situation in its overall aspects.

When I come down to Washington on a Sunday evening, I myself am shocked. I feel it is a national disgrace to come out of the Union Station and try to get a cab. Women are pushed aside because men are more vigorous and can get in sooner. You get into a cab and say, "The Cosmos Club." The driver says, "You are not going to the

Cosmos Club in this cab." And he starts shouting, "Arlington, Bethesda."

Yet, if I am going to be fair about it, I must recognize that these men who are trying to make a living should, naturally, not wish to go to the very edge of the fare zone, which is the Cosmos Club. I, too, would wish to go to Bethesda and Arlington with my passengers and make a great deal more.

But here, you see, is another small illustration of the way in which we have gotten into a perfectly ridiculous national situation with regard to transportation. We build bigger and better cars. I criticized this for many years. Yet, I realize that oftentimes one gets a certain vicarious sense of importance in riding in a large car, whereas, if you ride in a small car, unless you have a Jaguar, you have a certain feeling of inferiority. I dare say if I were a psychiatrist or psychologist, I would say people need this lift to their ego. But when it comes to the transportation, in the city of Philadelphia on their narrow streets, you see enormous cars, five, six, seven, eight times the square-foot area necessary to take a person from his farm in Paoli to his office in down-down Philadelphia. It is ridiculous and absurd. Yet, we are not going to be able to deal with it by appealing to individuals unrelated in an unplanned, undefined, what I think, is a desperate situation.

I have thought about this so much that I could go on for hours, but you gentlemen have heard from far wiser than I. I will be very glad to answer any questions.

Senator DOUGLAS. Dr. Bronk and I first met 50 years ago when you were a promising and brilliant young scientist. Your career, since then, has borne out all of your early promise and then some.

Dr. BRONK. May I reciprocate, sir.

Senator DOUGLAS. We are very happy to have you here. You will forgive me if I say, somewhat sardonically, that I gather from your testimony that the National Academy of Sciences is, quote: Beginning to start to prepare to see if we should initiate a study to determine if further inquiries can be made to coordinate an adequate analysis of the problem, close quote.

Dr. BRONK. That is true, sir.

Senator WILLIAMS. Just one inquiry here. First of all, Dr. Bronk, I wonder if you would comment on the national economic factors involved in mass transportation of metropolitan areas.

Dr. BRONK. As Mr. Douglas, who used to be Professor Douglas to me, knows all too well, I am about as ill-founded in economics as any person in this country. All I can say is that it seems to me that this is of very profound importance.

Every once in a while, scientific friends of mine in California, which I like to think of as founded in part by my grandfather, but I am not a native Californian, so I can have a little chat back and forth with my colleagues from California, say, "Why do you live in New York? Why would anybody live in New York? Why don't you abandon your faculty and let them all come out to Berkeley and UCLA and Cal Tech?"

I introduce my next remarks in that way for this reason: I always reply to my friends in our sister institutions of California this way: If New York were to be abandoned, I wonder what would happen to the endowment of the California Institute of Technology or the Uni-

versity of Chicago or other places. It is not so simple to say, "We will just move out of the great congested centers of population." There are very important economic implications for the whole country. We must solve the problems, not abandon them.

One of the things that I have been thinking a great deal about recently in connection with the problem you have raised is this: How much does it cost for people to go from their home to their place of work and back to their home again? We made a very quick, very casual and very unscientific, certainly a very uneconomic look at this problem here in the city of Washington one afternoon, and we decided it probably costs the people of Washington more than \$500 million a year for going back and forth. What the total bill for the commuters of this country is, I dare say would be staggering.

But what is perhaps even more important is the economic loss of unproductive time spent in sitting in cars, crowded with traffic, getting from one place to another, unproductive, unsatisfying, frequently irritating and frustrating. I could go on endlessly.

The matter of getting food into places is becoming increasingly difficult because of the transportation situation. Consequently, the cost of feeding the people of the country is increasing beyond what it need be if we had more effective transportation facilities.

Senator WILLIAMS. Doctor, we have had dramatic testimony here from witnesses from all over the country, describing the terrible congestion in our metropolitan areas. This is rather academic, I think, for a man like Senator Douglas. You see, he arrives at the office long before the peak travel periods and leaves well after the peak-loads.

I occasionally do it that way, Senator. Yesterday, I took a field trip just to see what this congestion was all about. I also had a mission to New York and got to the airport at 5 o'clock. I saw it firsthand. You speak of unproductive hours, I was supposed to be in New York raising money for political endeavor, and I lost an hour and a half of productive effort waiting in an awfully serious traffic jam. So I can personally agree with you as to the loss of productive time through this.

Dr. BRONK. If we had persuaded Senator Douglas to stay in Swarthmore, he would be able to live right on the campus and save all that time. I mention that, not to be facetious.

Senator DOUGLAS. But I never would have been elected Senator from Pennsylvania.

Dr. BRONK. I mention that, Mr. Chairman, because I think it does indicate one type of thing which is going to be, which will have to be, considered in connection with transportation. That is the broad problem of patterns of living. At the Academy, we are planning to establish, not only a transportation research board, if we are encouraged by feasibility, but we are also going to create a board on urban problems because I think it reaches into the fields of anthropology, it reaches into the problems of transportation, it reaches into sanitation, a vast array of scientific and technical problems.

I personally believe that we are going to be—I was going to say forced—we are going to be given the opportunity to develop more desirable patterns of living by more imaginative procedures. We can, within cities, have communities of common interest, with related

interest in related areas of the city. We are going to be able, if we are wise enough, to preserve some vestiges of nature in the neighborhood of cities so people will be able to have the benefit of both urban and rural opportunities.

But, again, we come back to this interrelated situation—provided we have the transportation available. When we consider the great development of our national parks, this is placing a heavy increased demand on the transportation system of the country.

Senator DOUGLAS. Dr. Bronk, most of the national parks are very long distances from the great metropolitan centers. What we need are parks within an hour's distance or so where people can go for a day or a weekend.

This is very important, for example, to save the last strips of our shorelines, which are disappearing almost completely and which will be gone, finally, unless we act rather quickly.

Dr. BRONK. Yet, Mr. Douglas, I happen to be a trustee of a relatively small, relatively large arboretum outside the city of Philadelphia, near Media, not very far from Swarthmore. I am proud to say that the local municipality has come to realize the value of this and has largely removed taxation on that property.

It took some time, and there are a considerable number of people who say that if we would sell this 750 acres, which is now one of the most lovely wooded areas in the East, and turn it over to suburban developers and chop it up into quarter-acre tracts, think of all the increased taxes there would be which would help with the various municipal problems which they face. It takes courage; it takes vision to realize that for generations and perhaps centuries to come, that magnificent area would be lost for the temporary selfish advantage of people.

Senator WILLIAMS. You know, of course, that this legislation dealing with transportation is being considered with the general housing bills this year, and the transportation opportunities of the bill would be within the jurisdiction of the Housing and Home Finance Agency. The reason for that just follows what you have said.

There is one agency of the Federal Government most concerned with a complex of metropolitan problems. Certainly, transportation should be geared to other community efforts in the metropolitan area, and that is why we have prepared it and are presenting it this way.

I wonder if you think there is logic to this?

Dr. BRONK. I certainly do. In fact, knowing that was the reason, I mentioned our thought about the whole urban problem. I think that what you are doing here is of very profound importance. I have been impressed by the fact that although so many people are concerned with these problems of which we are speaking, it is so difficult to get anyone to do anything about them. It is so difficult to do anything in the way of financing even a simple study such as that which we are undertaking. The Rockefeller Foundation provided us with \$25,000; one of the Government agencies may give us a little more. But I dare say we are going to have to go around with our hat in our hand in order to find \$10,000 or \$15,000 to have a look at one of these profound problems which affects the whole of our national life and welfare and defense and security.

Senator WILLIAMS. Do you not feel that it is unusual, indeed, that the Federal Government, with all of its activity and its concern in

almost every area of life, has not entered this vital area of mass transportation with a national program?

Dr. BRONK. There are a great many members of the administration, this and previous administrations, who have been deeply concerned. I think, for instance, of many long talks with Mr. Sawyer when he was Secretary of Commerce, and Mr. Rothchild when he was Under Secretary of Labor.

Senator WILLIAMS. They had programs in those days. One of the rapid transit lines in Chicago was built with funds borrowed from the RFC. That is some time ago. We have not had any program since the RFC that I am aware of.

Is that true, Senator Douglas?

Senator DOUGLAS. That is correct.

Senator WILLIAMS. So now we hope to translate this concern that you speak of into an action program, recognizing that this is not the answer by any means, but at least it is a move forward.

Dr. BRONK. That is important.

Senator WILLIAMS. Dr. Bronk, we are indeed grateful for your help and wisdom on our problems. We will follow it.

Dr. BRONK. Anything we can do to help, we would be delighted to, and we will keep you informed of the studies which we have this summer.

Senator WILLIAMS. Thank you very much.

Our next witness is Mr. E. Willard Dennis of Rochester, N.Y.

Mr. Dennis, we are glad to have you for this discussion this morning. If you would identify yourself and your activity in Rochester, we would appreciate it.

STATEMENT OF E. WILLARD DENNIS, ROCHESTER, N.Y.

Mr. DENNIS. I want to correct a press release. I am no longer chairman of the Downtown Development Committee of the National Retail Merchants' Association.

Senator WILLIAMS. We have you identified here as a member of Sibley, Lindsay & Curr Co.—a little plug for the company.

Mr. DENNIS. I am past president and board chairman of Sibley, Lindsay & Curr Co., which is the largest store upstate. It is now a division of Associated Dry Goods Corp. Both our home company and the national company believes in strong downtowns.

I happen also to be currently—I did not have a chance to talk to Dr. Bronk—chairman of the Committee on Urban Research and the Highway Research Board, which is in the National Academy of Sciences Research Council.

If you wish, I will read rather a brief statement, and I would be pleased to answer questions. I hope it is provocative enough so that some of you gentlemen will question me.

Senator WILLIAMS. Fine. We will be glad to have you proceed in that way.

Mr. DENNIS. When I make the brash statement that the problems of mass transit—meaning the daily movement of people by other means than the private automobile—must be solved very early in this decade, it should be noted that the observations following come from a businessman, a former department store executive, whose approach may very well differ from that of a city planner or a traffic engineer.

It is important at the outset to stress that there are two extremely vital factors pertinent to this discussion. The first is that in spite of a good deal of skepticism, there will always be a downtown, a central marketplace which is the thriving and thrilling center of commerce not only for its metropolitan area but for the surrounding region of perhaps many counties.

The second factor is that in every one of the present and potential metropolitan areas, large or small, the central core city, the downtown, if you will, must be virile, progressive, aggressive, if its surrounding community hopes to grow and prosper in this highly competitive free enterprise system of ours. More importantly, the economic strength of each of these entities across the Nation must continue to develop and expand if this country is to cope successfully with the heightened competition rapidly developing in the economies of our allies of the free world and to provide an unbeatable bulwark against the threatening pressure of communism.

In view of the frequent use of the word "congestion" in this bill, and to make a point which I feel must receive the greatest consideration in the achievement of an adequate transportation system, I should like to take some liberty with Webster in his definition of the word. The meaning which apparently would be pertinent to this bill is: "To obstruct, disorganize, or affect by overcrowding, as traffic is congested."

Another meaning shown but marked as obsolete is: "To gather into a mass," and I am going to revive this meaning to bring home a clearer look at a somewhat controversial subject. The planner abhors congestion and if it were possible, he would probably like to banish it from our way of life. Contrariwise, the businessman, especially the retailer, loves it.

There was no congestion of either meaning in the early 1930's, neither was there much business or profits. Without congestion, it was a time of soup lines and apple sellers. From a different cause, neither was there congestion in the early 1940's, caused by enforced staggered hours of employment and a wartime scarcity of all kinds of consumer goods and particularly the private automobile.

Congestion, with both meanings, came out of hiding in 1947 with the coincidence of the availability of an abundance of consumer goods and a large supply of automobiles. For the record, the next 10 years of these congestions accounted for the tremendous increase of all retail sales from \$75 billion in 1947 to close to 200 billion in 1957.

What we need, and the consideration of S. 3278 may well bring it about, is a nationwide research and development program on mass transit which will show us how to control the congestion defined as disorganizing yet preserving and augmenting in our downtowns the congestion described as "gathering into a mass." Without plenty of the latter, Herald Square at Broadway and the Avenue of the Americans, with Macy's Gimbels, Saks, and Woolworths would never have become and remained the locale of the largest volume of retail sales in the world. Mass distribution, and thus prosperity, thrives on mass transportation.

Lest you charge me with setting up a bogey man in stressing so strongly the influence of downtown on our economic life, let me remind you of the scare headlines in the newspapers and magazines of

the mid-1950's: "Flight to the Suburbs"; "Downtowns are Doomed"; "Cities are Dying"; interspersed all too often with: "Transit Company Fails"; "Transit Company Gives Up."

There has been much discussion as to the reasons or the responsibility for the beginnings of the regional shopping centers in the early 1950's and the why-fors of their phenomenal growth as the decade matured. The reasons were many and varied, but certainly the greatest contributing factor was the seeming indifference of cities to the threatening stagnation of downtown through what now seems a very obvious cause, cluttered main streets, very little and expensive parking, and no well-defined arterial, loops, expressways, or other devices to alleviate traffic congestion and delay.

The consumer buying public shunned downtown, difficult of access and time consuming, and made worse by the creeping blight and obsolescence. Vacant stores appeared, property values slumped dangerously, the real estate tax rolls downtown shrunk in an alarming manner in the long famous high-rent district, the formerly coveted 100-percent location.

As usually happens, when things continued to worsen and more and more area people flocked to the regional shopping centers, administrators of a few cities, aided and abetted by the merchants and other businessmen of their towns, decided to do something about downtown, and the Newarks, the Baltimores, the Kansas Citys, the Detroit, the St. Louis's, and others early showed the way to what is now in the 1960's developing into a real renaissance in cities, large and small, across the land.

It is almost universally recognized by administrators, planners, engineers, and businessmen that metropolitan areas citizens want their downtown to be easily and quickly accessible, with convenient, time-saving expressways, loops, bypasses, and radials and their inner city streets uncluttered with parked cars. They want handy places to park at a reasonable rate and, of course, they want to find a modern, sparkling gem of a downtown.

However, looking back over the recent years, it would appear now that everything else was tackled first and the facing up to the growing problem of transit in mass transportation was either ignored or swept under the rug.

Cities are now greatly concerned, having become acutely aware that all these expressways and loops and arterials which in many instances have been made possible by the Interstate Highway System may have only temporarily removed or stayed further disorganizing congestion. The transit industry has helped in pointing out rather strikingly that some 50 to 75 percent of people are entering downtown daily by some form of public transit. Everybody concerned has read with mixed feelings that the economic forecasters promise an additional 50 million private automobiles on the roads not too many years hence, and one wonders how one is to get downtown.

While cities have done too little in the field of mass transportation and are late in starting, undoubtedly the impetus given by the proposals listed in S. 3278, real progress will be made in this most important field of building downtown with mass transportation, controlling disorganizing congestion by good transit while making possible orderly mass distribution so vital to our economic life.

When one thinks of the prophesied impending increase of all retail sales from the present \$221 billion to the astounding total of \$400 billion by 1970, it must be agreed that downtowns must continue to be the heart of America.

I shall be glad to make any other comments you wish.

Senator WILLIAMS. Mr. Dennis, I want to congratulate you for an extremely helpful statement with many ideas that have been new to the hearing on this bill that deals with metropolitan problems, particularly transportation, and we are grateful. Luther Gulick was here yesterday. You probably are familiar with Luther Gulick.

Mr. DENNIS. I know him.

Senator WILLIAMS. I see you gentlemen approach this in much the same way. Congestion can be a very helpful method of communication. What Luther Gulick suggested was that we need more planning of our congestion. I gather that your thinking is much the same.

Mr. DENNIS. I am sorry I did not hear what Dr. Bronk had to say. I called him when I learned he was on the program. I called him to find out what his trend was going to be. My plane did not permit me to get here in time.

Senator WILLIAMS. I was referring to Luther Gulick.

Mr. DENNIS. Yes, I know. I was coming to him. I must emphasize that I am a department store man and have been all my life. I am not a planner; I am not any other kind of a technical researcher. However, I feel that besides the planning, and I think Dr. Gulick would agree with this, back of that, must be a pretty extensive research and development program for mass transit. It has been done for transportation, by the National Academy, one of the divisions of the National Research Board. We did bring out over the last 2 years on this Committee on Urban Research. The committee hired Prof. Coleman Woodbury, who is the University of Wisconsin professor in charge of urban development. He spent about a year getting together for us a framework for urban studies. I would commend that to you for some of your committee to read because this is weighted very heavily toward transportation because the Committee on Urban Research is a subcommittee of the Highway Research Board of the National Academy. It is weighted very considerably to transportation.

However, the definition of transportation in the framework study is the movement of people and goods. I do not want to take the time to go into another detail. The movement of people and goods are both important to downtown, whether they are moved by private automobile, by bus transit company or by commuter lines or what you will. Our only salvation, as Dr. Gulick pointed out, if we are to continue to have a congestion, which, in my language we need for very strong sense of city, these problems have to be solved.

I think the Government before has used the National Academy to get into some of this rather widespread research. I simply commend that to you.

Senator WILLIAMS. I wonder if we could have the copy you have before you for our files?

Mr. DENNIS. Yes.

Senator WILLIAMS. Thank you, Mr. Dennis.

Before I forget, I want to tell you that Senator Keating called us and he regretted very much that he could not be here while you

testified this morning. He wanted to be here out of friendship and respect for you. He does not happen to be a member of this committee, but he did give us the benefit of his knowledge of our background and advised us of the high standing you have in your community. You have been a businessman, I imagine, for more than a few years.

Mr. DENNIS. I have been with our company all my life and retired as chairman about 2 years ago. The company now is, a very interesting thing, paying me to do what I can in the interests of downtown, if you will.

Senator WILLIAMS. I see. I am sure your record as a very successful businessman indicates that you have not been wasteful of resources; you have not applied resources to frills or unnecessary ends. You have been economical, efficient, and successful, and I just want to ask you two questions.

We have people who suggest that mass transportation in the metropolitan communities of America is the problem of those communities solely, that it is not a national problem and, therefore, a national effort is unnecessary. They feel, perhaps, it is wasteful of national resources for local problems. Will you comment on that?

Mr. DENNIS. If you let me comment from my background, I would say we cannot afford to let large metropolitan cities go dead or atrophy from lack of transportation because what happens in New York City, for instance, would be reflected in Rochester, N.Y. That is why I suggested perhaps you might want to look at a national research program because I do not think we can afford to let even the smallest metropolitan area fall down.

The influence of large metropolitan areas certainly is reflected. If New York City was not the strongest city in America, if you will, New York State would not be nearly so strong, and neither would our own city. You probably all see in the interurban idea that a few years from now we will have 15 exurbias or interurbias, or what you will, and it would not be possible without the center of the exurbia, which would be New York City. No one can prove to me that the outskirts of the urban area, which is one vast area, can sit back and let the center of New York City atrophy because of poor transportation. I think the whole thing is so interlocking we cannot afford that. We cannot let one section or one city or one metropolitan area atrophy.

I happen to come from a medium-sized city which happens to have a transit company which happens to have some merchandising ability. Successfully, over the last 3 or 4 years, they have improved their service. They have supplied better buses; they have radios in every bus to make better service and to make a little money. The retailers of Rochester are tremendously happy to have that.

But that same idea has to be applied to New York City. This case of Herald Square is a terrific thing. If they could not get to Herald Square, the cost of distribution in other ways would raise the price of merchandise without any question.

Senator WILLIAMS. We have been speaking here of metropolitan areas and efficient mass transportation. The problem, of course, is not only in New York, Philadelphia, Chicago, Los Angeles, and San Francisco. Deterioration of transportation carrying numbers of peo-

ple rapidly is occurring in many cities of 100,000 across the country, is it not?

MR. DENNIS. Yes. That is why I expressed myself so far as knowing it was a metropolitan development because it is essential that our city, any other city, have good public transportation, whatever it is, whether it is a bus, a streetcar or a commuter line or what you will.

I think the whole approach to transportation must mean that we have the best that the area needs. If New York needs this, they should have it. If Rochester needs this, they could have it and get some direction and advice to help us as to how to get it. Time is a great element, and if we get good bus service, frequent schedules, we can save time, which we can all use.

Senator WILLIAMS. Just one further inquiry on my part, and the chairman of this subcommittee, as you know, Senator Sparkman, who is here, will probably want to comment. So I will be brief.

We have been advised, and this bill is in response to this advice in part, that transit companies, railroads, and others concerned with mass transportation, have run on some rather difficult financial days. That their structures are such that borrowing at the high commercial rates is unattractive and impossible for them. Therefore, if anything is to be done, they have to have money available at a rate they can afford. The rate provided in this bill is a quarter of 1 percent above the average cost of Federal Government borrowing, notwithstanding the fact that it is above cost and notwithstanding the need that we feel.

We do hear comments that this is a subsidy, and people are opposing the effort, some of them, on that basis. Would you give us your feeling of the financial aspects of the Federal Government making money available on the basis of this bill?

MR. DENNIS. I have been brought up in a Scotch house. We were trained to go on our own. However, we are going at such a terrific pace, and urban areas are developing so fast—again, I am speaking for myself in this particular case—but I am of the opinion that any reasonable and economic way of helping public transportation is indicated. I would prefer, if you will, and maybe it is impossible, to have the bus company operate as it does in our own city. They are able to go on their own. But I realize we have a different situation. In my judgment, whatever is an economic way to do it, a businesslike way to do it, I believe they must be helped. They have to be helped in some way.

Surely, they should go on their own, but there are too many things they cannot control. If they could control their entire operation, I think I would go along with my own bringing up, you wriggle yourself out of a bad situation. But there are so many things they have no control of.

Senator WILLIAMS. In their nature of being public utilities and under control and regulation.

MR. DENNIS. That is right.

Senator WILLIAMS. We are grateful, more than grateful, for the support of this effort by a man of your high standing and proven success in business.

Senator Sparkman?

Senator SPARKMAN. No questions, Senator Williams. I did not get to hear all of Mr. Dennis' statement. I did hear a good part of it, and I simply want to say that I enjoyed your approach to it, and I go along with Senator Williams in expressing appreciation that you would come here and help out on this complex problem.

Mr. DENNIS. Thank you.

Senator WILLIAMS. Thank you, again, Mr. Dennis.

Our next witness is Col. C. K. Harding, chief of the Planning Division, Georgia Department of Commerce. Is Colonel Harding here?

Will you join us here? We are grateful for your appearance here this morning.

STATEMENT OF COL. C. K. HARDING, PLANNING DIVISION, GEORGIA DEPARTMENT OF COMMERCE

Colonel HARDING. Mr. Chairman, gentlemen, I was announced as chief of the Planning Division of the Georgia Department of Commerce. Actually, I am, in effect, one of the Indians. My chief was unavoidably detained in Atlanta and could not make it. So he asked me to come.

I am going to talk briefly about this bill and the city of Atlanta. Atlanta, as you know, is a city within its corporate limits of about 520,000 people. The metropolitan area is expected to reach 1 million people in this 1960 census.

I have submitted testimony which is actually in answer to a list of questions which Senator Williams sent us a week or so ago. I could read those answers, but most of it, I believe, you have heard with reference to other cities. It has to do with the terrific, complicated problem that we do have in mass transportation of the people from the entire metropolitan area and, of course, beyond those limits. It is a terrific problem in Atlanta.

We have there no rapid transit facilities as such. We have the several railroads that come into the city. They do not operate commuter trains as such. We are dependent entirely on buses, trolleys, trackless trolleys, and, of course, private transportation. The city has gone into expressway plans and planning. It has a metropolitan planning commission which was created by the general assembly of the State for the purpose of coming up with a master plan for the city, metropolitan area, for its orderly growth and controlled growth.

They have recently made and completed studies of the expressways and exactly what they are accomplishing and what they will accomplish in the way of alleviating the tremendous problem. The question of getting the people into the downtown area and getting them out of there in the evenings. The material that I have submitted, most of it, has come from the staff of that metropolitan commission because they are the ones who have been studying this problem. And our own planning agency there in the State has not gotten into that particular subject.

Senator WILLIAMS. Is this commission that was created at the State level just for the planning in Atlanta, or for all other communities in the State?

Colonel HARDING. For Metropolitan Atlanta, which comprises five counties. They have determined that any system of expressways

that are at all practical or feasible financially or physically, engineeringly, will not be the answer to this problem. Their thinking now is that there must be some form of rapid transit, surface rapid transit, to take care of a great part of this burden.

The problem downtown, of course, is the same as any large city. The expressways bring these masses of people into the city, into the heart of it, rapidly. But when you get there, the outloading capacity of the city streets is entirely inadequate. Also, areas, buildings, downtown are rapidly becoming parking areas for cars. It is, in effect, a waste of land that could be otherwise more profitably used.

There is one thing about this bill that we feel should be a caution in it, and that is section 701 of the Housing Act of 1954. Actually, in our opinion, it authorizes planning of this particular type, but I do not think it contemplated the magnitude which this particular bill considers.

Senator WILLIAMS. That section suffers from anemia; does it not? There is not very much money available for it.

Colonel HARDING. That is what I was getting at, Senator. We do not want the little money that we have for the conventional planning that is provided in section 701 to go into this particular expansive study.

Senator WILLIAMS. You will be glad to know that Mr. David Walker, the Commissioner having jurisdiction over the section 701 program would be grateful for more money for this purpose. He is a member of the Administration, and that was his testimony, I believe, Mr. Chairman.

Senator SPARKMAN. Yes, sir.

Colonel HARDING. There never has been enough money, of course, for the community planning and metropolitan area planning to take care of the whole United States.

Senator WILLIAMS. Has Atlanta availed itself of the present program of planning grants?

Colonel HARDING. Yes. They have, I think, received three grants. I do not have the figures to show what those amounts are.

That is about all I have to say, sir. I have submitted these two reports of the Metropolitan Planning Commission which cover the expressway studies.

They are now engaged in a study of mass transportation and rapid transit in particular. They expect to finish that this year.

One reason the proposed amendment to the bill is attractive to us is because it does furnish money which is now not available.

Senator WILLIAMS. What do you mean, "not available." Colonel?

Colonel HARDING. We just do not have the money. We need Federal help.

Senator WILLIAMS. Could you not go out and borrow in the regular money markets?

Colonel HARDING. No, because the city is limited by legislation to the extent to which it can borrow. In other words, its bonded indebtedness is so much.

Senator WILLIAMS. Are you near your ceiling and, therefore, not in a position to—

Colonel HARDING. I am not positive on that, but I believe that is the situation.

Senator WILLIAMS. I wonder if there would be another limitation on the ability of the city to borrow in commercial markets, and that is the high interest rates that are now required.

Colonel HARDING. Yes, that certainly would retard it.

Senator WILLIAMS. Does the fact that this Federal program of lending would be at a low rate of interest just a bit above the average being charged to the Government, change your view of this legislation? Would that make you hesitate, or do you still favor the legislation?

Colonel HARDING. No, I do not think so; no, sir.

Senator WILLIAMS. There is just one other aspect I would like to deal with, and we will include your full statement, of course, in the record. The hour is getting late, so I will terminate with this observation: I am not familiar with Atlanta, but its reputation nationally is that it is a city of charm and attractiveness, a city that is inviting for people to come to and enjoy the opportunities for business and recreation there. Is your city a city of amenities?

Colonel HARDING. Yes, it is. We feel so. I am not a native of Atlanta myself. I have lived there now on two separate occasions—the first time for 2 years. I have been there now the last 6, and I find it everything that you have just said. It is an attractive city, and it is growing. But, of course, its growth is out beyond the corporate limits. It is an attractive city, and it can become very unattractive and undesirable downtown if conditions continue to grow as they are now. This is just due to the fact that we cannot get around downtown.

Senator WILLIAMS. Yes, and it was also suggested that if the automobile makes it necessary to destroy or remove the amenities of the central city, after that has been accomplished, then we have the beginning of the seeds of blight. They are planted, and blight will follow.

I know of two cities where the pressures have developed to what I would consider unhappy results. The city of Newark, N.J., has a park right in the center of the city, a very lovely park, Military Park. That now has been totally torn up and an underground parking garage is being built. It is going to be covered again, and I gather trees will be planted. But it will be a long time before that amenity in that city is restored in full.

They have, in Boston, the same thing happening to Boston Common. I understand, there, they are preserving the trees. I do not know how they can preserve some of those ancient and beautiful trees, but we hope it is happening. I think we ought to ask the City of Boston what the charge is, how much that is going to cost, to save the trees on the Common when they are building a garage.

But these are examples of what can follow the mad rush toward automobile transportation to the exclusion of more efficient and better rapid transit.

Colonel HARDING. All over Atlanta, you see the older buildings being torn down. Probably they should be torn down. But coming up in their place is the typical multistoried parking facility for automobiles, and I do not believe I have seen very many of those that add to the attractiveness of the city.

Senator WILLIAMS. Thank you.

Senator Sparkman?

Senator SPARKMAN. No, no questions.

Colonel HARDING. Thank you, sir.

Senator WILLIAMS. Thank you very much.

Senator SPARKMAN. Glad to head the testimony from the representative of my neighboring city.

Senator WILLIAMS. I will be happy to advise Senators Russell and Talmadge of your help here this morning.

Colonel HARDING. Thank you, sir.

(The material supplied by Colonel Harding follows:)

COL. C. K. HARDING, PLANNING DIVISION, GEORGIA DEPARTMENT OF COMMERCE

QUESTIONS AND ANSWERS RE S. 3278

1. What are the nature and dimensions of the urban mass transportation problem?

Perhaps no other problem being faced by metropolitan areas is quite as severe as the problem of urban transportation. In Atlanta, metropolitan planning commission has prepared numerous reports concerned with the urban transportation problem. The most recent of these, completed in 1959, are "Access to Central Atlanta" and "Crosstown and Bypass Expressways." In these reports it was indicated that the transportation problem in Atlanta cannot be solved by the expressway system as programed or even when supplemented by an intermediate loop. It was also indicated that rapid transit must be a partial solution to the overall transportation problem. This is particularly true for the peak hours of travel when congestion is worst.

One important finding expressed in metropolitan planning commission's report, "Crosstown and Bypass Expressways," is that, "An auto-dominant transportation system will never be able to carry radial loads adequately during rush hours, even with maximum possible use of expressway buses. Transit innovations, such as exclusive right-of-way rapid transit, will be absolutely essential and should be investigated as an immediate followup to this expressway study. Without rapid transit by 1970 we would need 120 expressway lanes radiating to and from central Atlanta, and a 28-lane downtown connector." This projection has not been made with sufficient accuracy to permit the designing of such facilities, even if it were a physical possibility.

Rapid transit for the Atlanta region is currently being studied as a followup to the expressway studies.

2. How important is it in relation to other metropolitan area problems?

The urban transportation problem is extremely serious and important, because it is directly related to all other metropolitan problems. For example, the problems of incompatible land uses are accentuated by the lack of transportation facilities serving these areas.

3. What are the States and localities doing to achieve a solution? Are they making maximum efforts? Are they capable of handling the problem alone? If not, what are the factors that prevent them from doing so?

The State of Georgia is participating heavily in the interstate expressway system. Atlanta is one of the few metropolitan areas which receives six interstate expressways converging on the downtown area. This system, however, even when completed, will be inadequate to handle the volumes of traffic created by a regional center of Atlanta's importance. To illustrate this point, the northern portion of the expressway currently has 6 lanes, but has traffic sufficient to warrant 16 lanes. By 1970 this need will have jumped to at least 36 lanes. By no stretch of the imagination is it physically or financially possible to build such a facility.

Various studies are being undertaken by the State, the city of Atlanta, metropolitan planning commission, and by the Joint Bond Commission of Fulton County and Atlanta, and yet, these studies do not totally solve the urban transportation problem. There remains an illogical piecemeal approach.

Underway at the present time is a comprehensive origin and destination study and survey being conducted chiefly by the State highway department with financial assistance from the bureau of public roads. It is anticipated that this study will require approximately 3 years to complete. This study will give

some insight into the travel pattern of people within the Atlanta region, but will fall short of being all inclusive. For example, rapid transit as a partial solution to the transportation problem is being only briefly considered.

A study is being conducted as a major project by metropolitan planning commission of the possibilities of rapid transit for the Atlanta region. This study will be culminated in late 1960, and will result in specific recommendations as to types of rapid transit systems and possible route locations. Funds are not available, however, for the employment of transit consultants because of the small annual budget of approximately \$65,000.

It is felt that the local governments, including the State of Georgia, are taking maximum steps toward the solution of the transportation problem. At the same time they are incapable of handling the problem without additional financial, administrative, and technical support. Other areas are spending tremendous sums on the transportation problem. This area does not have the financial resources available to secure the technical assistance to undertake such studies.

4. What are the national implications of the urban transportation problem? Specifically, what impact does an inadequate mass transportation system have on the wealth and revenue-producing capacity of the metropolitan areas, the free flow of goods in interstate commerce, the cost of the Federal highway program, the level of downtown retail sales, the inherent cost of traffic jams, land waste, urban sprawl and so forth? Does this impact warrant Federal financial assistance?

The Atlanta region is experiencing the tremendous urbanization movement because of its regional importance—as a financial, distribution, communication, and transportation center. The urbanization movement is one that is also being experienced by other large metropolitan areas throughout the Nation. In that way Atlanta is no different from other metropolitan areas. As an area grows, the problem of transportation becomes more and more critical. There is no phase of metropolitan development which is not severely handicapped by lack of adequate transportation. It has been proven in the Atlanta region that expressways cannot alone solve this transportation problem. If people are unable to reach the downtown area—the core of the revenue-producing abilities of the metropolitan area—the entire region suffers. Since a large majority of people are now congregating in metropolitan areas, the national impact is tremendous. Not only is the movement of people within and around the metropolitan area of extreme importance to our growing metropolises, but the free movement of goods as a phase of transportation is also important.

The Federal highway program has had the effect of allowing people to approach the downtown area at high speeds and at the same time has accelerated urban sprawl by permitting people to live in areas more distant from the center than heretofore known. Insufficient time and study has been spent on the effects of interchanges between the Interstate System and local streets. For example, many more vehicles and people can be handled on highways built to interstate standards than can be accommodated by the small local streets. In effect, the expressways are funneled onto inadequate local streets. The result of this deficiency is a decrease in downtown retail sales and the stifling of transportation and activities in the downtown area. It has been proven in Atlanta that expressways are an inefficient method of moving people. Not only do they remove much land from the tax bases of these areas, but they are also unable to carry the high capacities which are afforded by good mass transportation. The impact of the lack of good transportation in metropolitan areas is tremendous, and is sufficient to warrant Federal financial attention and assistance.

5. The bill provides for assistance in the form of low-interest, long-term loans (current rates about 3½ percent). How do these rates compare with local lending ability? What problems do cities have in making money available? (Financial, jurisdictional, constitutional debt limits, etc.) To what extent would areawide agencies be necessary to make a Federal assistance program successful? What would their credit and borrowing capability probably be? To what extent would this bill spur the creation of such areawide agencies? Would such stimulation be desirable?

Basically, the problems which cities face in making money available for capital improvements such as mass transportation fall into two categories:

First, the constitutional debt limitations for bonding capacity; and second, the jurisdictional limits of the area itself.

The comprehensive plan for the city of Atlanta, prepared in 1958, points out vividly that by 1962 the bonding capacity for this city will be only about half as great as the demand for nonschool capital improvements. This includes many capital expenditures, but exclude improvements in mass transportation. Mass transportation facilities currently are privately owned and operated.

The Atlanta Transit System and Metropolitan Planning Commission are each studying the possibilities of rapid transit. These studies will supplement each other, but in each case handicaps arise. Atlanta Transit System must consider its financial, physical, and operational capabilities while Metropolitan Planning Commission has no method for plan implementation.

It would appear mandatory that an areawide agency be established to take maximum advantage of Federal financial assistance in the preparation of transportation plans on a unified basis. Senate bill 3278 appears to be a vehicle for the stimulation of such areawide agency. It would also appear that this stimulation is desirable in this region.

6. How important is the coordination and integration of the various transportation systems into a more rational and united whole within a metropolitan area? How serious a problem is this at present? How well does the language on page 4 of the bill, starting at line 25, meet this need? Is this need as great as the need to modernize commuter equipment? What are some examples of kinds of system integration that are necessary and that would be possible under the bill?

Transportation is a tremendous problem, as has been stated earlier. This problem falls into many segments, such as local streets, local transit, rapid transit, traffic devices, thoroughfare planning, taxicab operation, automobile ownership, parking facilities and fees, etc. These problems must be faced as a whole, because the study of them individually cannot result in a unified system and a rational approach to the transportation problem.

Various study committees have been appointed and are functioning in an effort to unify the metropolitan transportation systems within the Atlanta region. The problem of disorganization, however, has reached disproportionate dimensions.

The language on page 4 of the bill starting at line 25 appears to meet the need for planning for a unified mass transportation system. It is impossible to attract local private enterprise to provide the funds necessary for the establishment of an overall mass transportation agency. The financial risk involved and the minimum does not help to attract this capital. Therefore, it seems imperative that governmental assistance be given to the transportation systems within our growing metropolitan areas. If this assistance is not given to metropolitan areas, the transportation problem may well stifle our urban areas, and therefore the heart of the Nation.

In Atlanta, the local transit system is constantly acquiring new equipment in an effort to modernize their transit system. There is no rapid transit equipment in existence in the Atlanta metropolitan region. It would seem that the need for overall planning and a unified approach to the transportation problem is much more important than the modernization of local commuter equipment.

In providing for mass transportation, two things must be kept clearly in mind: (1) People are unwilling to walk to stations and to transfer several times in order to reach their destination. Therefore, suburban stations on rapid transit lines must be provided. (2) Since there is almost universal automobile ownership, it is desirable to coordinate local surface transit with mass rapid transit in this and other metropolitan areas. Such coordination of schedules can best be effectuated through the use of one transportation system, authority, or the equivalent.

7. To what extent would the "priority" section on page 6, line 3, serve to encourage the development of comprehensive transportation plans and the funneling of money into coordinated transportation projects? How desirable is this language?

The language on page 6, line 3, which establishes a priority for the encouragement and administration of financial assistance to metropolitan areas appears to stimulate the preparation of workable plans for a coordinated mass transportation system. It is obvious from the language of this section that the community which is working without Federal assistance in the preparation of plans will receive an advantage when Federal funds are made available for the study

and for the acquisition of property and equipment for a coordinated mass transportation system. The development of comprehensive transportation plans with Federal assistance will definitely be encouraged by this bill. The establishment of this priority seems to be desirable.

8. What impact do transportation systems have on overall land use and urban development? To what extent do land-use decisions determine the adequacy of the transportation systems within a given metropolitan area? To what extent should or could a Federal transportation loan program be coordinated with other Federal programs in urban areas? In the long run will such coordination be best achieved by having this bill administered by the Housing and Home Finance Agency?

Perhaps no other facet of urban development has the same impact on land use patterns as does an adequate transportation system. For example, high-density residential areas—the most efficient form of urban development from a standpoint of services delivered per unit of cost—are stimulated by adequate mass transportation. Less parking facilities have to be provided and fewer streets are necessary if an adequate mass transportation system is available and convenient. Given fast, safe, economical, convenient, and comfortable rapid transit, an individual is more likely to use this mode of transportation as an alternate to the automobile. Thus the revenue producing capabilities of mass transit are increased.

In addition, within a metropolitan area, freedom of movement for both goods and people is provided by adequate transportation. This affects the land use pattern by allowing people to retain one place of residence and yet have a selection of employment opportunities. Large centers of employment are more efficiently served by mass transportation than by the automobile at densities experienced in Atlanta of 1.6 persons per vehicle.

The efficiency of rapid transit compared to the automobile is illustrated by the fact that 1 lane of rapid transit is the equivalent of approximately 5 lanes of buses and 21 lanes of automobiles. Therefore it can be readily seen that it is impossible to provide streets and expressways to meet the need of a growing population.

Another factor which must be considered in the preservation of our metropolitan areas is the splitting effect which a network of expressways has on a city or region. Expressways become a physical barrier and destroy the neighborhood concept of city development.

If it were possible financially and physically to provide the necessary expressways to transport people into a downtown area, the loss of tax-producing property by such a system would be a tremendous blow to the tax base of our cities.

Everyday decisions made by private individuals affect the adequacy of our transportation systems. A large office building, for example, requires mass transportation for its existence, because financially it is impossible to provide the necessary off-street parking for all employees and visitors.

Under section 701 of the Housing Act of 1954, Federal funds are currently being given to local communities for the preparation of land use and general development plans. It would seem wise to coordinate the transportation program and plans with the overall plans for the development of these areas. Transportation cannot be separated from land use development and community facilities. It would seem mandatory, therefore, to have Federal funds made available for the preparation of transportation plans as well as for the preparation of land use plans for any given area.

Senator WILLIAMS. Without objection, I would like to include in the record an endorsement of S. 3278 from Robert C. Wood, associate professor of political science at the Massachusetts Institute of Technology. Dr. Wood is a member of the Joint Center for Urban Studies of MIT and Harvard University and the author of "Suburbia: Its People and its Politics," for which he was given the Fruin-Colnon Award for Urban Effort. In a letter to me Dr. Wood wrote:

I'm glad to endorse the bill, S. 3278, as an important, feasible, and desirable step forward for solving the mass transportation problems which affect our metropolitan areas. In my judgment, the transportation situation is in need of immediate relief; State and local institutions as presently constituted have

neither the finances nor the legal powers sufficient to handle the situation, and the participation of the Federal Government is both a necessary and appropriate act. In reviewing the legislation, I am convinced that the elements of a strong conclusion are contained therein. While I believe that the bill might appropriately emphasize developing transportation systems within the framework of metropolitan plans, and enlarge the patterns of financial assistance contingent on such plans, nevertheless I'm convinced of its essential soundness. I urge its enactment and I hope it represents the first of a series of Senate actions in which the problems of urban America are consistently reviewed and national goals for these areas are established.

Senator WILLIAMS. A statement has been received from Congressman Irwin, of Connecticut, concerning the subject under discussion. Without objection it will go in the record.

(The statement referred to follows:)

STATEMENT OF DONALD J. IRWIN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CONNECTICUT

Mr. Chairman, I request that this statement be included in the record of the current hearings.

The Fourth Congressional District of Connecticut, which I represent in the Congress, today faces economic chaos because of the faltering commuter service of the New Haven Railroad, upon which more than 35,000 residents of the district must depend for transportation to and from their places of employment in New York City. Trouble also confronts the business community and the government of the city of New York and similarly faces our country.

For reasons very shortly to be scrutinized by the Interstate Commerce Commission, the New Haven Railroad is unable to provide safe, efficient and adequate service.

The president of this railroad has declared that because the line's commuter service cannot provide a profit, but rather produces a substantial deficit, he intends to discontinue the commuter runs completely unless something is done to reverse the present downward trend of the line's financial operations.

I have made a personal survey of the commuter operations of this railroad and found maintenance neglect, poor morale among employees and discontent among customers. Upon inquiry I am advised that the passenger service deficit of the railroad precludes anything in the way of extensive maintenance and that the major reason for breakdowns, filthy trains and stations and other unsavory and intolerable conditions is the lack of adequate maintenance.

I do not know whether mismanagement of the railroad in the past, failure of regulatory agencies to recognize a need for higher fares in the past, historically heavy tax burdens or other factors was the culprit in producing the existing conditions on the New Haven Railroad. I suspect that a combination of factors was at fault.

In any case, it is readily discernible that this railroad needs help. It cannot borrow money privately because of its deficit operations. It cannot improve its facilities or even properly maintain them because it isn't making money. It cannot, in summary, provide the public with the service to which the public is entitled.

We may say, Why bother to keep the New Haven commuter trains running? But let us first examine what would result from discontinuance of service.

The 35,000-plus commuters would have to find new homes or get new jobs. There is no way to reach New York City except by commuter trains or highway transportation but it is neither feasible or possible to provide daily highway transportation for more than 35,000 persons. Highways into New York City could not handle the volume of traffic. The city could not cope with it nor could it take care of parking the number of cars it would take to transport these people.

Were the commuters to quit their jobs, there would be a major economic upheaval in New York City. If they moved elsewhere, there would be financial chaos in their present home towns; their local stores, real estate businesses, banks, and other institutions could not sustain the losses which would result.

The railroad is vital to our domestic economy and also to our national defense, and cannot be permitted to collapse. If the New Haven Railroad in particular discontinues its commuter service there would be a threat to our security as well as an economic loss.

The well-being of our country's railroads is of paramount importance to our country. Our country is in a position to provide what is needed to help our railroads continue service and to improve service.

Existing programs of the Federal Government provide the framework for furnishing the necessary help. I have proposed legislation to provide aid to mass transit and commuter systems through a loan-aid program. I support legislation proposed by Senator Harrison A. Williams, Jr., of New Jersey, to provide loans and grants through the Housing Administration. This is the logical approach to the problem of mass transportation. It copes with immediate problems of faltering transportation systems while establishing means to conduct long-range planning and other studies which aim at future development of integrated mass transportation systems for our urban areas.

Such systems, embracing all of the various forms of transportation, are essential if our cities are to survive the onslaught of our population and economic expansion. Conditions of our commuter systems at the present time should serve to emphasize that we must get started now in providing what is needed.

Senator WILLIAMS. We have received a statement from Senator Bridges which will go into the record.

(The statement referred to follows:)

STATEMENT OF STYLES BRIDGES, A U.S. SENATOR FROM THE STATE OF NEW HAMPSHIRE

One of the gravest domestic problems facing our Nation today is that of transportation and particularly that facet of transportation dealing with commuter service in the great metropolitan areas of our country.

We have seen, since the close of World War II, the greatest highway spending program ever envisaged. This construction program is building a highway system which serves our people and industry in time of peace and provides an alternate means of transportation for the defense of our Nation in time of war.

But, the time has arrived when we must seriously ask ourselves if we have not placed too much emphasis on some phases of our transportation system to the detriment of rail transportation and especially railroad commuter service in the large cities.

This is the pressing problem that seems to me to demand immediate attention; it is the problem that has a direct and important connection with national security.

In the past, emphasis has been placed on vital problems in times of great national emergencies; when war and the threat of war have appeared as a menace to our continued existence. During these emergencies, every problem of this nature was approached and resolved in a bipartisan attitude; attacked on a solid front by men of both parties interested in the welfare of the Nation.

Our domestic transportation problem today is one which should have such an approach, such an attack. It should be approached in a bipartisan manner. It means much to our great Nation that we in this Congress take the initial steps in making this approach and analysis.

We know that in the great complex which is the traffic and transportation field we are at a critical stage. We are just now coming of age, so to speak, and beginning to realize that we have been building, building, and building in the hope that the great millennium of ideal transportation conditions would eventually be realized. But this transportation millennium will never be achieved, will never be reached in the approach which we have and are taking toward its solution. We must take a new look at a facet of the situation that has been neglected. We have neglected that segment of the transportation industry which today is ready, able, and willing to furnish the means of providing the best possible commuter service in our metropolitan cities with help, financial assistance, and proper advanced planning.

We in Congress must, however, realize that the successful attack of this problem demands a cooperative effort. It demands the genius and the tools of the railroad industry; it demands a new look at our attitude toward the railroads. We must realize that we cannot continue to expect the railroad industry to be thriving unless we step in to assist management with some of its pressing problems which have been aggravated in part by governmental action such as overregulation.

But we should not do this, and we could not be expected to do this, if the conditions facing the railroads were purely internal; if they had been brought about

by improper practices or incompetence on the part of the railroads. We must admit that for too long we considered these problems internal and refused to have anything to do with their solution. This is an industry, however, that is unique and vital. I do not want to bore you with statistics or with the part the railroads played in the defense of our great Nation in World War II and the Korean war. Ours is the serious problem today of stepping into this area of confusion and of assuming our responsibilities to the end that we may solve for a long period the problems of mass transportation.

I have been given to understand that an organization composed of municipal authorities in more than 13,000 municipalities, including some of our largest cities such as New York, Chicago, Philadelphia, Cleveland, and Boston, all of which are troubled by the commuter transportation problem, is actively supporting this legislation.

Throughout the country in recent years, we have seen piecemeal attacks on transportation problems; this type of attack, however, never seems able to accomplish its mission. The agencies seeking the solution, while well-meaning enough, have never been big enough or powerful enough to bring together all the resources necessary to adequately cope with the problem. There is only one agency big enough and powerful enough and with facilities sufficient to deal successfully with the octopus that is strangling the lifeblood of our metropolitan cities, and that agency is, of course, the Federal Government.

This Nation could not prosper without big cities such as New York, Boston, or Chicago and their transportation systems. So, the problem of the cities must inevitably command some national attention. We have the means to join forces and to do battle against this problem that must be fought and conquered. We must lay aside sectional and political differences and meet successfully the crisis in the transportation industry brought about as it has been by the widespread use of private automobiles and aggravated by continued overregulation of the railroad industry.

I do not intend to analyze in detail the legislation which proposed to accomplish what we seek. However, what is contemplated by this legislation is a program which will be administered by the Housing and Home Finance Agency with adequate capitalization to be used in making long-term loans at low interest rates to local or State governments to provide commuter service to the public. All loans would be made to duly constituted public bodies and not to private industry. The government body receiving the loan would in turn contract with the private operators for whatever transportation service is required to meet the needs of the people in that metropolitan area. Rolling stock, stations, rights-of-way, etc., would be acquired through these loans and the rolling stock and other equipment would be leased to the private operators. It is not intended, and the legislation does not restrict the use of these loans for rail commuter service only, but they may also be used for other forms of mass transportation, including bus, subway, etc.

The low interest loans would provide financing in areas in which the railroads state they are losing money. We are speaking of a deficit operation, and all of you who have knowledge of the financial work know that a deficit operation will not be financed by a private banking institution. By the same token, we cannot expect that such deficit operations must be continued indefinitely by a private industry, selling as it does only two services—passenger traffic and freight traffic. If we do not provide these loans and grants, what is likely to be the result? We are going to see a gradual elimination of the commuter service. With each transportation segment eliminated, the problem becomes more acute. It inevitably results in resort to the private automobile. This aggravates the highway situation and the parking problem within metropolitan areas. It requires the destruction of some important parts of the metropolitan area in order to provide adequate parking facilities for the mass of people using private automobiles.

We are told that today 65 percent of the national population lives in the 170 metropolitan areas affected by this problem. Within the next decade, this will increase to 80 percent.

Not only our national defense, but our national economy depends on the industrial, financial, research, university, medical, and other facilities located in these areas. If people cannot move in and out of these centers, the repercussions on our national economy will be staggering.

The Federal Government is committed to a highway program, to which it contributes, in some categories, 90 percent of the cost. If mass transportation services collapse the Federal funds required to move people by highways will

soar beyond the capacity of the Nation to finance it. The Federal Government is also pouring millions of dollars into urban renewal programs which will be entirely wasted if mass transportation does not keep pace with these programs.

Even the farmer living in the most remote section of the country is affected directly, because if railroads lose millions of dollars in metropolitan commuter operations they can only recover such losses by increasing freight revenues, which affects the price paid on every farm commodity and manufactured article used in our national economy.

This problem is so vital to such a large majority of the citizens of our country that I am sure that all members of this subcommittee are willing to give serious consideration to the problem which I have outlined. I trust that before this session of the Congress is concluded we shall be able to say that in the field of domestic problems one of the most aggravating and serious was that of mass transportation and that this Congress recognized it and passed legislation necessary to alleviate this important and critical problem.

Senator WILLIAMS. We have received a number of statements and letters for the record on this subject. Without objection, they will be inserted at this point, together with any others that may be received.

(The statements and letters referred to follow:)

STATEMENT OF THOMAS T. TABER, CHAIRMAN, MORRIS COUNTY (NEW JERSEY)
RAILROAD TRANSPORTATION ASSOCIATION

First, I want to commend Senator Williams and the other Senators who co-sponsored this bill, for realizing that one of our most pressing needs today is safe, reliable, fast, and all-weather, mass public transportation. The economy, welfare, future, and even the security of our entire Nation require that this vital service be provided, and also that the too long continued retrogression of railroad passenger service on many of our railroads be halted, and reversed without further delay.

It is recognized by all officials and intelligent taxpayers that the fast-growing, densely populated metropolitan and suburban areas throughout the country, cannot, even under the most favorable weather conditions, have their present and future mass transportation needs adequately and safely met by use of existing, or even planned, new roads. Superhighways cannot be constructed as fast as Detroit can produce new motor vehicles, and even if it were possible to do so, the cost of these fabulously expensive freeways would bankrupt the Nation.

The only safe, fast, economical, reliable, and all-weather method of providing mass public transportation is by railroad. Furthermore, whereas the highways are constructed and maintained (including snowplowing in winter) at public expense, with the land required for their construction taken from the tax rolls forever; the railroads, being private corporations, not only own and maintain their own rights-of-way and equipment, but they also pay heavy taxes on them. The railroads thus contribute to paying the cost of government, and, ironically, for the construction and maintenance of the public highways so freely used by their competitors.

There is no question that for several years, and right today, many of our railroads are in serious financial difficulties. This unhappy condition is largely due to a loss of freight and passenger traffic to competitors who enjoy lower operating costs through using public highways and other tax-free facilities provided for their use—such as those of the Port of New York Authority, to give but one example. How can any intelligent, fair-minded person expect a railroad to operate successfully and profitably, against subsidized competition?

Because of the loss of traffic, and resultant drop in revenues, some of our railroads have been, and still are, operating in a deficit status, and consequently cannot borrow capital funds badly needed to rehabilitate and modernize the equipment and facilities used in their suburban passenger service. Most of the rolling stock used in the New York area today is over 30 years of age. It is worn out, inefficient to operate, and uneconomical to maintain. The badly needed new equipment which the railroads do not have the financial resources to purchase, would sharply reduce maintenance costs; speed up and make the service more attractive to the potential patrons. The new equipment, together with a change in the attitude of railroad management, could bring back to the rails much of the traffic which has been lost in recent years due to manage-

ment's continuing retrogressive policy of raising fares constantly, while at the same time reducing both the quantity and the quality of the service offered to the public. Also, the new equipment would enable the railroads to handle any peak emergency demands (which many could not do today, due to the condition of their rolling stock) and in addition seek and handle a greater share of the future traffic resulting from the projected great population increase in the areas served.

There is ample precedent, and every reason for protecting our country's transportation needs, by setting up a substantial fund from which amounts will be available to needy and qualified railroads for capital expenditures needed to maintain and improve their railroad suburban passenger service. This fact is proven beyond any doubt when we consider the fact that in recent years foreign governments have obtained over \$500 million from various U.S. Government agencies, for the modernization and rehabilitation of their government-owned and operated railroads. The United States is the only country left in the world today where all of the railroads are privately owned, and pay taxes. When foreign governments have no trouble convincing the U.S. Government that their railways are essential to the military as well as economic needs of their countries, and have fantastic sums made available for their use, what justification is there for our continued failure to recognize that our railroads are just as important to us? Why should we "feed" foreign railways and "starve" our own? Does not charity begin at home?

If we can provide millions of dollars to rehabilitate and modernize the suburban railroad passenger service in Ceylon, should we not take even better care of our own railroad needs? Is not suburban passenger service to and from New York even more important to us than the needs of Colombo or Ceylon?

In urging the adoption of Senator Williams' bill, we wish to offer just one constructive suggestion for your consideration. We believe that the basic, present-day suburban railroad passenger service capital needs cannot be properly met by a fund limited to \$100 million. Many of the railroads are in such poor condition that a great deal of equipment will be required to put them back on their feet—and it is not cheap today.

We respectfully suggest that for the first 10 years that the maximum amount in the fund be \$300 million, and that during the next 10 years this amount gradually be reduced to \$200 million. After 20 years, the amount should gradually be further reduced to \$100 million. We also believe that these funds should be used for the maintenance, improvement, rehabilitation, and extension of existing lines; and that they not be made available for new railroads not as yet built and in service.

Subject to proper consideration being given to our suggestions, we urge the prompt adoption of Senator Williams' fine bill, which certainly is in the public interest.

STATEMENT OF HARLAND BARTHOLOMEW, CHAIRMAN, NATIONAL CAPITAL PLANNING COMMISSION

We appreciate the opportunity to present these views on S. 3278, a bill to amend section 701 of the Housing Act of 1954 (relating to urban planning grants), and title II of the Housing Amendments of 1955 (relating to public facility loans), to assist State and local governments and their public instrumentalities in improving mass transportation services in metropolitan areas. Our comments are limited to the urban planning grants provisions of the bill. Other agencies of the Federal Government and individuals are more qualified to express views respecting the public facility loans provisions. The Bureau of the Budget has advised that it has no objection to the submission of this statement to the committee.

Traffic congestion continues to mount in metropolitan city areas despite our numerous endeavors to relieve it. Gradually we are coming to realize that the causes are too complex and too deep seated to be relieved by any hasty or single action.

Basically this growing traffic congestion problem has its origin in the overall community design and organization—in the pattern of land use and zoning and in the design of our street, highway and mass transportation network. Unless and until this problem is approached as one of comprehensive city and community planning we can be certain that the streets and highways in metropoli-

tan cities will experience greater and greater excessive congestion to the point of gradual stagnation.

The report, "Transportation Plan—National Capital Region," prepared by the National Capital Planning Commission and the National Capital Region Planning Council and sent to the President and the Congress in July 1959, is a good example of the comprehensive community planning that is so necessary. Congressional hearings held in November 1959 provide ample information on the report and the studies made for the report.

Most cities—Washington's recent transportation survey is one of the few exceptions—have not recognized the significance of this fundamental approach (S. 3278 does take cognizance of this) and proposes grants of Federal funds to prepare metropolitan area transportation plans as an integral part of an overall community plan. This is the only sound approach and must be accepted if any worthwhile progress is to be made.

Mass transportation plans for our growing American communities have long been neglected. There are several reasons for this neglect. First is the fact that mass transportation was originally considered to be the exclusive field of private enterprise. Competing companies established the early street car lines. Gradually these companies were compelled to consolidate, but new competition soon developed in the form of bus operating companies even though the original streetcar companies had converted in whole or in part to bus operation. In a few of the largest cities public rapid transit facilities were constructed, but we find few examples of systems that have developed over the years as unified, well-planned, efficient operating systems. In suburban towns and in fringe areas of the metropolitan cities mass transportation is generally unprofitable, and the lack of service there is again a fundamental lack of broad gaged, forward looking plans. The regulatory powers exercised by public utility commissions do little to plan, build and equip new transit facilities.

The second reason for the neglect of proper mass transportation planning was the belief, and the ill-favored hope that with the advent of the private automobile there would be no further need for extension of the mass transportation system. As a result of this general attitude, our mass transportation languished. In cities of limited size, possibly up to 50,000 or 100,000 population, the automobile has been able to meet most of the demand. In larger cities this has proved impossible not only because of crippling traffic congestion resulting from a lack of highways, but also because of the difficulty of providing adequate parking space in central business districts. Much as we individually appreciate and enjoy the use of the private automobile, it is not a full-time substitute for mass transportation in central city travel.

We only recently have come again to realize that mass transportation is a most necessary public service. Proper community development depends in many ways upon the free movement of people between places of residence, work and shopping. Mass transportation as one of the means of achieving that free movement exerts a profound influence upon the direction of community growth. It can stimulate either an orderly or a disorderly and unbalanced growth, a congested or dispersed pattern of development. In short, mass transportation can be a major tool in shaping the form of the city. As such it can, or should be, a major element of the city plan. Properly designed it can become virtually the dominant means of shaping the large city's structure. Thus, each metropolitan city should have a comprehensive plan for directing its future growth in which the mass transportation element is fully coordinated with the pattern of land use and zoning, the open space, park and recreation pattern, the location of rail, air and waterway terminals, the width and arrangement of major streets, highways and expressways and with all the other things that are normally considered as parts of the comprehensive city plan. Mass transportation thus becomes or can become a significant factor in the economic and social welfare of the community.

Never has urban mass transportation been of such tremendous importance as it is at this particular moment in our Nation's history. We are confronted with an explosive population growth. Most of this growth will go to metropolitan cities and create entirely new types of urban communities. Already the initial impact is causing an unprecedented wide dispersion of urbanization that, for better or for worse, may change the whole form and character of these cities.

Here in Washington, for example, our present metropolitan population of 2 million persons is expected to grow to 3 million by 1980 or before, and to 5

million within 40 years. Other metropolitan cities are faced with more or less similar expansion. Where shall this new population be accommodated—by mere extension of the urban sprawl? What form of city structure should we design? The economic and social well being of an extremely large segment of the total population of the Nation is thus involved. Never has there been such urgent need for broad urban planning, and in which necessarily mass transportation must play a dominant role.

Planning which precedes growth and thus directs it, is, of course, most effective, for otherwise it comes too late and hence becomes extremely costly and far less effective. As merely one example of what this means today in the mass transportation field, let us take the case of the interstate highways now being built as part of the \$40 billion national highway program. Many of these highways in metropolitan cities are radial in character leading to and from the central business areas. In these highways the center median strip could be made sufficiently wide at small cost to accommodate some form of rapid transit rail or bus. Highway authorities contend they are not authorized to provide rights-of-way for mass transportation. What a heaven sent opportunity for providing inexpensively now the future mass transportation routes that inevitably will be required. What a colossal blunder we shall make if the opportunity is not seized before it is too late.

We are all aware of the fact that the first impact of the recent population growth in metropolitan cities, aided by individual automobile transportation, has been to spread urbanization over areas many times greater in size than that of the central city. Legal restraints have made it more or less impossible for the central city to consolidate the area politically, and many new incorporated communities have come into being. The typical metropolitan city today has become almost hopelessly fragmented. The urgency of an overall plan, and of ways and means of implementing that plan is self-evident. Without question these areas have economic and social unity and, but for the rapidity of growth, might have achieved political unity under a more gradual tempo of development.

However, even though political and administrative unity are presently impossible, there is nothing to prevent overall planning and possibly an ad hoc agency for implementation of mass transportation service as has occurred in some instances for water supply and public health administration. Because the Nation is only as strong as the soundness of its major populous areas—the metropolitan cities, it would appear to be in the public interest for Federal Government to assist these areas when local groups have difficulty in taking unified actions. S. 3278 will encourage and stimulate much needed planning for metropolitan city areas and particularly for mass transportation planning as an urgent and dynamic part thereof. It will thus meet one of today's greatest public needs.

The Housing and Home Finance Agency has demonstrated its concern with urban affairs and its capacity to cope with them, and hence is a logical Federal agency to undertake the proposed program. In some respects the bill is lacking in detail but this has the advantage of opening the opportunity for constructive action in the field of planning. The Agency will have to fix the rules, regulations, and procedures which gives flexibility where too close specification in the legislation could curb initiative and action.

In summary:

1. These comments do not go beyond the urban planning grant section of the bill, for the public facility loans are a matter on which others are more qualified to comment.

2. Otherwise the bill is an important first step in meeting one of our most basic urban problems. While encouraging cities to make this thorough study of mass transit needs, it also will permit an improved analysis of other urban problems in which the Federal Government is already involved, including housing, hospitals, and highways.

3. As explained in section I of S. 3278, mass transit is a serious urban problem, it must be studied in the light of land-use planning and we cannot meet all of our travel demands through new highway construction. Only a half dozen cities have undertaken comprehensive studies such as was carried out recently in the Washington area and as is contemplated in the bill.

4. It is becoming increasingly clear that most of the largest metropolitan areas will need to improve existing or build new rail transit systems if the enormous growth in urban travel demand of the next few years, and, of course, the next generation, is to be met. All metropolitan areas, whether large or small, are also going to need improved and new bus transit service. A real problem

in providing these new services is that it generally takes 5 to 10 years from early planning to actual provision of transit service. Therefore, it is none to early to initiate the planning studies which this bill would encourage.

STATEMENT OF JOHN J. GRAHAM, BOSTON, MASS.

Thank you, Mr. Chairman.

I am John J. Graham. My address is 714 Park Square Building, 31 St. James Avenue, Boston 16, Mass.

Since October 1, 1957, I have been the trustee charged with administration and finance of the metropolitan transit authority, which operates rapid transit and bus service in the 14 cities and towns of the Greater Boston area. These views are mine. I am not speaking for the board of trustees. I have practiced in the field of transportation economics and administrative law for 14 years with experience before 18 State regulatory commissions as well as the Federal Commissions. I am a member, certified by examination, of the American Society of Traffic and Transportation.

The transportation facilities which serve the public in and around the large cities of our country are now suffering the results which were inevitable from continued and persistent lack of planning and administration, particularly since 1930. At each level of government, there has been a reluctance followed by a refusal to abide by the traditional principles that make up the public utility concept. For whatever reason, and most likely because of the desires of small and particular interest groups, public policy at the three levels of government has failed to discipline the public in its use of the modes of transportation as they have been successively made available to the public. The discipline would have come by a regulatory policy that would have preserved to each mode of transportation that portion of the transportation market which it could serve most economically and most efficiently.

The State and local levels of government followed the bad example of the Federal Government when the Congress separated the regulation of surface carriers from the regulation of air carriers. By instituting a substantially different and decidedly preferential treatment for air carriers, the Congress opened the door for condoning preferential treatment rather than a treatment based upon consistent and recognized principles of finance.

You cannot multiply your facilities and the choices of transportation modes without increasing the total costs. However these costs are assessed, they must ultimately be borne by the population to whom the services are offered. Both the Congress and State legislatures have sufficiently confused the ways in which motor vehicle and aircraft facilities are financed so that the public pays for these facilities regardless of the extent to which the public uses them, but the exact amount paid by the public is lost in the overall tax-collecting system.

For the most part, because rail and rapid transit facilities have not been included in Federal and State financing policies, the attention of the public has been not only drawn to the so-called deficit operations of these facilities, but actually the singling out of these operations by a most discriminatory government policy has overemphasized the deficits, so-called.

A public that pays for highway and airport facilities without complaining and without comment becomes the complaining public when the unaided rail and rapid transit companies must live by attempting service curtailments and other methods of an austere survival.

A peculiar paradox presents itself to us. We have applied a type of thinking to metropolitan transit that we use for no other type of public service. No one would think of paying taxes for the support of public schools only to the extent that he used the schools. No one would think of paying for an airport only when he used an airline. The same is true of police, highway officers, highway construction, highway maintenance, public libraries, city hospitals, etc. In other words, in a day when the overwhelming trend in government is toward offering services to all and obtaining payments for them on an ability-to-pay principle—in such an era we single out metropolitan transit and say in effect this area and this area alone will be called upon to survive on a user-pay principle. And then by our actions we deprive these transit companies of as much regular traffic as possible by the formation of car pools and other illegal invasions of the passenger franchises. To a minimum of regular traffic we add all of the erratic and infrequent types of traffic and give this bundle to public transit. This heightens the difficulty of continuing privately operated facilities to the point of impossibility and, for the publicly-owned systems, it breeds per-

petual dissatisfaction in the methods of apportioning operating costs in excess of fare-box revenues.

If this bill or one having similar provisions cannot be passed by the Congress, it would be necessary to repeal the highly discriminatory and unjust provisions of the present Federal highway program, and allied programs, because the latter have brought about not only unfair competition with metropolitan transit facilities but actually have challenged the financial survival of metropolitan transit facilities.

It is respectfully suggested that an amendment be inserted that would prescribe the method by which the coordination between the mass transportation facilities and services would be achieved.

While the sponsors of this measure are to be commended for showing desperately needed understanding towards the mass passenger operations, it would seem that \$100 million spread over the existing needs of all the transit facilities in the country would be inadequate.

Alternately, the sum recommended in the bill could be enhanced in its effectiveness if present discriminatory grants were amended or repealed. This is a relative matter. Actually the existing law is presently acting to create greater imbalances than would or could possibly exist if all modes of transportation were left without Federal intervention.

Knowing that the Congress is continually flooded with requests for increases in appropriations, I sincerely suggest to them the alternative of creating more coordination than presently exists by quelling the discriminatory treatment of highway development at the expense of, and in duplication of, mass transit facilities.

Coordination of the most economic methods of affording transportation to the national population must involve a direction toward discipline. Multiplying the choices of modes of transportation necessarily involves the payment for the construction and maintenance of all modes without regard to the less-than-capacity use that the population can make of them.

Thank you very much for this opportunity of offering my views. I indeed appreciate the courtesy of the committee.

Senator WILLIAMS. I have some newspaper articles, one a series of three articles, which I will offer for the record. They have to do with the subject under discussion.

(The articles referred to follow:)

[From the New York Times, Mar. 2, 1959]

COMMUTER CRISIS TRACED TO UPHEAVALS OF AUTO AGE—SURVEY FINDS SUBURBAN SPRAWL REDUCES CITIES' ABILITY TO COPE WITH PROBLEM—DIVIDED AUTHORITY HINDERS CURE

This is the first of three articles on the growing commuter problem in the New York area and other cities

(By Harrison E. Salisbury)

Metropolitan New York is in the throes of a great revolution but few of the 15 million citizens have yet perceived its direction, momentum, and irresistible force.

Almost no one in the world's greatest city paints the words "commuter crisis" in hues of revolutionary scarlet. Few hear in the automobile horn the sound of a rebel tocsin.

To the Wall Streeter, commuter crisis is bumper-to-bumper traffic and the stench of exhaust fumes in the Jersey tunnels at 5 p.m.

To the Darien, Conn., housewife, commuter crisis is the 5:32—late again, too many martinis, dinner getting cold, short tempers, tears.

To Alfred E. Perlman of the New York Central, the words commuter crisis conjure up columns of red ink in the company ledgers.

To the Fifth Avenue merchant, commuter crisis means fewer customers through the big plate-glass doors, high-cost satellite stores in the suburbs.

To the huge public transport authorities, commuter crisis adds up to jingling coins in the turnstiles, the smiles of the bankers, new plans for super-super-highways and super-superbond issues.

To plain people and politicians of New York alike, commuter crisis spells a pain in the neck. Aspirin does not help. If only some morning it would vanish like a bad dream.

The reasons why commuter crisis does not, will not, and cannot simply vanish have been made apparent in an extensive survey by the New York Times. The survey has been directed not just at surface symptoms—traffic jams, arthritic railroad finances, archaic trade systems, suburban growing pains, and cancerous city blight—but also at root social changes in New York City and other large American cities.

The survey's focus has been on the mid-20th century transformation of America's way of living, which underlies the deepening crisis of population movements in, out, and through cities.

In this article, the general nature of the crisis and its causes are outlined.

A WIDESPREAD PROBLEM

It is not just a New York crisis. The same thing in one form or another afflicts every big city in the United States. A look at Los Angeles discloses the end result of irresponsible, uncontrolled urban mobility. Los Angeles has been described as a jellylike glob of humanity oozing through a sea of smog on creaking wheels. By contrast, New York, for all of its defects, is in fine shape.

Luther Gulick, urban specialist, describes what has happened in these words: "We have exploded into a new era in America, characterized by a new pattern of settlement, the vast sprawling metropolis."

Francis Bello, another student of cities, says:

"Of all the forces reshaping the American metropolis, the most powerful and insistent are those rooted in the changing modes of transportation. The changes are so big and obvious that it is easy to forget how remarkable they are."

Indeed, the changes are no longer confined to North America.

London, for example, is developing every symptom of the commuter crisis that has overtaken New York City. London transit—both underground and bus—is beset by the familiar phenomenon of falling passenger traffic and declining revenues. Only Moscow still stands aloof from the weal and woe of the automotive revolution, probably because it has so few autos that more are stolen each year in the United States than are produced in the Soviet Union.

GIANT SOCIAL CHANGES

Compare today's habits, conventions and technology for urban living with those 25 years ago. It is immediately apparent that social change is occurring on a scale that dwarfs even Lenin's overthrow of the czars in Russia.

Faced with phenomena affecting so many lives so broadly and so deeply it is no surprise that the rickety Victorian structure of government—erected on long-vanished terrestrial lines that once divided a trading village, a mill site, a region of farms and orchards—is unable to meet the challenges of the new civilization.

And if the crisscross palimpsest of government structures, conceived to meet flounders in the fumes of the gasoline revolution, it is small wonder that the steam-and-iron corporations called into being by the Vanderbilts, the Goulds, and the Fisks thrash about in desperate agony.

Faced with a genuine revolutionary challenge, old regimes—whether of technology or of government—inevitably collapse unless they are capable of internal and external regeneration and reinvigoration.

The instrument of this 20th century revolution is neither bomb nor manifesto. It is the gasoline combustion engine. There is hardly an element of the American scene more ordinary and commonplace. But the changes it is wreaking are irreversible and without limit.

THE TIME CONSIDERED

No scheme for efficient, economic and comfortable metropolitan transportation, the survey suggests, can be successful unless it is conceived and executed in the spirit of the times. And these are times of metamorphosis at a fearsome momentum.

A patch on the tattered finances of the railroads, a tax cushion here, a new tunnel there, a rebuilt West Side highway this year, a crosstown expressway 3 years hence, all these may be badly needed. But they can hardly be described as more than placebos for the chronic illness symptomized by commuter crisis.

Thirty years ago New York, like most large American cities, was an articulated whole. It consisted of an inner-core city, congested in some parts, but well served by underground and surface transit. A ring of suburbs and satel-

lites, like Newark and Yonkers, was knit together by an intricate network of commuting trains, ferries and feeder services. The population pattern fitted the transportation arteries. That is how it had grown up.

The system was not perfect. The links to the Jersey side across the Hudson River (with no bridges and no vehicular tunnels) were notably deficient. Indeed, it was the malfunctioning of the Jersey connections 40 years ago that called into being the Port of New York Authority.

The first great achievement of the port authority was to draft a magnificent and detailed plan for the coordination and consolidation of the metropolitan area's transportation facilities—particularly the railroads and ferry services—under its aegis.

Today the authority has a notable record for efficient construction and tidy finance. But its officials fight every effort to place in their capable hands the very transport problem that the authority was created to solve—the coordination of New Jersey-New York wheeled movements.

AROUND THE CENTRAL CITY

Twenty-five years ago New York City had a population of about 7 million. Half as many more people lived in the metropolitan area. All but a handful used public transportation. The key to their lives—work, business, shopping, entertainment—was the central city. It was not the convention for New Yorkers to own cars. Suburbanites had cars. Cars were not generally driven in the city—except for a comparative handful, many of which were chauffeur operated.

Today Metropolitan New York is still a dynamic, rapidly spawning urban complex. But the growth of the urban center has halted. It has begun to shrink like the core of a wind-fallen Northern Spy.

While outer areas—notably Long Island and Jersey—are the locales of turbulent growth, the inner city slides back. This pattern, and its attenuation in the years ahead, flows from the automobile and the new way of middle-income life in the suburbs and semisuburbs that it has brought about. Shorter working hours, the 5-day week, longer vacations accentuate the automobile's effect.

The changing pattern of New York regional population is clearly shown by this table, prepared by the New York Department of City Planning from its own figures and those of the Regional Plan Association:

Population

[In thousands]

Area	1930	1950	1955-56	1975	Change, 1930-75
Central business district ¹	681	636	612	570	-111
Inner urban.....	4,558	4,707	4,562	4,435	-123
Outer urban.....	2,208	3,003	3,326	3,805	+1,597
Suburban.....	2,848	3,757	4,450	6,265	+3,417
Exurban.....	1,331	1,842	2,290	4,130	+2,800
Totals.....	11,626	13,945	15,240	19,225	+7,599

¹ This is Manhattan below 60th Street.

The shift in relative weight of each area within the metropolitan whole is shown by these figures from the same source:

Percent of metropolitan area population

	1930	1950	1955-56	1975
Central business district.....	6	5	4	3
Inner urban.....	39	34	30	23
Outer urban.....	19	21	22	20
Suburban.....	25	27	29	32
Exurban.....	11	13	15	22
Total.....	100	100	100	100

These figures indicate that 4 million people will flood into the metropolitan area in the next 15 years. But it will be a most uneven flood. New Jersey (the 10 northern counties) and New York's Rockland and Orange Counties will expand by 2,400,000. Long Island and Westchester-Fairfield County will share most of the remainder. The inner city will lose. Only the outer quasi-suburbs like Queens and Staten Island will grow.

SELF-CONTAINED POPULATION

The bulk of growth in the outer suburban ring will be self-contained population—persons who want to live near the city but who do not work in the central city, do not shop in the central city, do not amuse themselves in the central city. Whenever these persons travel, they travel by car.

Almost imperceptibly New York is being surrounded by the same kind of spongy population dough that has turned Los Angeles into "goo"-on-wheels.

This is dramatically shown in the case of New Jersey.

Despite an enormous increase in Jersey's segment of the area's population, there has been an absolute decline in commuting across the Hudson and only a modest increase in overall trans-Hudson traffic to New York City.

Weekday commuting from Jersey across the Hudson has dropped from a daily average of 161,000 in 1925 to a daily average of 151,000 in 1955. Total travel across the Hudson inched upward from 233 million in 1925 to 282 million 30 years later.

To what extent the withering of New York's Jersey limb can be attributed to the inhibiting effects of complex and uncomfortable transportation (only in recent years ameliorated by modern auto facilities) cannot be estimated.

But the hard figures of Jersey give little confidence that the commuter crisis will be solved by more and newer super-highways, bridges, tunnels, and other steel-and-concrete means and nothing more. Concept as well as construction will be required.

Huge sums have been spent to build magnificent traffic centers across the Hudson. There is enormous movement of people between Jersey and Manhattan. But the movement has not grown consonant with the increase in population. There seems to be an absolute decrease in the number of persons who live in Jersey and work on the New York side.

MOVEMENT IS SLIPPING

Indeed there are indications that the overall movement of people in and out of New York City is slipping. The Regional Plan Association estimates that about 3,271,000 persons entered the city daily in 1940. The total was up to 3,682,000 by 1948. By 1956, it has been unofficially estimated at less than 3,500,000.

Of this total, the number of commuters is usually estimated at a little more than 10 percent. Most current estimates of commuters place them at 370,000 to 400,000. However, some statistical evidence indicates that here may be many more if odd-hour commuting is considered—possibly as many as 500,000 to 600,000.

Regardless of the precise figure, it is apparent that life in the metropolitan area is taking on a new pattern—one sharply different from that previously known.

Greater and greater masses of people are living in a half-city, half-country environment in an area 20 to 75 miles outside the city core. They are spread unevenly over the landscape. They are gradually transforming the whole northeastern coastal area into a supermetropolis from Boston south to Richmond and west to Philadelphia and including Washington.

Population movement within this area is free and frenetic. Most of it is on rubber tires.

These people are only dependent upon the metropolitan cores on a secondary basis. They depend on the core for banking utilities, distribution, skilled services, medicine, education, information and a multitude of other facilities, including basic transportation. But of this they have little awareness.

The underlying change in social habits of which this fatty metropolitan tissue is evidence has been accelerated by the enormous growth of leisure time in the last 25 years.

A generation ago most New Yorkers worked 6 days a week. Sunday recreation was in city theaters, city parks, city ball clubs, and city beaches.

Today the 5-day week has become almost universal. Work days are shorter. Vacations are longer. The beneficiaries of this vast increase in free time orient their use of it to the automobile.

URNS AWAY FROM CORE

The suburbanite or exurbanite will, as likely as not, turn his car away from the metropolitan core. Even within the city itself the link of the automobile to leisure time has become firmer and firmer. The result has been described by Lyle Fitch, first deputy city administrator in New York:

"Every summer weekend a vast horde of pleasure-seeking passenger automobiles pour out of the city like bats leaving Carlsbad Cavern at sunset. Not being able to operate in three dimensions, they put up with conditions which no bat has to tolerate. There is no principle of selection save the willingness to wait in line. Nor do they find relief in flight; as Lewis Mumford has remarked, they only exchange urban jam for suburban jelly and the jelly nowadays continues for 100 miles on Long Island east of New York City proper."

Nor is there a sign of any end to this ever-increasing motorization.

Population specialists estimate that population in the United States will expand by about 56 million in the next 20 years—some 35 percent. The number of automobiles is increasing more than twice as fast. It will rise by about 50 million in the same period or about 90 percent: 84 percent of suburbanites own cars and a 57 percent gain in auto ownership is predicted in the next 8 years.

In New York City itself, motor-vehicle registration has risen 500,000 in the last 10 years. About 900,000 persons now drive to work in New York City.

The fantastic motorization of the metropolitan area is highlighted by the multiplication of passenger car registrations in the last 30 years:

	New York City	19 metropolitan counties	Total
1930.....	596,344	1,387,246	1,983,590
1940.....	835,660	1,903,386	2,739,046
1950.....	1,138,362	2,680,487	3,828,849
1956.....	1,324,342	3,530,284	4,854,626

Nowhere in the world does so great a car pool exist. But great as are these totals they pale—on a per capita basis—with those for the Pacific coast—1,300,000 passenger cars for the San Francisco Bay area, and 3,100,000 for Metropolitan Los Angeles.

Against this surge toward the automobile, what has happened to the movement of people in and out of New York by commuting train? Is the rail commuter actually vanishing?

By no means.

The figures on rail commuting offer the following picture:

	1930	1940	1955
Long Island RR.....	47,600	48,000	74,000
Westchester-Fairfield (New York Central-New Haven combined).....	56,400	41,650	60,000
Jersey Rail and Ferry.....	154,000	-----	75,000
Total.....	258,000	-----	209,000

Excluding the precipitous Jersey decline, the movement of rail commuters into New York City has remained relatively stable. However, except for the increase on Long Island, it has by no means matched the area's general growth in population.

PURPOSELESS IN CHARACTER

The proliferation of population in the New York metropolitan areas—as in other large American cities—does not tend to generate a more economically purposeful movement to and from the urban core. The larger a metropolis

grows, under automotive conditions, the more purposeless the character of movements within its sprawling shadows.

The reason for this, the survey has made clear, is not only the transformation in the habit patterns of many who live in the city's outer regions. At the same time, significant changes have been proceeding in the core.

The facade of New York is so familiar that few residents even notice the changes—unless they are monumental—the rebuilding of Park Avenue, the construction of Rockefeller Center, the construction of the great bridges, the eradication of East Side slums.

Few realize that crammed into the area below 60th Street is the most concentrated working area in the world—2,200,000 persons. About 600,000 persons live there. Nearly 2 million persons pour in each day to do their daily work. And 1,300,000 to 1,500,000 more come to shop, to see the sights, or just pass through.

This core has been characterized by great, if less perceptible, changes in recent years. The residential population is dropping quite rapidly. Movement into the core is falling slightly—mostly because of the 5-day week. Employment remains stable but is changing in character. Retail trade—particularly the business of the Fifth Avenue merchants and the mass salesmen of Herald Square—shows a decline that is made up by the proliferating suburban shopping centers.

A measure of the retail-trade decline is afforded by figures of the Metropolitan Regional Study. These disclose that in 1929 a shade less than 80 percent of the area's retail employment was in the central cities of New York, Newark, and Jersey City. By 1954 the total had dropped to 67.8 percent.

Another and more significant change is now in progress. This might be captioned: "The Rise of Park Avenue and the Decline of the Lofts."

In other words, while employment in Manhattan remains constant, its character is changing. More workers are being added to the glass-and-aluminum palaces on Park Avenue and Wall Street. The light manufacturing of Manhattan has ceased to grow. Growth has shifted to Long Island City, farther out on Long Island, or to Jersey and Connecticut points.

TWO CONCENTRATIONS ARISING

What this means to the Manhattan profile is that two huge population concentrations are building up—the big corporate centers of Wall Street and mid-Manhattan.

Between the two centers of greater concentration gradually spreads a gray area. Here there is dropping density—antiquated loft areas, obsolescent residential regions, and declining business centers. This pattern, still hardly visible in the New York ebb and flow, is a familiar one in every other American metropolitan center.

Just ahead—in the opinion of such careful analysts of the urban milieu as Ray Vernon, director of the Metropolitan Region Study—lies another sharp jag in population tendencies.

Large offices and corporate bureaucracies, employing hundreds and thousands of modestly skilled workers, soon may find it easier to obtain the pool of skills that they require—mostly female—in suburban and exurban areas rather than in the central business district.

As more female workers become available outside the core, it is suspected, a tendency to remove low-level repetitive office functions to more remote areas probably will revive.

TRANSFORMATION NEEDED

It is obvious that population change, cultural adaptation, technological revolution, shift in social patterns and economic displacement on the scale that this survey suggests dictate an equivalent transformation of the transportation circulatory system. Otherwise, parts of the metropolis will suffocate; other functions will desiccate. The healthy growing whole may turn into a tumorous mass.

What agencies does our society possess with which to meet the challenge?

The answer as given by Dr. Luther Gulick, president of the Institute of Public Administration, is that "we have bits and pieces; we have promising voluntary cooperative arrangements; we have State and Federal interests in various elements which are involved, but nothing that can really tackle the jobs."

Nor is it merely that the body of our community has outgrown the structure of its government. A look at suburbia and exurbia, where half the population is

already concentrated, shows that this area is characterized by intensely cellular government.

Instead of pooling resources in order to meet the titanic problems of big cities in the 20th century, each suburban fragment fights desperately to reincarnate the Jeffersonian "little town." The New England town meeting, antique form, smallness, narrow horizons, diversity rather than communality—these, as Robert C. Wood of the Massachusetts Institute of Technology has observed, have become the shibboleths of the land beyond the city limits.

But the population shift has abrasively eroded the resources of big city government. The New York City government, like all metropolitan authorities, now masters a comparatively smaller part of the available economic and human assets than it did a generation ago.

Everywhere there are battlelines and divisions—small towns against village, county against State, city against county, city against authority, authority against State, State against State and States against Washington. The New York metropolitan area possessed 1,079 separate government subdivisions in 1954.

Only last month an unusual effort to mobilize the political leadership of three States—New Jersey, Connecticut, and New York—in a rational attack on the transportation problem failed.

Problems so vast clearly lie beyond the capability of even the most vigorous and visionary leaders of private industry.

In the case of railroads serving New York the crisis is sharpened by the fact that each road is deeply engaged in a general struggle for survival against the technology of the motor era. Embroiled in this fight for life even the ablest executive envisages the commuter crisis only against a sea of deficit, which slowly rises closer and closer to the level of the corporate neck.

The cry for help from a drowning man seldom furnishes a rational basis on which to construct a more efficient system for the management of bathing beaches.

A REVOLUTIONARY CRISIS

This is not, of course, the first great social, economic, and political crisis in the history of New York. However, the overall revolution in a way of life is greater than any crises of the past.

Any past crisis inevitably produced the leadership and creative forces needed for solution. There is no reason to doubt that the present situation will prove an exception. In other American cities new thinking to meet the challenge is arising.

New York possesses a concentration of skills, energies, finance and even instruments of government that give the region unusual advantages in coping with revolutionary change.

Not the least valuable of these assets are the great public authorities that the complex social engineering problems of the past have called into being. Thus far, the leadership and resources of these agencies have been only peripherally engaged.

As Mr. Wood describes the situation:

"Metropolitan authorities play their part in whatever solutions have been forthcoming in the transportation field as well, but here the pattern of challenge and response is more complex. In New York the port authority and the transit authority vie, sometimes spectacularly, with Robert Moses (in his several institutional capacities) to provide for the fast circulation of goods and people throughout the region."

Mr. Wood points out, however, that the "ad hoc and haphazard employment of authorities, State highway departments and assistance programs" insures that most solutions will be engineering rather than social.

The conclusion seems obvious. Our problems have outrun our efforts to cope with them. Not because we lack the means, but because in social organization the metropolitan area is not a whole. Instead it constitutes a more and more amorphous body. Its structure, both political and economic, is fragmented. Public and private interests are in conflict. Geographic lines are placed ahead of the public welfare. The parts are more important than the whole.

In this welter of parochialism, confusion of the public mind and conflict of vigorous interests, the vehicular revolution rolls impressively forward with a swish of rubber tires and a nauseating smell of volatile hydrocarbons.

When and how will it end?

[From the New York Times, Mar. 3, 1959]

STUDY FINDS CARS CHOKING CITIES AS "URBAN SPRAWL" TAKES OVER—LOS ANGELES FINDS FREEWAYS NO HELP—EXPERTS SAY MOBILITY FOR CARS IS NO SUBSTITUTE FOR FAST PUBLIC TRANSIT SYSTEM

This is the second of three articles on the growing commuter problem in the New York area and other major cities

(By Harrison E. Salisbury)

Many New Yorkers have long cherished a secret dream. Some day at high noon all traffic in the city will halt, choked in its own excess. Every street will be filled to the brim. Not a vehicle will be able to move.

The realization of this dream—or nightmare—is still at least a few years distant in the case of New York. But it could happen tomorrow in Los Angeles.

Los Angeles now has such a number of motor vehicles that if all were brought onto the street at the same moment they would take over every roadway in the whole sprawling area. The city has 12,500 lane-miles of streets. This includes 60 miles of freeway—the largest total of any metropolis in the world.

But it also possesses more than 1,500,000 passenger cars. Traffic engineers calculate that, allowing 20 feet for each car, appropriate footage for 36,000 intersections and a reasonable interval between cars, every street in town would be jammed.

Sometimes, as the engineers struggle with the 5 p.m. automobile jam, they wonder if it has already happened.

New York's problem of moving people and vehicles in, out, and through the metropolitan area differs from the problems of Los Angeles, San Francisco, Chicago, Cleveland, Philadelphia, Boston, or any other American metropolis.

But in each case there are more similarities than differences. By surveying conditions in other metropolitan cities light can be cast on New York's problems, clues can be gathered to future trends and ideas of what to do and what not to do can be assembled.

No city in America possesses richer, more varied, more exotic experiences in moving people and vehicles than Los Angeles.

Here, nestled under its blanket of smog, girdled by bands of freeways, its core eviscerated by concrete strips and asphalt fields, its circulatory arteries pumping away without focus, lies the prototype of "Gasopolis," the rubber-wheeled living region of the future.

Los Angeles is no longer a city as the term has been conventionally defined. Sam S. Taylor, general manager of Los Angeles traffic, calls Los Angeles "a mobile region."

For anyone looking toward the future, toward the end results of full autofication of the American metropolis, Los Angeles is the phenomenon to analyze most carefully.

When Lincoln Steffens went to the Soviet Union just after the Bolshevik revolution he proclaimed, "I have seen the future—and it works."

Today's visitor to Los Angeles might paraphrase Steffens and say: "I have seen the future—and it doesn't work."

Los Angeles today is confronted with the radical consequences of total reliance upon the gasoline combustion engine. What 40 years ago was the world's best interurban transit system—the big red cars of Henry Huntington's lines—long since has been consigned to the scrap heap. The cult of the automobile has saturated a vast metropolitan area. Expert after expert has examined the Los Angeles picture and backed away shuddering.

Every transport problem that New York and other big American cities cope with today exists in Los Angeles in nearly insoluble form.

ANGUISHED CRIES HEARD

It is from Los Angeles that the most anguished cries are heard for rescue from the rubber-tired incubi. It is Los Angeles that threatens to prohibit new cars unless they are fitted with devices to prevent the discharge of smog-creating hydrocarbon fractions.

It is Los Angeles that sends its officials to plead with the grand viziers of Detroit not to put longer fins on the cars, not to widen the machines because there just is not room on the streets or in the parking spaces.

It is in Los Angeles that serious officials say that the system is exhausting the elements necessary for human life—land, air, and water.

And it is in Los Angeles and other motor-oriented west coast cities that the cry rises clearly that no solution will be found solely in freeways, grade-separated facilities, and other devices for multiplying the mobility of private cars.

No matter what the cost, public transit facilities must be provided. Otherwise chaos lies just ahead. That is what the west coast Cassandras—often yesterday's prophets in the freeway temples—are saying today.

THE END OF ROOM

Los Angeles provides a classic example of the Malthusian principle applied to the automobile. As cited by Dr. Lyle C. Fitch, first deputy administrator, of New York City, this is the law:

"Today's automobile population continually outruns its lebensraum."

Metropolitan Los Angeles expects to have 900 miles of freeway and 300 miles of expressway by 1980. A freeway is a grade-separated roadway. An expressway is a limited-access street-level roadway. Even with this program, Mr. Taylor says that Los Angeles in 1980 "may well have worse traffic conditions than exist today"—unless public transit is provided.

The building of motor facilities on the scale already carried out by Los Angeles has given the community an anthill aspect.

So much land has been allotted for automotive use that the center of Los Angeles—despite recent public and private building projects—more and more resembles a Swiss cheese, tunneled at the core and gnawed at the edges. About 28 percent of the 3,300 acres of downtown Los Angeles is occupied by streets, freeways and service ways. About 38 percent more is occupied by offstreet parking garages, loading facilities and other institutions dedicated to rubber-clad wheels.

Thus, about two-thirds of downtown Los Angeles is already in thrall to the gods of gasoline.

GOODBY, WALKERS

The pedestrian is regarded as an anachronism. Found on the streets at night in a residential area he is liable to arrest as a suspicious character.

In fact, the next step calls for elimination of the pedestrian completely in downtown Los Angeles.

Special free-walks, overcrossings, second-story-level sidewalks, and moving platforms are to be provided so that the streets can be turned over exclusively to motor use. Helicopters and convertiplanes may ultimately be provided to transfer the obsolete foot traveler to areas where he can be appropriately installed in a four-wheeled vehicle.

The drawback to this, as Mr. Taylor notes, is that as more and more space is allotted to the automobile, the goose that lays the golden eggs is strangled. Enormous areas go from the taxrolls and are rendered unsuitable for productive economic purposes. The community's ability to foot the ever-multiplying costs of freeways dwindles—\$10 million a mile in some Los Angeles areas; as high as \$50 million a mile in heavily built-up eastern cities.

At the same time traffic movement becomes more and more random as concentrated business and special-purpose areas disappear.

FREEWAYS DUBIOUS VIRTUE

But what of the clover-leaves and double-eights of the freeways—do they at least move traffic more rapidly in and out of the city?

The answer is surprising. At peak traffic hours it makes virtually no difference where you drive in Los Angeles—freeway, expressway or ordinary street. Your maximum speed will still be in the range of 25 to 30 miles an hour. Time and again freeway movement is impeded by accidents. So chronic is the problem that the engineers propose to remove stalled cars from the highways by helicopter.

The truth is that a horse and buggy could cross Los Angeles almost as fast in 1900 as an automobile can make the trip at 5 p.m. today.

Nowhere are the problems that arise from spongy half urban half rural settlement—the kind so rapidly expanding around New York—better studied than in the Los Angeles area. Here what sociologists call urban sprawl has been carried to extremes that bring infinite complication to every rational plan to transport people.

BURSTING OUT OF BOUNDS

No way of life is so greedy and wasteful of space. To accommodate a population of 5 million in Los Angeles-style single-story ranch homes on average plots requires at least 500,000 acres for homesites and about 1 million acres for homes, churches, schools, shopping centers, and recreation facilities. This is 1,560 square miles of residential area. Even now Los Angeles has a population density only one-tenth that of New York.

So diffuse a residence pattern requires lavish land expenditures on highway and traffic facilities.

Some measure of these expenditures can be grasped from the fact that by 1975 the U.S. highway system will occupy 17 million acres. The new 41,000-mile Interstate System alone will require more space than the State of Rhode Island.

Free use of bulldozer-cleared areas coupled with similar land expenditures for one-level shopping centers and one-level factory sites, is typical of the Los Angeles pattern.

END OF SPACE SEEN

"Our people thus far have continually preferred private conveyance and we have endeavored to accommodate them," Mr. Taylor says. "This cannot go on indefinitely, however. We will run out of space."

It is this realization that has impelled Los Angeles to take the first faltering steps toward re-creation of a mass transit system. A metropolitan transit authority has been set up to take over surviving bus and streetcar lines. It is preparing plans that almost certainly will be based on buses with priority on freeways and expressways.

Los Angeles simply has neither space nor funds for a new and separate rail system. However, certain rail links may be built if a recent tendency to reconcentrate office facilities in parts of downtown Los Angeles and the Wilshire Boulevard area proves lasting.

THIRD FOR TRANSPORTATION

More than one-third of the Los Angeles urban area is occupied by transportation facilities. A single freeway interchange consumes 80 acres of land. Each mile of freeway utilizes 24 acres. This means that by 1980 the city will have turned 21,600 acres over to freeway use—34 square miles.

Ultimately, as planners see the future, Los Angeles will have a freeway network forming a giant grid. It will take up 1-mile-square blocks in the central area and 2- to 4-mile quadrangles in the outer region.

What remains inside the giant motorized checkerboard?

Already Mr. Taylor has noted that the business of downtown Los Angeles is more or less stagnant. How could it be otherwise when concrete ribbons and asphalt plazas replace stores, offices, hotels, and apartments?

BANKING HAS MOVED

So extensive has been the destruction of the Los Angeles core that a major segment of finance banking has shifted to San Francisco. There is no longer a sufficient concentration in Los Angeles to support metropolitan finance.

As the city core disintegrates fewer people are attracted there. A 1941 count showed a maximum accumulation of 173,000 persons in downtown Los Angeles between 6 a.m. and 10 p.m. Of the total 90,000 came by transit; 67,000 rode in 43,000 cars. There were 16,000 pedestrians.

In 1955 maximum accumulation was only 149,000 persons. Transit passengers dropped to 78,000, auto passengers to 65,000 in 39,500 vehicles and pedestrians to 6,000. This was a 15-percent fall at a time when population rose about 33 percent.

In 1950, in a 24-hour period, a total of 700,000 persons entered downtown Los Angeles, 85 percent in private cars. By 1980 the total will be down to 600,000.

A CITY LIKE NEW YORK

If Los Angeles provides a laboratory in which to examine the end effects of the motor age, San Francisco offers a more direct parallel to New York.

Like New York, San Francisco faces specific limitations of space. It also has the special problems that arise from its harbor, from the water barriers between

its areas and from other topographical peculiarities that constrict access to different parts of the region. And like New York, San Francisco has certain cultural and esthetic standards.

It also has a large, well-defined commuting population. In Los Angeles the area is so diffusely settled that it is difficult to define commuters, let alone count them. Everyone drives to work. There is no other way of getting there.

San Francisco now has about 216,000 commuters to the core areas of San Francisco, Oakland and Berkeley. Outside of the Peninsula, where first-class rail commuting service is provided by the Southern Pacific railroad, about 75 percent of commuting is by auto or bus.

The city has 800 miles of streets in a 42-square-mile area. It ultimately will have about 40 miles of freeway.

ADEQUATE FOR 50 PERCENT

But it is calculated that these facilities would handle only 50 percent of San Francisco's peak traffic loads. The area today has a population of 3,300,000 with 1,300,000 automobiles. By projecting the statistics, the totals in 10 years could reach 5 million people and 2,600,000 vehicles, and by 1970 about 7 million people and 3,500,000 cars.

Like New York there just isn't room for so many cars in the central city. San Francisco notes that if 20 square feet were allotted to each car, an area of 30,000 acres would be required. This roughly equals the total area of the city. The city would be one vast parking lot.

The San Francisco position is identical with that of New York. If all the Jerseyites now using public transit across the Hudson shifted to automobiles it would take all of Manhattan Island below 42d Street to park their cars.

John M. Peirce, general manager of the San Francisco Rapid Transit District, says:

"Space does not exist to build freeways sufficient to handle the population of 7 million estimated in 20 years."

COMPARISON MADE

As San Francisco experts calculate the figures, a rail facility like the Southern Pacific peninsular service can move 40,000 seated passengers an hour. It would take 40 lanes of freeway to move an equivalent number by private car. Freeway capacity by private car is estimated at 2,000 to 2,400 an hour. Or by bus at 6,000 an hour.

The problem grows steadily worse as average occupancy of automobiles drops and drops. Los Angeles studies show the average number of riders declining from 2.4 a car in 1950 to 2 in 1953, 1.8 in 1957 and 1.4 today.

Mr. Peirce points out that with the steady deterioration of public transport the automobile has been transformed "from a willing servant into a Frankenstein monster—a master that has saddled us with congestion that is costly and critical today but will be chaotic and intolerable tomorrow."

The San Francisco populace is concerned not only by the practical aspects of this problem. John C. Beckett, Marin County member of the San Francisco transit district, believes that residents of the area "want to preserve values and beauty, regardless of the buck."

"Freeways destroy property," Mr. Beckett says. "That is why we are opposed to turning them loose in the metropolitan area."

SET UP TRANSIT UNIT

Impelled by practical and esthetic considerations San Francisco after more than 6 years of study has set up its metropolitan transit district.

This body, embracing five San Francisco counties, will present, probably later this year, a plan for financing an integrated transit system. The scheme involves interurban transit and tunnels. They ultimately would cost \$800 million.

"Our job," in the words of Mr. Peirce, "is to protect urban America against economic disintegration. Our hope is to provide mass transit facilities more characteristic of the jet age than exist elsewhere in America. We do not propose to idolize the automobile to the extent that we are strangulated."

The San Francisco plans are a long distance from realization. The metropolis faces conflict between the inferior governmental units that subdivide the area. These conflicts become acute when questions of finance are involved.

There are also divergencies of viewpoint between the transit district and the operators of the great San Francisco bridges. These conflicts echo those centering on the Port of New York Authority in the East.

But San Francisco still stands as a shining example of advanced thinking in the sphere of metropolitan circulatory problems. And the projected revival of rail transport has solid public support. Each public opinion poll has shown substantial backing for any system that would enable harassed drivers to trade the daily buck-the-traffic grind for a 45-mile-an-hour, comfortable and economical trip via public transport.

CHICAGO MOVES FORCEFULLY

Like every big American city Chicago has been plagued with commuter problems. But characteristically the big, gusty prairie metropolis has moved aggressively—both in the public and private spheres of transport—to meet the challenge of the motor age.

The Chicago Loop is no exception to the tendencies noted in Manhattan. Volume of movement into the core has declined. But the Chicago pattern differs sharply from the popular concept that more and more people are going to work by car and fewer and fewer by train.

Here are the figures of the Chicago Transit Authority on traffic leaving the Loop during maximum hour movement:

	1948	1951	1954	1957
Suburban railroads.....	71,136	76,708	73,179	77,094
Chicago Transit Authority, rapid transit.....	67,268	67,576	70,425	75,126
Chicago Transit Authority, surface.....	78,270	52,990	43,284	36,092
Private autos, taxis.....	39,017	36,920	34,452	37,448
Other.....	1,499	1,570	1,328	1,443
Total.....	252,190	235,764	222,668	227,203

The Chicago figures reveal a modest but well-defined gain in passengers riding suburban railroads and the Chicago subway and right-of-way transit. Buses and automobiles decline in popularity. There is, moreover, an overall decline in Loop traffic of about 10 percent.

The increasing patronage of rapid transit appears to be linked directly to the vigorous efforts made in the last decade to improve these facilities.

The extent to which public transportation moves peak traffic out of the Chicago Loop is disclosed in another set of Chicago Transit Authority figures.

In the peak 15 minutes—from 5 to 5:15 p.m.—72 percent of the 74,191 persons leaving the Loop go by suburban railroad or Chicago Transit Authority rapid transit. Thirty-nine percent go by rail, thirty-three percent by rapid transit. Only 14 percent go by surface bus and 13 percent by private car and cab.

At the peak hour of accumulation of persons in the Chicago Loop, 86 percent had been brought in by public transportation, 14 percent by private car. In contrast, downtown Los Angeles had moved 54 percent of its peak accumulation by public transport and 45 percent by private car.

CHANGES IN LOOP

The Chicago area is no stranger to the trends of population settlement and social habits demonstrated in other metropolitan regions. The Loop, for example, is becoming more an office area and relatively less important in retail trade.

The automobile has proved no substitute for mass transit in maintaining the economic health of the Loop shopping center. In fact, there appears to be a direct correlation between decline in mass transit use and decline in retail trade, even though motor traffic may increase.

Taking 1954 as a base, the business of the State Street department stores dropped from \$715 to \$598 million, or 16.3 percent, by 1958. In the same period the number of passengers entering the area during shopping hours by mass transit dropped 13.2 percent from 176,668 to 153,396. The volume of automobile passengers entering the Loop rose 55.5 percent, from 69,166 to 107,567.

Apparently many persons who come to the Loop by train or Chicago Transit Authority stay to shop. Those who come by car either are passing through or have just come to look.

Comparable figures for New York are not available.

The Fifth Avenue Association declines to make public a breakdown showing business done by the great midtown stores. There is every reason to believe, however, that it is commuting trains and subway that bring Fifth Avenue its paying customers rather than the hordes of cars that choke the midtown streets.

TWO IN ONE PACKAGE

Chicago has broken through the endless discussions of freeway versus transit. Characteristically, it has combined the two in one package—the Congress Street Expressway.

On a single 650-foot right-of-way, high speed rapid transit has been incorporated with an eight-lane freeway. The eight lanes of expressway carry 6,000 persons an hour at peak travel. The transit line carries 9,000 at about 27 miles an hour.

Some design features of the expressway have been criticized—the length of the access overpasses to the transit stations, for one thing. But it represents the first step toward a combination of rubber-and-steel transit.

The combination ends competition for public funds between rival facilities. The tracked system will be integrated with public garages and parking plazas in the city's outskirts so motorists can shift from the freeways for a fast trip to the heart of the city.

Chicago is also the home of the most vigorous and able railroad executives in the country—men who are convinced that the iron rails are here to stay and who believe they can earn dollars for the stockholders by providing efficient, comfortable and rapid commuting service.

The contrast between the Chicago railroad leaders, both in psychology and achievement, and the panic of some of their Eastern counterparts is striking.

SCORES ATTITUDE IN EAST

One Chicago railroad executive said:

"I just wish the New Haven or the New York Central would turn their commuting business over to me. If I couldn't make money and provide good service on that kind of volume I'd shoot myself."

Another Chicago railroad chief, commenting on the pleas of some Eastern roads for commuting subsidies said:

"The subsidy is the last refuge of a bankrupt management. To grant a subsidy is to put a premium on inefficiency and obsolescence. Once the subsidy principle is established management no longer needs to think. Whatever happens they can just send the bill to the public treasury."

Typical of the tough-talking aggressive Chicago railroad executives is Ben W. Heineman of the Chicago & Northwestern Railroad, which transports 43,000 commuters daily to Chicago.

Mr. Heineman's commuting business is up 20 percent in 5 years. It brought the Northwestern \$7,272,309 in 1956—about 4 percent of the road's revenue.

Mr. Heineman is convinced that the road not only can break even on commuting service but also can earn at least 3 percent on its investment.

He has backed this opinion with substantial sums of money. The road has already 48 new double-decked, 161-passenger commuter cars. It has ordered 36 more at a cost of \$5,600,000. He intends to build his fleet of double-deckers to 200 and retire all conventional coaches from service. Thereafter he will order 10 new cars a year to accommodate the expected growth in the service.

SPEED A FACTOR

"We believe strongly," Mr. Heineman says, "that rate or cost is not the determining factor in suburban service. The factors in suburban service are safety, reliability, comfort, and speed."

Mr. Heineman believes that commuter railroads can attract and maintain their business at rates higher than those they actually wish to charge.

With the cooperation of State and local authorities, Mr. Heineman has recently obtained a 26-percent increase in commuting fares—backed by his pledge that with the new money he would give his customers the service they want.

If he can make good his promises—and few in Chicago doubt his ability to do so—he expects that a \$2 million annual red ink item on the Northwestern's books will be transfigured into black.

A similar spirit animates Downey Jenks, president of the Rock Island, which transports 30,000 commuters daily. Mr. Jenks' commuter service is about \$1 million in the red at this point, but he expects to put it on a profitmaking basis soon. He expects fare and tax changes will rapidly improve the economic side of the picture and he is bringing in new equipment to satisfy commuters' desires for comfort and convenience.

Mr. Jenks has placed two new types of trains into Chicago commuter service. One is the Jet Rocket, a Talgo type of lightweight low-gravity unit with 500-commuter capacity. The other is the General Motors Aerotrain, 10-car units powered by futuristic 1,200-horsepower diesel engines. Two of these units have been put into service.

OTHER CITIES CITED

Other North American cities add little more than bits and pieces to the overall picture presented by Los Angeles, San Francisco, and Chicago. Cleveland and Toronto have put new rapid transit systems into operation in the last 4 or 5 years. Both are chalking up successful records, providing acceptable service to patrons and relieving the ever-pressing automobile burden.

Toronto's system carries a peak-hour load of 30,000 passengers, but it is only a 4-mile system. Cleveland's is a 13-mile system, utilizing an old railroad right-of-way.

Boston and Philadelphia are experimenting with subsidy and cooperative rail-municipal kickback systems. Neither seems likely to prove more than a temporary poultice.

One thing the survey of American cities makes plain, New York's transport circulatory problems are not unique. They arise from the same pattern of social and economic transition observable in all big cities. Universally the changes are linked to new habits stemming from the ease of random movement via automobile.

One other thing is equally plain. Out of the collective American experience ample evidence may be winnowed on which to postulate the future course of New York's development. Evidence may also be found on the available mechanisms, plans, and devices that can be called into play to resolve the great crisis of moving New Yorkers hither and thither at something approaching the price, the pace, and the means to satisfy their aspirations.

[From the New York Times, Mar. 4, 1959]

EXISTING COMMUTER CURES FOUND TO NEED DIRECTION—PORT AUTHORITY REBUFFS OFFERS—DECLINES TO ASSUME TASK OF OVERALL CONTROL IN FIGHT ON TRANSPORTATION SNARL

This is the last of three articles on the growing commuter problem in the New York area and other major cities

By Harrison E. Salisbury

A nationwide survey indicates that every technological, economic, and conceptual means needed to solve New York's commutation problems for the present and foreseeable future now exists. A canvas of technical experts, engineers, social scientists, public specialists, and transport executives leaves no doubt that we possess an abundance of methods and forces capable of coping with the revolutionary consequences of the automotive age.

Why are they not applied? Why is the problem permitted each year to grow worse? Why has effort after effort at solution met failure—either partial or complete?

The answer to these questions seems to lie in the complex nature of modern society and a general failure to understand the substrata of its relations.

"New conditions," as Dr. Luther Gulick, president of the Institute of Public Administration, notes, "now require new thinking as a basis for new institutions and actions."

MASS AND METROPOLIS

In order to formulate a solution there must be a definition of what a city is about, what its purpose is in today's world and how we want to arrange these functions.

Are limits to be suggested for the concentration of individuals in narrow areas—such as the 10,940,000 total that the new zoning plan for New York City proposes? Or does democratic freedom imply growth without form or aim? Should a metropolis possess the power to direct or control the settlement of people in its environs?

A city, in most minds, is designed as a convenient and comfortable place to live and work in. People assemble in large numbers because these numbers make the conduct of economic and social life richer. A city is, with infinite elaboration, an extension of the old crossroads bazaar—a locale where people meet people, trade, work, rest, eat, entertain, and engage in social contacts of endless variety.

DUAL DANGERS FEARED

But if too many people gather in one place, sheer mass may adversely affect their contacts. Or, if congestion thins out, the market may fail for want of buyers or sellers.

If too many or too few utilize some of the circulation systems and if some systems become engorged while others are attenuated the same result may occur.

As Lewis Mumford, dean of American social thinkers, puts it:

“Mechanical integration and social disruption have gone on side by side. Our capacity for effective physical organization has enormously increased; but our ability to create a harmonious counterpoise to these external linkages has not kept pace with these mechanical triumphs.

“The result was not temporary confusion and an occasional lapse in efficiency. What followed was a crystallization of chaos.”

To put it another way: Railroads, commuting lines, highways, streets, freeways—all these are to a city what the arteries and veins are to the human body. Wild growth in a body or atrophy of a limb vitally affects the circulatory system. Automotive revolution has wrought comparable changes in New York metropolitan structure.

The problem faced by the community is what surgical, prosthetic or preventive treatment is required to restore and maintain its vigor and health.

Even if all elements in our society were agreed on a unified solution—which is by no means the case—the political means for its realization might still prove inadequate.

One notable lack in the whole picture would appear to be leadership—dramatic and public. Evocative spokesmen have arisen for this fragment of the whole and for that, for this railroad, that public authority, and one community or another.

But, perhaps because of the very intricacy of the displacements that automobiles, urban sprawl and leisure have effected in the social structure, no plan, project, or program designed to meet the totality of the challenge has yet emerged.

It is the familiar story of man's greater talent for creating machines than for creating systems that will make the machine his creature rather than his master.

A half-step toward creating a political framework to support a unified approach to metropolitan problems has been taken. Sixteen counties, twenty cities, and five towns of the area have combined in the Metropolitan Regional Council.

Slow but definite progress toward mobilizing support for overall, rather than bits-and-pieces, solutions has been made.

These are two basic aspects to the transportation problem—public mass transportation and private automobile travel.

Let's examine mass transportation first.

On the technological side we are confronted with almost an embarrassment of riches in a choice of new means with which to move populations.

PUSHBUTTON PROPOSAL

For the cost of the next 10 years of prospective transport deficits, according to Prof. Ernest Williams, of Columbia University, New York could install a unified, pushbutton 24-hour transit system, serving the whole metropolitan area.

New York could proceed immediately to the construction of a passenger system as fully automated as high-speed elevator service. In efficiency, safety and comfort it would surpass any in the world, and cost less.

Charles K. Agle, a Princeton, N.J., engineer, has devised an ingenious system of universal cars, self-propelled, self-coupling, electronically manipulated. The

cars would start as buses on suburban streets, couple into bus-trains on freeway lanes, disengage and attach themselves to railroad trains in tunnels and subways and redetach for operation on the New York streets as buses.

The cost? Less than the present jumble of obsolete, junk-pile equipment now cluttering the rails and streets.

Almost any new system would be economically sounder than the present combination of ancient and overburdened railroad iron and new but characteristically underoccupied Detroit products.

SYSTEM IS OUTMODED

There has been no basic functional innovation in the American railroad system since 1860, one American engineer notes. And the automobile, for all its gloss, chrome, and excess horsepower, has not been fundamentally changed since 1910.

The fact is that although the world is nearer the 21st century than the 19th, New York's circulatory system still lumbers along with the elephantine tread of the best days of Gen. Ulysses S. Grant.

It is impossible to inventory the entire technical means available for a new mass transport system.

For example, the scientists of the Ford Motor Co. laboratories have designed a vehicle capable of wheel-less 300 to 500 mile-an-hour operation on a thin cushion of compressed air created by multiple tiny jet nozzles.

There are other techniques, savoring less of Buck Rogers but radical in contrast to methods now used. Prof. Stanley Berge, of Northwestern University has devised plans to abolish stub-end commuting terminals. This would allow service to move freely through Grand Central, down to Wall Street or over to Jersey. The savings to the railroads would be equaled only by the convenience to the passenger. Professor Berge advocates dual-purpose cars, with removable seats like those in airplanes. The cars could be used for freight service at night and for passengers by day.

There is also the monorail, that perennial favorite of the scientific and mechanical journals for two generations.

The monorail exists in several variations, but more than half a century after its invention it has never been exhaustively tested. There are two main types. In one, the cars are suspended from a rail. In the other, known as the Alweg system, the cars straddle a single elevated rail. There is a small experimental monorail in Texas, Walt Disney is building another for Disneyland.

AERIAL TRANSIT SUGGESTED

Another attractive scheme is advocated by an experienced transport specialist, Henry K. Norton. He calls this aerial transit—a kind of accident-proof, right-of-way transit rail system capable of 60-mile-an-hour operation on rubber-tired vehicles. A somewhat similar system is now being built in Japan for 100 to 150 mile an hour service between Osaka and Tokyo.

Here and there across the country a few pieces of advanced equipment are in use. But railed commuter services nowhere are employing more than samples of the machines, electronic devices, comfortable cars, economic and high-speed motive power that is readily available.

Why?

The answer appears to lie in part in economics, in part in politics and in part in psychology.

So far as the railroads are concerned, technological innovation on this scale is quite beyond their grasp.

There are nine commuting railroads in the New York area. Each is beset by fearsome economic problems. Each is strapped for money and handcuffed by an archaic fiscal setup, which makes the big banks and insurance companies the real arbiters of their fate.

Put most simply the banks will not—with minor exceptions—lend money to the railroads to finance technological renovation of passenger service. And the roads themselves, gasping in an ocean of red ink, cannot generate the funds for anything but tiny improvement projects.

GREAT ENERGY REQUIRED

Even a railroad executive like Alfred E. Perlman, president of the New York Central, who makes a fetish of technology, is able to move against the economic barriers only by dint of enormous energy.

Mr. Perlman can demonstrate that funds invested, for example, in automating a freight yard would be returned to the railroad in 3 years. Despite this 33½ percent annual return, bankers will provide only dribs and drabs. Automation of the New York Central's Buffalo yards was halted several times for lack of funds.

Automation would provide the same kind of return if applied to commuting service. But in the face of the bankers' opposition, railroads prefer to use what funds they can get to improve profit-sure freight services.

Moreover, many advantages of the new technology would be lost in the fragmentation of transport mediums in the metropolitan area.

One of the most needed improvements in the circulatory system is universality and integration. People must be able to move quickly and comfortably from place to place without transfers and switches from one slow, unpleasant medium to another even slower and less pleasant.

Nine individual railroads are no more competent to undertake tasks of such scope and concept than nine blacksmiths are competent to construct an atomic reactor.

FINANCE IS PARAMOUNT

The primary concern of present railroad managements is finance. They are oriented to the querulous voices of dividend-conscious stockholders rather than the plaint of the public to whose service they are, in theory, dedicated.

Another enormous handicap burdens the railroads. This is the dead hand of tradition, the massive and complex structure of debt and the huge but obsolete plants systems, and inventories of equipment.

In addition, taxes laid on in the heyday of railroad prosperity are still another burden on dwindling railroad revenues. The economic handicap is heightened by lighter taxes and overt or concealed subsidies given to motor transport.

So deep is this physical and psychological involvement in the past that only aggressive, tradition-busting western rail managements like that of Ben W. Heineman of the Chicago and North-Western are capable of breaking out of its grasp.

Even Mr. Perlman in his role as the "last angry man" of the iron rails concentrates more on fire and brimstone than upon the kind of panoramic vistas that temper the sulfurous words of his spiritual mentor in public relations, Robert Moses.

There is another major barrier to utilization of these technological miracles. Automation attains efficiency and economy through the elimination of human hands.

From the safety standpoint this is fine, for as W. H. T. Holden, a Pasadena, Calif., transportation engineer noted:

"The human element is the most dangerous element in transportation. The function of the engineer, driver, or motorman is not to make mistakes. But sooner or later he does."

ELEVATOR MODES USED

With few exceptions, the new systems for moving people laterally are modeled on the new systems of moving people vertically. They apply fast automatic-elevator techniques to horizontal transportation.

While the new systems would have high safety, comfort, and speed factors (speeds of 60 miles an hour and more) they would cut the labor force to a minimum. Labor costs are estimated by the New York Central at 67 percent for the whole system, or 72 percent in suburban services.

This poses problems of management-union relations so grave that some transport experts believe a completely new system will have to be set up that can bypass contractual relations of the railroads and their unions.

With private industry unable to tackle the task of overall rehabilitation of urban transportation, it is the virtually unanimous opinion of specialists in the field that Government must intervene.

Only a Government agency, it is held, can command the resources need to scrap or convert the present system with its investment of billions of dollars in property and equipment and set up in its place a new, technologically up-to-date network. No private corporation can muster either the legal powers or the financing to tackle so gigantic an undertaking. And only a governmental body can achieve integration of public transport with the ever-expanding flood of private transport.

A few radical advocates of the automobile challenge these views. The all-out auto men contend that the very concept of mass transport is obsolete. They want

to scrap all rails and channel everything into freeways, bridges, tunnels, and parking facilities.

The experience of Los Angeles indicates that such enthusiasm for the gasoline vehicle is ill-founded.

Only a solution that coordinates rail and rubber, mass and private, in the opinion of Dr. Gulick, will do the job.

"We build fine new thruways, bridges, and tunnels," he points out, "and find the cars are carrying only one to two people each and that most of these formerly rode on buses, ferries, and trains.

"And then we discover that the diversion of the mass transportation riders to private cars has so cut the revenues of the commuter and transit companies that they appeal for higher fares or threaten to give up entirely."

PRACTICALITY DOUBTED

The question then arises: What kind of public body should be vested with the responsibility for handling this giant of modern social problems?

One approach would be to create an entirely new body whose authority would be superior to all existing organizations in the field. It would have powers to direct the activities—in metropolitan transportation—of all the private railroads, all the great public authorities, the State, county, and city highway and road systems—every element of the problem.

Such an approach might have the virtue of logic and scope. But few persons familiar with the interlocking political pattern of the metropolis believe it is within the bounds of reasonable possibility.

A second approach would be to create a special public authority with supreme powers in public transportation. It would be authorized to take over existing public facilities (rails, ferries, rapid transit, and buses), to amalgamate, merge, integrate, and renovate.

There are several drawbacks to this scheme. The new body would be placed in direct and intense competition with the rubber-oriented Port of New York Authority and Triborough Bridge Authority.

Competition for public and private funds, duplication of competing rail and rubber facilities, gross lack of coordination in terminals and intermediate links would be intensified.

Undercutting such as that which contributed to the destruction of the economic basis of trans-Hudson rail commuting would spread. The "creaming" off of available traffic and funds by the older authorities would continue.

Any progress toward a rational over-all solution would be achieved only at the cost of epic high level bureaucratic warfare.

A third alternative would be to convert an existing public authority into a combination rubber-and-rail organization and vest in it broadly generalized powers to tackle the whole job of moving persons and vehicles in and out and through New York.

The organization most often nominated by transportation specialists to take the assignment is the Port of New York Authority.

TASK OFFERED THREE TIMES

Like Caesar, the agency that some Jerseyans call "the Port of Authority" and that some critics call "the East India Company" has three times been offered the crown.

Like Caesar, it has twice rejected the honor and the responsibility. Unlike Caesar, it gives no sign that the crown will be accepted if proffered once more.

The principal argument advanced by the port authority against accepting the job is fiscal. It contends that to undertake responsibility for public transit would involve it in hazards that might jeopardize its credit and imperil its obligations to bondholders.

Few transport specialists share the authority's qualms. They feel confident that the same lean, expert technique that has marked the authority's ventures in automobile transportation and harbor shipping would carry over to mass transit.

Moreover, they point out that the prime obligation of the authority is not to the banks, but to the public. It was set up not as a legal device for issuing gilt-edged certificates of indebtedness but to handle complex transportation problems affecting the well-being of New York.

In fact, the basic reason for the creation of the port authority lay in the sphere of railroad, rather than automobile, transport.

The initial act of the port authority in 1921 was to submit a comprehensive plan for coordination of all New York metropolitan transport facilities—a plan that was described as “essentially a railroad plan.” Had the port authority actually brought this plan to fruition many of today’s transport headaches would not exist. And the solution of others would be far simpler.

From any public standpoint, the vesting of authority in the most vigorous and able of the region’s public bodies to tackle the precise problem that it was originally designed to handle seems to make sense.

Only by this means, it seems clear, will a comprehensive and rational plan that does not perpetuate the present disparities of emphasis between competing means of vehicular transport be achieved.

“The effort to meet massive and dramatic new requirements with the old transportation and circulation system.” Dr. Gulick observes, “with a few stopgap changes here and there is at the bottom of all our traffic difficulties today.

“Notable is the self-defeating character of the conflicting remedies which are being advocated and adopted to ‘solve’ traffic and transportation problems.”

QUICK START POSSIBLE

If overall authority were placed in the hands of the port authority—or a comparable supergovernmental agency—a quick start could be made at an integrated solution.

This view is strongly held by Herman T. Stichman, trustee of the Hudson & Manhattan Railroad Co. He is also the author of a simple and economical scheme for utilizing the Hudson tubes to provide unified commuter service between New York City, New Jersey, Westchester, and Connecticut via the city subway system.

Mr. Stichman’s plan would require a minimum of new construction—far less than the more complex and expensive loop plans of the Metropolitan Rapid Transit Commission.

“No agency, public or private, except the Port of New York Authority, can coordinate rapid transit between New York City and New Jersey,” Mr. Stichman declares.

This, he adds, is because the authority “can increase or strangle the flow of commuters available for rail rapid transit by raising or lowering the fares charged to buses and automobiles through its Holland and Lincoln Tunnels and over the George Washington Bridge and by building other such vehicular crossings.”

Just as new technology has provided a variety of techniques for handling mass transit so social engineering has conceived intriguing new methods to put the automobile to the service of the city, rather than the other way around.

Some of the most creative ideas in this field have been developed by Henry Fagin of the Regional Plan Association.

A new general concept has been growing in Mr. Fagin’s mind, although it has not yet been presented to the association for action. Mr. Fagin would utilize the subway system to the limits of dense population as far, say, as Newark, Jamaica, and Woodlawn.

The subway would terminate in a web of expressways built to accommodate both buses and private cars. At the subway terminuses there would be extensive parking areas and convenient one-roof bus stations.

Here the passenger would transfer to his private car or to mainline express buses, traveling on priority lanes. The mainline buses would connect with “mosquito” buses at population centers along the mainlines. The mosquito buses would pick up and deliver passengers from the mainline expresses.

PRICING PLAN OFFERED

To prevent the metropolitan more from being inundated by the flood of traffic that such a freeway system would generate, Mr. Fagin would introduce an ingenious traffic-pricing plan conceived by Lyle C. Fitch, First Deputy New York City Administrator.

The essence of the Fitch plan is to control the use of city streets by a series of charges. As traffic density rises, up goes the price. As it falls, down comes the price—ultimately to zero.

The Fitch scheme would require installation of toll gates at all points of access to the city, including the free East River bridges. Special fees would be assessed for admission to very congested areas, largely through graduated parking charges. These would be scaled on a basis of supply-and-demand. A

concomitant of the fee system is that space always must be available at the price demanded.

Dr. Fitch agrees with Dr. Gulick that traffic is a problem, like the plague, that will not cure itself. No such scheme as Dr. Fitch or Mr. Fagin have conceived could possibly be introduced without a unifying authority.

"A common aspect of metropolitan transportation problems of large metropolitan areas," Dr. Fitch declares, "is that no existing Government agency is capable of dealing with it.

"What is required is an integrated transportation system which will serve the metropolitan region as a whole; consider the relation of the various types of facilities to each other; pool their resources, and construct a price structure to promote the most efficient pattern of use."

Within the framework of a unitary authority, in the opinion of many specialists who have studied the situation, the most critical immediate problems of the commuter could be expected to yield readily to interim solutions.

In the belief of these specialists, railroads in desperate need of more rational tax treatment would acquire a powerful friend at court. The authority would have powers to work out with the railroads plans for lease-backs, for financing technological renovation and for contract operations in the mass transit field.

The authority would be in a position to evolve a phased program for replacement of present haphazard and ramshackle mass transport. The introduction of a new integrated system could be carefully coordinated to the growth of automobile facilities and to the relative moribundity of the various rail links of the area.

With unitary control of access to and through the region, the authority could enforce traffic control methods. It would be in a position to set up an order of priority among rail links.

Some, such as the relatively efficient and healthy Long Island (thanks to recent bankruptcy, 50 percent tax relief and ratemaking freedom) could, perhaps, be carried along for some time with little change.

REHABILITATION MEASURES

Others, like the New York Central and New Haven services to Westchester and Fairfield Counties, might require minimum rehabilitation measures. These might be tax and rate concessions similar to those for the Long Island, for instance, to help maintain a reasonable level of service while more desperate situations received primary attention.

The immediate problem, many experts believe, would be the trans-Hudson services. Here the authority might find that the only logical solution lies in scrapping the whole complex of out-of-date facilities (except, perhaps, for the Lackawanna). It could then move straight into the pushbutton era.

In the absence of vigorous public concern for an overall treatment of new mobility of population, most attention thus far has been concentrated on individual parts of the whole.

Most of the Jersey commuting railroads are demanding public relief from the insupportable burden of deficits. They no longer see any way out, short of abandonment. Jersey commuters and public officials insist that the railroads be forced to continue service that can only lead the railroads into bankruptcy.

The great public authorities firmly focus their attention on new rubber facilities, closing their eyes to the fact that it is physically impossible to provide enough roadways and parking spaces to accommodate all of those persons who now commute by rail.

The New York Central and the New Haven issue ultimatums and make dire predictions of an imminent collapse of commuter services to Westchester County and near-Connecticut. Their public information policy is strongly oriented to the acquiring of obviously needed tax relief and a greater freedom in making rates and schedules.

WHAT THE LINE WANTS

What Mr. Perlman actually wants is the kind of relief that the Long Island was forced to go through bankruptcy to obtain. With reasonable taxes, reasonable rate and schedule freedom, abandonment of inside-New York commuting stations and junking of its West Side Hudson passenger lines, the New York Central should be able to show a modest profit on its commuting services—at least equal to those anticipated by Mr. Meineman on the Chicago & North Western.

The New Haven wants all that the New York Central wants—and subsidies as well. George E. Alpert, president of the New Haven, is the Nation's most fervent advocate of a subsidized commuter service. He already has a sample of it in the Old Colony Line out of Boston. He wants more.

Mr. Alpert's views are challenged by other railroad officials. Independent rail analysts see no reason why the kind of tax-and-rate relief asked by the New York Central should not enable Mr. Alpert to show a tidy profit on his heavily traveled exurbanite lines.

The common denominator of the individual rail viewpoints is that each is geared to a specific situation. Each looks only to short-term patching, which virtually guarantees that the overall problem will only grow worse.

The alternative?

A NEED FOR NEW THINKING

Here is the view of Dr. Gulick:

"As the result of metropolitan developments we face the need for new thinking. We need structures of government which can tackle the new problems of metropolitan expansion, can marshal our resources of technical competence of leadership and of money, and can develop community commitment for long-range plans and programs adequate for the days that lie ahead.

"Some may think our great need in the cities is water, or sewers, or wider streets or more schools or housing.

"Fundamentally they are wrong. The real things we need are brains, character, drive, organization, and leadership."

[From the New York Times, Jan. 27, 1957]

AUTOS, MULTIPLYING FASTER THAN MAN, RULE, INCONVENIENCE, AND FRUSTRATE URBAN LIFE—WORSE IS IN SIGHT ON ROADS OF 1977—DISORGANIZED OFFICIALS FOUND TO ERR BY TRYING TO MOVE CARS INSTEAD OF PEOPLE

(By Joseph C. Ingraham)

Arithmetic explains the automobile: Since 1930, motor vehicles have multiplied five times as rapidly as the Nation's population. The increase for motor vehicles has been 150 percent; the population has risen 30 percent.

By 1975, motor vehicles are expected to show an increase still twice as high as the population rise. The 1975 forecast: Car registration topping 100 million, or a gain of 51 percent over present totals, and an estimated population of 215 million, a rise of 27 percent.

These ratios give only one cause for the traffic headaches. Sharing the blame equally is the lack of planning since the twenties and thirties for a Nation on wheels. The automobile has not been fitted into modern urban life. It dominates it, inconveniences it, frustrates it.

TRAFFIC JAMS ARE COSTLY

Rubber tires sped the cities and once rustic suburbs on their way to becoming metropolitan areas. Now these metropolitan areas spread into urban regions on the same traction.

With this expansion came traffic jams that last year cost the Nation \$5 billion, which is a consensus of estimates by business and automotive groups.

In addition, the economic cost of automobile accidents last year was estimated by the Association of Casualty & Surety Cos. at \$6,500 million.

Yet the tieups that are so bothersome now are only a foretaste of the troubles that will beset city and suburb alike in the next 20 years unless remedies are found.

Inadequate roadways, lack of terminal facilities, timidity of public officials and selfish business interests have been described as responsible for allowing the cores of cities to be strangled by traffic. Few places escape these evils, which already stretch to the fringes of urban centers as the automobile enables persons to live far from their work.

As the use of the private passenger car quintupled, the favorites of 1930—subway and the commuter railroad—have dwindled alarmingly as factors in transportation. Even the interurban bus has become a limited carrier, while the trolley car has all but disappeared.

There is no disputing that the private car is the most convenient, if the least efficient, form of transportation. It costs more to operate than any other vehicle

used for travel to and from work. It carries few riders for the road space it occupies, while adding to the surface traffic woes of commercial vehicles and public carriers. It needs not only room to move but a place to stop out of the travel stream.

With all its acknowledged disadvantages, the auto still gains, and railroads lose riders for lack of flexibility, overcrowding, poor service and rising operational costs that already have seen fares skyrocket nationally.

The 5-cent ride of the war era is just as uncomfortable as ever, but now costs 15 and 20 cents, and this year should see the first 25-cent tariff—on the Chicago transit system.

OFFICIALS SEEK ANSWER

Bewildered public officials order survey after survey to find out how, if at all, they can make mass transit attractive at reasonable cost and win back the motorist. Meanwhile other public officials plan more and better highways to accommodate the motor car that has sparked the economy.

It seems doubtful that public transportation can be tailored to the individual demand of the suburbanite in his daily battle to get to and from work. It appears hopeless that he can be induced to use subways, buses or elevated lines to get around in his leisure time. The automobile owner has demonstrated that even under the worst conditions he prefers the comfort of his own vehicle to being herded in a relatively faster public carrier.

Since World War II, traffic volume on city streets across the country has soared 69 percent; in the last 6 years 14 million more cars have fought for space on crowded highways.

Conversely, the commuter railroads are losing riders steadily. Despite the trend to the suburbs and the wider fringes of metropolitan centers, rail traffic is down an average of 10 percent in the last 5 years, with each year from 1951 to 1956 marked by a steady loss.

Mass transit—the subway, elevated and bus systems—is in an equally bad way, although some private carriers still are making money. But most of these have rightfully obtained higher fares and franchise tax cut as public service agencies or municipalities have bowed to the inevitable.

Despite the shortcomings of mass transit, only a few big cities could get along without it, and for most urban centers there would be chaos without it. New York, of course, would be hardest hit, for even a breakdown on a small part of its 768 miles of subway and elevated tracks produces a transportation crisis.

Like most other big cities, New York's heart is a criss-cross of narrow streets. Nearly 83 percent of the people daily entering the most congested area in the world—the section from 60th Street to the tip of Manhattan at Battery Park—use mass transit. But impressive as that may sound, it should be remembered that only a decade ago fewer than 7 percent of them traveled here by private car.

Even the vast number of passengers carried by mass transit here does not tell the whole story of the shift from rails to rubber. More and more commuting suburbanites are traveling part way into the city by private car and in the last three years some 60,000 daily have been coming all the way.

Car pools gain steadily in favor as rail commutation fares keep rising. Travel by auto costs an average of 9 cents a mile (without allowance for parking fees) and does not change with the number of passengers.

Working a five-day week, a Westchester commuter from 20 miles outside the city pays about \$20 a month for a commutation ticket. Transportation to and from his home by family car adds another \$10, and generally he has to use a subway or bus in town to get to his destination, adding another \$6 to the travel bill.

The same trip by car only would cost about \$40, plus a possible parking fee. In Manhattan, parking within walking distance of central business districts costs at least \$1.50, generally more. Outside New York, fees are considerably lower, with all but premium location parking averaging below \$1.

While travel by car is approximately twice as costly for one rider as travel by public carrier, it becomes only half as expensive when the auto ride is paid for by four persons.

Because the rising tide of automobiles pouring into cities hampers free commercial movement, there is growing awareness of the need for some drastic curb. So far no responsible public official has had the temerity to order private cars banned from midcity, although many have half-heartedly endorsed the idea.

On a more practical level there is realization that curb parking must be barred and off-street car storage space provided.

Several cities are finding success by having quasi-public authorities construct lots and garages without burden to strained municipal finances. In other places private capital assured of city cooperation in enforcing antiparking rules is meeting the demand. Progressive merchants are providing off-street service in many places across the country.

In New York the off-street program lags because no one at the top level of government is willing to risk reprisal by knocking a few heads together to force a unified attack. At the present pace, Traffic Commissioner T. T. Wiley's neatly documented plan for 42,000 off-street spaces by 1960 will be just another black mark in this city's long history of indecision in coming to grips with traffic.

The parking problem is, to a lesser extent, a suburban headache too. Here again, too many vehicles are being crowded into too little space. In some outlying communities where parking space is greater than floor selling space, merchants find that on peak days they must prohibit employee parking to serve their customers.

Those newcomers in engineering—traffic engineers—are to be commended for the effort to get the best possible use from the antiquated street systems.

Impressive highways, as in Detroit, Los Angeles, and New York, can be used to bypass the cores of cities; costly belt routes that circle downtown business districts, as in Kansas City, Boston, and Cleveland, also are helping to keep municipalities abreast of the traffic stream.

But the city traffic engineers with low budgets must rely mainly on ingenuity to correct major defects. Basically they use such simple tools as one-way streets, reversible flow-patterns, channelization to separate merging traffic and keep it moving at the best speed and paint by the thousands of gallons to mark lanes so that three cars can move where only two crawled before.

In Chattanooga and Richmond the lane nearest the curb has been restricted to buses. In Chicago and a few other cities commercial vehicles are barred from certain streets at peak periods when motorists go to work or return to the outlying areas. In other cities, as in New York, loading and unloading are prohibited at the peak periods on key routes. Detroit bans all turns on some of its main radial streets between the downtown area and the suburbs.

OKLAHOMA CITY ACTS

Oklahoma City has just instituted a complete network of one-way routes in its central district, retimed the traffic signals and invoked numerous parking restrictions—all to increase traffic efficiency. The need arose, for it has experienced the most dramatic growth of any medium-sized city in the United States.

Most of the changes wrought by the traffic engineers are undramatic and unspectacular and take time before motorists are aware of them. Not so the expensive but essential new highways.

However, when the traffic engineers get into the knotty problem of providing off-street space in big cities, they need much more fiscal help than municipalities generally will provide. Chicago, Pittsburgh and Detroit, among others, are solving the problem with parking authorities. They decided that New York's approach of pay-as-you-go, using meter revenues to finance additional lots and garages, would result in traffic chaos before enough funds would accumulate.

In Buffalo a new program of city financing, with a merchant group incorporated to operate the facilities and, more important, guaranteeing to retire the city-contracted garage debt, has been successful.

The heart of the Buffalo plan is a 15-year tax exemption on the improvement. The basic idea had been adopted by a few other cities, but the efforts of Robert Moses, New York's construction coordinator, to sell it to merchants were sharply rebuffed. Among other things, they said parking was a municipal responsibility. Yet it is significant that the big stores are branching into the suburbs and hiring the best traffic engineers available to see to it that their customers have parking convenience without charge.

The deficiency of parking space is more easily correctable than the acute highway congestion in and around urban centers. At the edge of city limits the so-called modern highway degenerates, and the once broad expanse of adequate roadbeds narrows to nothing more than antiquated city streets.

It is this big shortcoming that must be overcome, and hopes now are pinned on the vast \$33,800 million Federal road-aid plan that went into effect last

July 1. Nearly half the funds have been allotted for urban road building, but there are increasing pitfalls ahead and although the program was scheduled to be carried out in 13 years, it is apparent now that it will take at least until 1975 to complete it.

QUESTION OF ADEQUACY

The experts are beginning to wonder, too, if it will provide enough highways, for the basic program is geared to better roads with controlled access rather than just more roads. The heart of the plan is a 41,000-mile network of interstate and defense highways, about 30,000 miles of them on new locations bordering or close to the present main Federal routes.

The system was budgeted at \$27,400 million to be paid for 90 percent by the Federal Government and 10 percent by the States, which are to plan, construct and maintain the roads. But rising costs make it appear unlikely that the amount will be sufficient.

Even more sobering is the realization that by 1975 motor-minded Americans and expected to be coursing along the Nation's highways to register 815 billion miles on their speedometers, compared with 600 billion now. And the immensity of the road-building needs ahead can be gaged by noting that since 1946 only 53,000 miles of lanes have been added to our road system, while the auto makers were turning out 200,000 miles of vehicles, bumper-to-bumper.

Substituting 1 million acres of concrete for parklands, residential and business property, will undoubtedly speed existing traffic and lead to vast further expansion of metropolitan areas. Vicious progression is ahead unless an entirely new approach is adopted.

The basic flaw is not so much that the car has become the master rather than the servant of government, but that the questionable philosophy of trying to move vehicles instead of people dominates official thinking.

Dividing the problem into small parts will not produce whole answers, and there seems to be agreement that the traffic-transit dilemma defies solution under present organization. According to Wilfred Owens of the Brookings Institution, each sector of the transportation system is being operated in a vacuum.

Some progress in intergovernmental highway agreements has been made, but there still is too much overlapping of road functions and organizations. Across the country there are 46,000 units of government with some control over our transportation life.

"SOLUTIONS" SOLVE LITTLE

Countless studies have been made, and more are being made, toward integrating all forms of mass transportation into a cohesive network. Proposed solutions are as varied as makes of cars, and none offers an answer to the key problem—who is going to pay for the improvement?

As long as most of our citizens choose to be urbanized and motorized, Mr. Owens holds, only trouble lies ahead, and the best that can be achieved will be minimum inconvenience.

However, 16 million persons in the country are solely dependent on some form of public transportation, and 40 million others have part-time need for mass transit. That huge group must be accommodated and at the lowest possible cost.

The mounting deficits of rail carriers must be held in check, it is agreed, and one method suggested is to tax municipalities outside of the city proper to help subsidize the subway systems.

This concept was advanced by Charles F. Preusse, New York City Administrator, as a possibility for keeping the subway fare here at 15 cents. The idea, the Administrator contended, is equally practical for other metropolitan areas.

Another oft-repeated suggestion is to divert a small part of the fees paid by motorists for crossing toll bridges and apply the revenue to mass transit.

There have been countless other recommendations, particularly consolidation of rail commuter lines to end duplications. Other plans include integration of rail and subway lines and cutrate park-and-ride plans to induce commuters to leave their cars at the perimeters of cities and complete the journey by bus or rapid transit.

Innovations in mass transit, such as monorail, have been suggested. But no responsible city backing has been found for that method in the light of public reluctance to accept any system that brings back memories of lowered property values and areas darkened by elevated lines.

CHICAGO TO TEST LINE

Another new concept that will have its first full-scale test in Chicago is that of operating a mass transit line in the center mall of an express highway. The Congress Street Expressway is being constructed in that fashion and will give some indication of the relative merits of auto, rail and bus transportation.

The pendulum movement of urban transportation, although thought of as relatively new and linked to this country and the automobile's growth, dates back to the pre-Christian era. The home-to-work or farm-to-market pattern of travel is both historic and global. The problem of achieving good urban mobility plagues London, Rome, Paris, Stockholm and other urban centers almost as much as it does metropolitan areas in this country.

Congestion was bad long before the motor vehicle. It was particularly bad in London by 1891, when the poorer inhabitants were forced to leave the high-rent districts to commercial uses. London became a deserted night city, and the era of the horse, bus and rail commutation was underway. Almost the same conditions prevailed in New York, Boston and Philadelphia, and at the turn of the century surface transit was taking up so much street space that the biggest cities turned to subway or elevated lines to relieve traffic congestion.

In Mr. Owens' opinion, the disorderly arrangement of land uses has contributed to maximum transport requirements. The thorny problem of space versus volume shows no signs of abating and is not only choking cities but engulfing the high-density suburban communities that ring metropolitan areas, close in and far out.

FAMILY CARS INCREASE

One big factor in the complex problem is the sharp rise in family car ownership. In the biggest cities 56 percent of families own a car. In smaller cities the ratio is 75 percent and in the suburbs generally 84 percent.

There is a growing necessity for two cars to a family, and 14 percent of car owners across the country have two vehicles registered. Where family income exceeds \$10,000 a year, more than 50 percent have two cars. There are more cars than families in Los Angeles and in Miami. In Westchester, Nassau, Suffolk, and Fairfield (Conn.) Counties the automobiles average 1.25 for each household.

The planning errors and lack of perception that have contributed so greatly to New York midcity congestion are being repeated in the fast-growing suburbs, many transportation authorities hold. New housing devours open space with little regard for adequate road capacity or parking for the traffic that will be generated.

All of this, they contend, makes it imperative that the traditional governmental setup of local, county, and State government be modified and the newest thinking of regional government be explored fully. Within that framework, it is said, a coordinating agency for every facet of metropolitan area transportation might ease a national dilemma.

Senator WILLIAMS. This concludes our hearings on the bill S. 3278. We have had 3 days of hearings, and I opened with an expression of thanks to the chairman of the subcommittee, Senator Sparkman, for this unusual opportunity of having this exhaustive, but not exhausting, hearing.

I want to express our gratitude again, Mr. Chairman.

Senator SPARKMAN. Let me express my appreciation to you. I think you have done a wonderful job here in developing this case. It is something more or less new, and I think everyone who sat here has come to realize the necessity of some thing being done in this field. I appreciate your approach to it and the manner in which you have so well handled these hearings.

Senator WILLIAMS. Thank you very much.

The hearings will recess now and will reconvene at 10 o'clock, Friday, on all of the legislation before the subcommittee.

(Whereupon, at 12:10 p.m., the hearing recessed, to reconvene at 10 o'clock on Friday, May 27, 1960.)

HOUSING LEGISLATION OF 1960

FRIDAY, MAY 27, 1960

U.S. SENATE, COMMITTEE ON BANKING AND CURRENCY,
SUBCOMMITTEE ON HOUSING,
Washington, D.C.

The subcommittee met, pursuant to recess, in room 5302, New Senate Office Building, at 10:02 a.m., Senator Joseph S. Clark presiding.

Present: Senators Clark and Bush.

Senator CLARK. The subcommittee will be in session.

I have a letter dated April 25, 1960, addressed to Senator Sparkman by Mr. Oscar H. Brinkman, executive secretary of the National Apartment Owners Association, Inc., regarding testimony made by Mr. Henry DuLaurence before this subcommittee on Tuesday. (See p. 424.)

The purpose of the letter was to verify some figures given by Mr. DuLaurence during his testimony regarding family formation in the last 10 years.

Mr. DuLaurence's testimony included the following statement:

In the last 10 years we have built over 10,900,000 housing units but we have formed only 4,900,000 additional families.

A question was raised during the hearing on the source of these figures, and whether the comparison between housing starts and new family formation was a proper one.

I see by the letter that the source of the figures quoted by Mr. DuLaurence is a Census Bureau report which shows the increase in primary families for the 9-year period from 1950 to 1959 to be 4,900,000. Mr. DuLaurence compared this increase with nonfarm housing starts for the past 10 years, which amounted to 10,900,000.

This letter will be placed in the record, but I believe that it is appropriate to point out that such a comparison between housing starts and increase in primary families has questionable value. Housing demand comes from household formation, not family formation. The group of people who live together in a housing unit is by definition a household. Households include, in addition to families, unrelated persons living together and persons living alone. In 1959 there were 7,361,000 such individuals occupying separate dwelling units according to the Census Bureau. Any evaluation of housing demand that ignores the formation of new households resulting from this source would be meaningless.

The accepted comparison between housing starts and new household formation is the 10-year nonfarm housing starts of the privately owned units amounting to 11,238,000 with the household formation for the same period amounting to 10,222,000. These figures are from official Government sources.

(The letter from Mr. Brinkman follows:)

NATIONAL APARTMENT OWNERS ASSOCIATION, INC.,
Washington, D.C., May 25, 1960.

HON. JOHN SPARKMAN,
Chairman, Subcommittee on Housing, Senate Banking and Currency Committee,
Washington, D.C.

DEAR SENATOR SPARKMAN: At the committee's hearing on Tuesday, May 17, some question was raised as to the accuracy of the following sentence in the statement of Mr. Henry DuLaurence, chairman of the legislative committee of the National Apartment Owners Association, Inc.:

"In the last 10 years we have built over 10,900,000 housing units but we have formed only 4,900,000 additional families."

An opinion was expressed that family formation exceeded the figure of 4,900,000.

I have since received the following from Mr. DuLaurence's office:

"We received our data from the U.S. Department of Commerce, Bureau of Census Report, series P-20, No. 94, which states in March 1950 there were 39,303,000 families and in March 1959 there were 44,202,000 families which makes approximately 4,900,000 additional families during that period."

We shall appreciate it if you will have this letter incorporated in the record of the hearings.

We thank you again for the courtesies extended in the hearing.

Sincerely yours,

OSCAR H. BRINKMAN, *Executive Secretary.*

Senator CLARK. On behalf of the chairman, Senator Sparkman, I would like to welcome back the Administration witnesses who are here today and to express his regret at not being able to be here.

The primary purpose of this hearing is to obtain testimony from officials of HHFA on bills which have either been introduced since you gentlemen were here at an earlier date or to elicit your comments on the testimony of other witnesses and bills you did express your views on. In some cases, at least, the views of other witnesses were not quite in accord with the views of the Agency, and we felt you should have an opportunity to rebut.

Before calling the witnesses to the witness table, I would like to have included in the record later on a letter dated May 27, directed to Senator Sparkman from Commissioner Zimmerman, of the Federal Housing Administration; also, a letter to Senator Sparkman from the Chamber of Commerce of the United States under date of May 27, signed by Mr. Clarence R. Miles, manager of the chamber's legislative department, expressing the views of the chamber on various bills before this committee; also a series of letters directed to me from various hospitals and hospital administrators and universities with reference to the proposed extension of urban renewal authority so as to include hospitals as well as educational institutions.

I would also like to welcome, on behalf of Senator Sparkman, and I am sure all the other members of the subcommittee, Mr. Bruce Savage, the new Commissioner of Public Housing Administration, and to express the hope, which I am sure my colleagues share, that our association together will be fruitful in the public interest.

Mr. Mason, it occurs to me, subject to your own thinking, that perhaps we could proceed most expeditiously if you bring your first team up here with you to the table and then act as a field manager, calling up pinch-hitters when you needed them, substituting pitchers if you feel you should, and allow them to go the full nine innings if they seem to be throwing the hard, high one past the committee.

STATEMENT OF NORMAN P. MASON, ADMINISTRATOR, HOUSING AND HOME FINANCE AGENCY; ACCOMPANIED BY J. STANLEY BAUGHMAN, PRESIDENT, FEDERAL NATIONAL MORTGAGE ASSOCIATION; JULIAN H. ZIMMERMAN, COMMISSIONER, FEDERAL HOUSING ADMINISTRATION; DAVID M. WALKER, COMMISSIONER, URBAN RENEWAL ADMINISTRATION; BRUCE SAVAGE, COMMISSIONER, PUBLIC HOUSING ADMINISTRATION; AND JOHN C. HAZELTINE, COMMISSIONER, COMMUNITY FACILITIES ADMINISTRATION—Resumed

Mr. MASON. Thank you, Senator Clark. We would be happy to do this and go more than nine innings if necessary.

Senator CLARK. I do not think it is necessary for you to introduce our old friends here, but perhaps you would like to say a word about Mr. Savage. I think this is his first appearance before the committee.

Mr. MASON. Senator Clark, I would like to introduce to the committee the new Commissioner of the Public Housing Administration, Bruce Savage, of Indianapolis, Ind. Mr. Savage is a man who has had wide experience in the construction industry and also has a high regard for the needs of the people of low income of our country and has evidenced this publicly over a period of time. And we feel he can make a real contribution in this field that he is embarking upon.

I would say to you that we expect great things of Mr. Savage, but perhaps not today. He has only been in office 2 days, with all this business of delay of confirmation and getting his commission signed, and so on. We swore him in last Tuesday afternoon.

Senator CLARK. I am sure the subcommittee shares your great expectations.

Mr. Savage, of course, you were here when we had the hearing on confirmation, but it is good to welcome you here in your official and full capacity, and we are happy to welcome you.

Mr. MASON. Senator Clark, Mr. Savage may have a very few remarks, if he could.

Senator CLARK. Go right ahead, Mr. Savage.

Mr. SAVAGE. Mr. Chairman and members of the committee, I assumed, as has been stated, 2 days ago this position, being Public Housing Commissioner only since last Tuesday. I have been and still am interested in public housing for a number of years. Of course, very recently, I have been studying it intensively. However, of course, I can hardly pretend yet to have the knowledge necessary to be of any real assistance to your committee on the detailed provisions of the legislation before you today.

I certainly look forward to working with the members and the staff of this committee, and I would like to emphasize that all of the facilities of PHA are, of course, at your disposal at any time. I wish to thank the committee for its very wonderful work in helping me get this confirmation. I appreciate it most deeply, and I would like at this time, then, to, if I have your permission, bow out for the moment and refer the questions on public housing, if I have your permission to do so, to Mr. Mason, whom you know quite well.

Do I have your permission to do this, sir?

Senator CLARK. That would certainly be all right with us, Mr. Savage.

I see Mr. Davern sitting back there. If Mr. Mason would like to have him up here to assist, it would be all right with us. If you would like to play it differently, it is perfectly all right.

Mr. MASON. Senator Clark, I would like to have Mr. Davern sit in.

Mr. SAVAGE. May I retire?

Senator CLARK. Certainly.

Mr. Davern, would you then come forward and take the empty chair of your new boss?

Mr. MASON. Senator Clark, we will proceed now in any manner you choose. I have a prepared statement; I would be perfectly willing to file this if you would like to start with questions directly, or to read it, as you wish.

Senator CLARK. I suggest, if Senator Bush is in accord, we have your prepared statement made a part of the record at this point and that we proceed to elicit your testimony on the particular bills before the committee, upon which we will want to have your last-minute views before we proceed in a markup session. Does that suit you, Senator Bush?

Senator BUSH. I observe that each of these comments in his statement is fairly brief on each of the bills. I do not know but what it would be just as well, for focusing attention on their views about these bills, if he went through his statement. Then, the others, I would agree, may want to brief their statements. But I would like to get the official opinion on these different bills at the outset.

Senator CLARK. That is quite all right with me. I suggest, then, Mr. Mason, that you proceed with your statement and that we treat each bill as a unit. When you have concluded your statement on that particular bill, we will have an opportunity to ask questions on that before we pass on to the next one.

Mr. MASON. I think this is an excellent idea.

The first item is S. 3509, direct loans for rental housing for the elderly. Senator Clark's bill, S. 3509, would provide in section 6(a) for doubling the present \$50 million authorization for direct Federal loans for rental housing for the elderly.

As your committee knows, this program was authorized last fall in the Housing Act of 1959. It was opposed by the administration because we felt that in the long run it would actually provide less housing for elderly persons by driving privately financed housing out of this field. Private financing cannot compete with direct Federal loans having maturities as long as 50 years; and bearing extremely low interest rates. The interest rate formula in the law would result in borrowers currently paying a rate of $3\frac{1}{8}$ percent under the direct loan program.

I believe that the housing needs of elderly people can best be met under two other existing programs. The Federal Housing Administration's mortgage insurance program for nonprofit rental housing for the elderly was begun in 1956 and was perfected only last September. At the same time FHA was authorized to extend special aids to profit-motivated rental housing for the elderly and to nursing homes.

The needs of low-income elderly persons are increasingly being served under the Public Housing Administration's low-rent housing program which has been oriented in the last few years to give special

attention to these needs. There are presently about 90,000 elderly persons living in federally aided public housing units. Commissioner Savage has indicated to me that he hopes to have this part of his program made even more effective.

As you know, no funds have yet been appropriated for the direct loan program, and the administration has not recommended an appropriation. Although an appropriation has recently passed the House, it is limited to \$5 million for an experimental program. Therefore, the increased authorization as proposed by S. 3509 is not needed.

Senator CLARK. Let us stop there, if we may. As you know, a good many witnesses have appeared before this committee in disagreement with your views.

Mr. MASON. I have read their testimony and listened to some of it, Senator.

Senator CLARK. Good. So I would like to solicit your rebuttal. Let me make a brief statement from which perhaps you can take off.

Mr. MASON. Thank you.

Senator CLARK. I think it is fairly clear that 8 million elderly citizens of very low income, some of them couples, that is to say, 6 million people over 65 have incomes of less than \$2,500 a year, 2 million or more single or widowed have less than \$1,500 a year. The comment of these witnesses has been that the FHA program is well beyond the economic potential of millions and millions of American elderly couples and individuals and just does not fill the need.

The thought has also been that the Senate may well increase the \$5 million appropriation which the House made to implement the program passed last year, and that program passed last year was a minimal program which cannot come anywhere near making a significant dent in the need. It has also been thought that an increased authorization, so far as the present administration is concerned, will not result in any budgetary imbalance, unless accompanied by appropriations. As you know, an authorization does not affect the budget at all, and that it might seem only fair to have on the books available for the next President of the United States, who takes office in January and whose views may well be very different from the present occupant of the White House, authorization to go ahead with a program with which so many Members of Congress and of the general public, including the Special Committee on the Needs of the Aged and Aging, chaired by Senator McNamara, feel are really essential to give these people the kind of decent home which is the present Federal policy to make available for every American family.

Perhaps you can take off on that.

Mr. MASON. Senator Clark, this is a subject which is very close to my heart because I was one of those who was instrumental in getting recognition for the elderly housing program at the Federal level. The point of the matter is that there are people that need Federal assistance, or need assistance. Just how many of these 6 million or 8 million there are that need it, no one knows yet.

Some of these families are currently being assisted by their families and the families wish to do this. Some families do not. Some families cannot. We do not know the answers, and we should.

But the point of the matter is that this program of direct lending does not necessarily go to this part of the population who really need

help most—as you say, the low-income people. This program merely takes the Federal Housing program approach and reduces the cost per month slightly, but not so much as to reach the really low-income people. These people, we feel, are best reached through the public housing program.

Senator CLARK. But you are opposed to any extension of the public housing program, are you not?

Mr. MASON. We have currently, sir, through the action of this Congress, units that can be built, and Commissioner Savage is very much interested in this. He is putting special help on to try to expand this part of his program and to get people in other areas interested in meeting this need.

Senator CLARK. But assuming that what you say is correct, the only way that the public housing program, which you are willing to recommend, could take care of any perceptible number of elderly families would be by excluding other applicants. Is that not true?

Mr. MASON. It is perfectly true that there is a definite limit on the number, as you say, that can be served. And if you take one person in, you cannot take in somebody else.

Senator CLARK. Generally speaking, with some exceptions, and perhaps I should direct this to Mr. Davern, there are a great many public housing projects with substantial waiting lists, are there not?

Mr. MASON. Yes, Mr. Clark. I can answer the question. There are.

Senator CLARK. So that one program you suggest as an alternative to the provisions of S. 3509, public housing, actually you oppose. And the other one, which is FHA, you point out that while it was authorized in 1956, you gentlemen were only able to perfect it 3 years later. I wondered to what extent your experience since last September would lead you to believe that FHA housing for the elderly is going to provide a meaningful solution to the needs of these lower income families.

Mr. MASON. Senator Clark, the FHA program is not intended to meet the needs of people who cannot pay economic rent.

Senator CLARK. How many units of elderly housing have been authorized by your Agency under the FHA program to date?

Mr. MASON. Mr. Zimmerman, do you have this figure?

Mr. ZIMMERMAN. I am just taking a quick look here, Senator. I think I do have at hand the information that I need to answer your question.

This is my best information now, and if it needs to be corrected, I will do so. But I think that we are now carrying a total of 66 active projects. This reflects in breakdown that we had 56 at the end of calendar year 1959. In the first few months of this year, we have had an additional 10, which I think perhaps indicates a considerable acceleration of the program now that it has become so well known generally. This also indicates why we are rather optimistic regarding the accomplishments that we think are possible for this program.

I do not disagree with the Administrator. In fact, I am quite certain that this program cannot possibly reach the income groups that I think the Senator has in mind. This is strictly based upon the economic facts of life.

Senator CLARK. Can you give us an estimate of the number of units included in the 66 projects?

Mr. ZIMMERMAN. Sir?

Senator CLARK. Can you give us an estimate of the number of units within the 66 projects, the total number of families or individuals who would be cared for in the 66 projects?

Mr. ZIMMERMAN. I think I can, sir, if I can have just a moment. I think it totals 637, sir.

Senator CLARK. So the total FHA program of housing for the elderly authorized in 1956 has, to date, resulted in active interest for 637 units, none of which, I take it, have yet been built. Is that right, Mr. Zimmerman?

Mr. ZIMMERMAN. No. This is not correct. I think that there are 19 completed projects presently occupied. My figure of 637 may very likely be grossly understated. This would only be an average of 10 per project, and I am sure it is not right.

Senator CLARK. We will certainly give you an opportunity to correct the record if you have it wrong.

Mr. ZIMMERMAN. If the Senator will permit me, I will make a correction in the transcript of that figure.

Senator CLARK. Yes, certainly. But I take it this FHA program which you gentlemen think would be of such help to the elderly, which has now been in effect almost 4 years, has resulted in a total of 19 elderly families actually moving into completed structures. Is this correct?

Mr. MASON. No, Senator, that is not correct. There have been many more; there are 19 projects completed.

Senator CLARK. I thought Mr. Zimmerman said 19 units.

Mr. ZIMMERMAN. No, 19 projects.

Senator CLARK. Nineteen projects out of 66 have been completed.

Mr. ZIMMERMAN. Yes, sir.

Senator CLARK. I thought you did not begin to authorize any until last September.

Mr. MASON. No; 1956, Senator, was the original law. The law was changed last year.

Senator CLARK. I misunderstood, then, the statement of Mr. Mason, and I quote:

The Federal Housing Administration's mortgage insurance program for non-profit rental housing for the elderly was begun in 1956 and was perfected only last September.

Mr. MASON. This is what we mean. I am sorry if the language, the semantics, is confusing because it is not intended to be. The program was begun in 1956, and units were insured within a year of that time—the first of them. The 1959 date was the new law that this committee passed with changes including that permitting profit as well as nonprofit. Other changes in the law were made.

Senator CLARK. I am sorry I misunderstood you. Perhaps Mr. Zimmerman can now give us how many families have actually moved into those 19 projects.

If you cannot do it now, perhaps you would like to furnish the information later.

Mr. ZIMMERMAN. I prefer to do so.

Senator CLARK. Senator Bush?

Senator BUSH. No questions.

FEDERAL HOUSING ADMINISTRATION,
OFFICE OF THE COMMISSIONER,
Washington, D.C., May 31, 1960.

Hon. JOHN SPARKMAN,
Chairman, Subcommittee on Housing, Banking and Currency Committee, U.S.
Senate, Washington, D.C.

DEAR SENATOR SPARKMAN: In conformance with the request of Senator Clark, expressed during the course of the hearings last Friday morning, I am pleased to forward the following information summarizing the status of the program of housing for the elderly under sections 207 and 231 as of April 30, 1960.

	Number	Amount	Units
Sec. 207:			
Applications received.....	61	\$61,733,050	6,873
Commitments issued.....	47	41,791,900	4,744
Sec. 231:			
Applications received ¹	32	44,520,000	4,082
Commitments issued ¹	19	28,512,600	2,566
Secs. 207 and 231:			
Applications received.....	80	88,038,550	9,346
Commitments issued.....	53	52,090,000	5,701
Total active projects.....	71	85,093,500	8,821
Total occupied projects.....	18	17,722,500	2,154

¹ Include 13 projects for \$18,214,500 and involving 1,609 dwelling units transferred from sec 207 to sec. 231.

As part of the regularly scheduled rental housing occupancy survey, reports have recently been received of the occupancy status of eight of the elderly housing projects completed under the section 207 program. These reports indicate that, for these 8 projects, only 3.7 percent of the 1,305 dwelling units in these projects were reported as vacant on March 15, 1960. Most of the vacancies reported as of that date were concentrated in a single project which was not completed until January 28, 1960.

There is enclosed a statement for the record requested by Senator Clark with respect to the availability of section 220 mortgage insurance in conservation areas.

If I may be of any further assistance in this matter, please call me.

Sincerely yours,

C. S. SWEET, *Acting Commissioner.*

Senator CLARK. All right, Mr. Mason, will you proceed with the next topic?

Mr. MASON. The next topic is section 2(b) of S. 3509. It would expressly make the special FHA mortgage insurance aids of section 220 of the National Housing Act available in neighborhoods where a code enforcement program is being carried out in accordance with a workable program for community improvement which has been approved by the Housing Administrator. The Administrator would first determine that the special FHA assistance is needed—

in order for the community to carry out effectively its program for the conservation of neighborhoods and the prevention of deterioration of residential properties.

I am heartily in accord with the underlying purpose of this provision. It is sheer folly to permit good neighborhoods to deteriorate to the point where they need extensive rehabilitation or clearance. Even the wealthiest nation in the world cannot afford to tear down and rebuild all its urban property which is affected by spreading blight. For urban renewal to succeed, we must emphasize the rehabilitation of areas which it is still economically feasible to save and the conservation of areas which are threatened with blight.

It is my understanding of the present law, however, that section 220 assistance can now be made available in urban renewal conservation

areas of the types that are intended to be aided by the bill, including areas which are not appropriate for Federal loans and grants under title I of the Housing Act of 1949.

Commissioners Zimmerman and Walker will discuss their very recent joint efforts to make section 220 aids available to these areas. I believe that your committee will agree that we have already put into motion the type of program contemplated by section 2(b) of the bill. Commissioners Zimmerman and Walker will also explain the desirable safeguards which they have devised for the present program, but which have not been included in the bill as drafted.

Senator CLARK. I would like to hear from those gentlemen.

Mr. MASON. Mr. Walker, would you?

Mr. WALKER. Yes, sir.

On this point, Senator, with respect to section 2(b) of S. 3509, I would like to say that we fully agree with Senator Clark's concern for the gray areas which are not sufficiently obsolete or blighted to require urban renewal grants, but which will surely deteriorate into that condition if something is not done now. Mr. Zimmerman will tell you about our joint efforts to improve Federal procedures in this field. I would like to give you an explanation of what we in URA are doing to help the FHA make section 220 mortgage insurance available in these broad areas of our cities.

As you know, the Housing Act of 1954 made section 220 mortgage insurance available not only in projects with urban renewal loans and grants, but also in areas where the urban renewal plan calls for action by the locality on its own. These projects are referred to as nonassisted urban renewal projects, and 12 of them are now underway in various parts of the country. When we were analyzing our procedures last winter to see where they could be simplified or condensed, we took a hard look at the nonassisted project requirements, to see why only 12 had been started since 1954. Our conclusion was that so much preliminary work was required before a locality could qualify an area for one of these projects, and the degree of blight had to be so extensive, that communities were discouraged from initiating nonassisted projects in the areas Senator Clark is concerned about.

We have taken clear-cut steps to eliminate these obstacles. We would like to help make section 220 mortgage insurance more readily available in areas where there is deterioration or other evidence of blight which prevents the issuance by FHA of the normal section 203 or 207 mortgage insurance—provided the local authorities agree to eliminate the blighting influences. We have rewritten our requirements for nonassisted projects to accomplish this purpose. It is now possible for a locality to obtain approval of a nonassisted project with an urban renewal plan that calls for only three basic elements: Concentrated code enforcement on an area basis, a statement of minimum property standards for the area, and a commitment by the city to eliminate any environmental blighting factors that exist. Where there are no environmental blighting factors that should be eliminated from the neighborhood, and the minimum code standards are acceptable for FHA mortgage insurance purposes, the urban renewal plan would in effect require only a commitment that house-to-house code enforcement will be carried out.

These procedures should open up large areas in most of our cities for the use of section 220 mortgage insurance, in the same sense as is intended by section 2(b) of S. 3509. At the same time, Senator, it should avoid the weaknesses of that section, in two ways: (1) The locality would agree to the elimination of blighting influences where such influences exist, and (2) where the local code standards are not sufficient to meet FHA insurance requirements, the locality would be required to conduct a house-to-house campaign to persuade all property owners to meet a satisfactory standard, thus avoiding the sort of minimum improvements which inevitably lead to further deterioration.

Our new policies for nonassisted projects were issued in the revised manual for local public agencies which was published on March 1. We have reduced the requirements for these projects to the point where they take up only 5½ small pages in the new manual, and I think it might be helpful for the committee if you would permit me to place these pages in the record at this point.

Senator CLARK. Very happy to have them. They will be so placed in the record at this point.

(The material referred to follows:)

CHAPTER I. GENERAL POLICIES AND REQUIREMENTS

A non-assisted project is a project for which Title I funds are not used. FHA mortgage insurance is available for the project under Section 220 of the National Housing Act. Special support for mortgage financing may be available through the Federal National Mortgage Association under Section 305 of the National Housing Act.

A non-assisted project must be conducted by an LPA authorized under State and local law to undertake it. The LPA may or may not be the agency which normally undertakes Title I projects.

An approved Workable Program must be in effect before approval of the Urban Renewal Plan.

The codes and regulations to be enforced in the urban renewal area must be adequate for carrying out the project and must be in effect.

There must be a general plan meeting the requirements for Title I projects. (See Chapter 2-2.)

An Urban Renewal Plan is required. (See Section 45-2-1.)

Assurance is required from the local governing body that families displaced as a result of project activities can be relocated satisfactorily. (See Section 45-2-2.) Relocation grants are not available for the project.

The locality must agree to provide any improvements, facilities, or other public work necessary to carry out the Plan. (See Section 45-2-2.)

ELIGIBILITY AND TYPES OF AREAS

A non-assisted project area must be an urban renewal area which is:

- (1) Approved by HHFA as appropriate for an urban renewal project.
- (2) Eligible under State and local law for the remedial actions proposed.

The area must be delineated so as to provide reasonable protection of the area after its renewal by one or more of the following:

- (1) Constituting a stable area in itself.
- (2) Reflecting a beneficial influence from abutting private development, public uses, improvements, or other urban renewal projects or activities.
- (3) Being part of a larger urban renewal area for which a General Neighborhood Renewal Plan has been or is being prepared.

One or more of the following types of deficiencies must be present in sufficient degree to establish that living conditions in the project area are being affected adversely:

- (1) Generally unsatisfactory standards of maintenance or repair.
- (2) Inadequate alterations.
- (3) Inadequate plumbing, heating, or electrical facilities.

(4) Inadequate, obsolete, or unsafe building layouts, such as presence of fire hazards, shared bathroom facilities, or dwelling units or bedrooms without privacy of access.

(5) Conversions to incompatible types of uses, such as rooming houses among family dwellings or introduction of mixed uses.

(6) Overcrowding or improper location of structures on the land.

(7) Unsafe, congested, poorly designed, or otherwise deficient streets.

(8) Inadequate public utilities or recreational and community facilities contributing to unsatisfactory living conditions or economic deterioration.

(9) Incompatible land uses creating adverse influences on residential properties or living conditions in the area.

(10) Overoccupancy of buildings.

(11) General characteristics of obsolescence tending to reduce neighborhood stability as evidenced by an unusual number of movements in and out of the area.

(12) Other significant conditions which are clear evidence of neighborhood obsolescence or decline.

There must be reasonable evidence that other FHA mortgage insurance programs will not be generally available in the area, and that the availability of Section 220 mortgage insurance, combined with any other proposed measures, will restore the area to a sound and stable condition.

LPA ACTIONS TO IMPROVE PRIVATE PROPERTY

The LPA must be prepared to undertake a thorough and aggressive campaign in the area, directly with owners and tenants and through organizations of citizens, to secure cooperation in bringing about necessary property and neighborhood improvements. This shall include a program to identify improvements needed for the property and to counsel each owner concerning financing and other aspects of the rehabilitation program.

The LPA shall arrange through the HHFA Regional Office for consultations with FHA on:

- (1) Selection and delineation of the area.
- (2) Development of the Urban Renewal Plan.

CHAPTER 2. URBAN RENEWAL PLAN AND SUPPORTING DOCUMENTATION

SECTION 1. URBAN RENEWAL PLAN

The Urban Renewal Plan for a non-assisted project shall cover the following items:

1. Table of contents (including exhibits)
2. Accurate boundary description of urban renewal area
3. Project area plan

Maps and text describing the proposals, showing information called for in the items listed below. All maps are to show the boundary of the urban renewal area.

(1) Street layout, specifically identifying any proposed changes in existing layouts.

(2) Zoning districts established for urban renewal area.

(3) Community and recreational facilities, such as schools, parks, and recreation areas, and other public and semipublic buildings, such as fire stations, hospitals, and churches, existing to be retained and those to be provided.

(4) Properties to be acquired and buildings to be demolished and cleared:
(a) In connection with provision of public facilities or improvements specified in above items; or

(b) To eliminate unhealthful or insanitary conditions, lessen density, eliminate detrimental uses, or otherwise remove blighting conditions.

(5) Statement of project standards for rehabilitation and redevelopment.

(6) Statement describing methods to be employed in achieving project standards for rehabilitation and redevelopment.

(7) Additional maps, documents, or statements required by State or local law to be included in Urban Renewal Plan.

(8) Statement setting forth period during which Urban Renewal Plan will be in effect.

(9) Provisions for amending or making changes in Plan.

SECTION 2. SUBMISSION REQUIREMENTS

The approved Urban Renewal Plan and supporting documentation shall be submitted to the HHFA Regional Office with a letter requesting certification to FHA that Section 220 mortgage insurance may be made available in the area.

The Checklist below contains a code number for each document to be submitted and a description of the document. Except for the Urban Renewal Plan, which shall contain no identification by code number, code numbers shall be placed in the lower right-hand corner of the document.

The Urban Renewal Plan and supporting documentation shall be submitted in 4 copies. The text shall be placed in binders approximately 14 $\frac{3}{4}$ " \times 9 $\frac{1}{2}$ ".

Within each binder, documents shall be arranged in the order of their code numbers. The original of each document shall be placed in Binder No. 1 and one copy of each document in the other binders.

The following identifying information shall be shown on the front cover of each binder: name of LPA; name of locality in which the project area is located; project area name; the title "Urban Renewal Plan (Non-Assisted Project)"; number of binder, and date of submission.

Any documents submitted separately should bear the same identifying information as prescribed above, in addition to the code number.

Urban renewal plan and supporting documentation checklist

Code No.	Item To Be Submitted
	Certified Copy of Urban Renewal Plan, maps and text as indicated in Section 45-2-1.
	<i>SUPPORTING DOCUMENTATION</i>
	<i>Project Area Data</i>
NA 101	Form H-6020, <i>Summary of Area Data</i> (see Exhibit A).
NA 102	Statement, based on information in Code No. 101 above, as to reasons for concluding that area is eligible under Federal criteria, and, if applicable, under requirements of State and local law.
NA 103	Statements or maps covering: <ol style="list-style-type: none"> a. Location and type of all pavements, curbs, sidewalks, gutters, and other street improvements to be installed, constructed, or reconstructed. b. Public utilities, such as sanitary and storm sewers, water lines, and street lighting, to be installed, constructed, or reconstructed. c. Any special grading, drainage, flood protection, or similar work which may be necessary to achieve urban renewal objectives in project area.
NA 104	Statements as to conformity of Urban Renewal Plan to general plan of the locality as a whole and to the Workable Program.
NA 105	Statements to indicate relationship of Urban Renewal Plan to definite local objectives as to appropriate land uses, improved traffic, public transportation, public utilities, recreational and other community facilities, and other public improvements.
NA 106	Certified copy of each executed agreement or other assurances with respect to public undertakings, enforcement of codes, and other public actions to be performed
	<i>Relocation Data</i>
NA 110	Statement of: <ol style="list-style-type: none"> a. Probable extent of relocation problem. This shall include an estimate of: <ol style="list-style-type: none"> (1) Number of families to be displaced, by tenure and race. (2) Housing resources, by rental and sales, to meet displacement. Estimates may be based on quantitative data such as is readily obtained from census and other sources. b. Agency to be responsible for providing relocation assistance to displaced families.
NA 111	If a local housing authority exists, letter from executive director of authority stating that eligible families will receive preference for admission to low-rent public housing as indicated in Section 10(g) of Housing Act of 1937, as amended.
	<i>Financial Capacity Data</i>
NA 120	For each public improvement or facility to be constructed pursuant to Urban Renewal Plan and Code No. NA 103, commitments developed with public bodies which will furnish proposed facility. These shall include estimated starting and completion dates, supported by evidence of financing availability.
	<i>Legal Data</i>
NA 130	Opinion of LPA counsel respecting approval of Plan and the authority under which each local entity involved will carry out its responsibilities under the Plan, including citations to pertinent statutes and court opinions.
NA 131	Certified copy of resolution of approval by governing body of municipality. The resolution shall contain assurances that: <ol style="list-style-type: none"> a. The public improvements required by the Plan will be provided when and as necessary. b. Local ordinances, codes, and regulations governing the zoning, building construction use, and occupancy of dwelling accommodations, and establishing minimum standard in the urban renewal area will be enforced, and that not less than such standards will be maintained in the area for the life of the Plan. c. Finding that relocation of displaced families is feasible.

Mr. WALKER. It is our conviction that any city with a sound planning program can prepare the necessary plan for a typical non-assisted project very quickly—in 2 or 3 months at most, and a test run of our procedures indicates that our regional offices can process an application for such a project in 60 days. This should make it possible for the cities to move quickly into this urgently needed job of conserving the basically sound older neighborhoods.

The impact of this change will be greatly magnified in the months and years to come, as more and more communities prepare community-wide renewal programs with the assistance provided by the Housing Act of 1959. The community renewal program will identify at one time all of the neighborhoods in a city that are appropriate for the use of section 220 mortgage insurance in nonassisted projects. With this knowledge, a city can move into conservation activities on a broad, communitywide front.

Senator CLARK. Mr. Zimmerman, do you want to comment there?

Mr. ZIMMERMAN. Yes.

I subscribe fully to everything Mr. Walker has said. In addition, I would add these comments: We do not believe this section of the bill is necessary. Section 220 already specifically provides that its purpose is to aid in the prevention of the deterioration of residential property. It also states that its purpose is for the elimination of slums and blighted conditions and to assist the rehabilitation and construction of housing. The insertion of the words "conservation and prevention of deterioration" would, therefore, add no new purpose to the law.

As section 220 now provides, it is already adequate for accomplishing the objectives of the proposal in areas where FHA is assured that there is a local program underway that will not increase the insurance risks beyond those already contemplated in section 220. These are areas where the locality has not only a workable program, but, in addition, an urban renewal plan for the specific neighborhood that has been approved by the local governing body. The plan need not involve the use of Federal loans and grants. With such a locally approved urban renewal plan, there will be a general improvement or conservation of the neighborhood and not merely rehabilitation of an individual piece of property. Code enforcement alone is not enough to make certain that a neighborhood will be generally improved to the extent that might be necessary for purposes of adequate property valuations. Generally speaking, unless true value can be found in the entire neighborhood, which inures to the benefit of individual property, the objectives of individual property renewal are largely unattainable.

The Federal Housing Administration and the Urban Renewal Administration have been working together to find ways to coordinate their programs and to accomplish more in the conservation of neighborhoods and the prevention of deterioration. Ways and means are being devised to simplify their operations and to make them more workable. New instructions have been sent to the field by URA with respect to the urban renewal areas in which the FHA section 220 urban renewal housing program can be used for rehabilitation and conservation. These instructions encourage the planning of urban renewal areas aimed at conservation and the prevention of deterioration with or without Federal loans and grants. FHA is also simplify-

ing its instructions to the field personnel and making every effort to assure that the section 220 mortgage insurance program will be used to the fullest extent possible in such areas. The experience gained daily in the operation of the housing program in coordination with URA will result in progressively more accomplishment through better planning at both Federal and local levels.

FHA believes in the objectives of conservation and the prevention of deterioration of residential properties. Through its title I home improvement loan insurance program and increasingly through the section 220 and 221 programs, much is now being accomplished in this direction.

Senator CLARK. As I understand it, section 220 has been in the law since 1954, and you gentlemen are now telling us that you think it has always been available for use in conservation areas and for the prevention of deterioration. I would like to know when this joint effort between URA and FHA to extend section 220 into these conservation areas first began.

Mr. WALKER. Senator, I believe that a degree of effort has existed since the law was on the books.

Senator CLARK. It certainly has not evidenced itself in any substantial number of section 220 mortgages in conservation areas as distinguished from slum clearance areas.

Mr. WALKER. I must admit that there has been an absence of a great volume of this type of insurance. I believe it is because URA has only recently been able to spell out a program which permits us to separate those areas which can be conserved from those areas which ultimately must fall into the other category.

Senator CLARK. I think we all understand that was not your failure because you only recently came to URA. But the fact of the matter is that your predecessors did practically nothing to make section 220 effective in conservation areas, and I do not want you to be disloyal to your predecessors, but I am just asking you for a statement of fact.

Mr. WALKER. Senator, I would not be disloyal under any circumstances, but I think you will agree with me that there were reasons other than governmental leadership involved here, and some of these reasons still exist. I am very happy that now we are seeing the beginning or birth, if you will, of an industry for conservation, which has not previously existed.

I think Government responds pretty much to the urges that come from the Nation as a whole. We are attempting now to respond to this urge, which I am sure your utterances have had something to do with, and all over this Nation is growing a desire for a real program of conservation. We are late perhaps, but because we are late, Senator, I would like to assure you we are spending more effort than normal in this field.

Senator CLARK. You agree that section 220 is a useful tool in rehabilitation work?

Mr. WALKER. I believe it is an absolutely essential tool in conservation.

Senator CLARK. Mr. Walker, you indicated a couple of defects in my amendment to section 220 which, as I understood them at the time, had to do with failure to require more drastic action by the local community as a condition to evoking section 220. You may well be

right in that criticism; I do not say that you are not, but, actually, those restrictions which you think would be desirable could be imposed administratively, could they not, even if my amendment to section 220 were enacted.

Mr. WALKER. Senator, my approach would be the other way around. I do not believe that these are necessarily restrictions. I think they are constructive steps toward an objective or goal, and that final goal is the conservation, not of an individual property, but rather of a whole neighborhood.

I would like to say something here, Senator, if I may, that has to do with another section of your bill.

Senator CLARK. Do you mind waiting until we get through with this because if we start going off on a tangent, we will never get the job done. And I know Senator Bush agrees with me that we want to make this just as quick and to the point as we can. And I do not want to argue with you about semantics, but I do want to ask you to respond, if you will, to my suggestion that the criticisms of my amendment which you voiced in your testimony a few minutes ago, which, for all I know, may be valid, could be taken care of administratively, by doing just what you are doing now. There is nothing in my amendment which would prevent you from doing administratively what you say you are doing now with respect to requiring the local authority to take more drastic action before you would authorize a section 220 mortgage.

Mr. WALKER. I will agree with that.

Mr. ZIMMERMAN. May I make a suggestion, sir?

Senator CLARK. Yes, indeed.

Mr. ZIMMERMAN. I agree that this action could be taken administratively, but I would like to suggest for the committee's consideration that such very basic and fundamental matters are involved that it should not be done that way. I would like to point out to the committee that the main difference between section 207, for example, and section 220, thinking of the multifamily provisions of section 220, differ only in this significant regard: Section 207 values are based upon existing conditions in a neighborhood; section 220, however, is based upon future objectives which we assume will be attained. It is in that prospective plan that we find the values that are necessary in order to make the program workable as a practical matter.

These are heavy considerations, and they are very difficult. I know that the Senator realizes that this job of appraising the market value of property is difficult at best, and all one has to do is to go into a court of law where a condemnation proceeding is being had and listen to the conflicts that arise between experts to appreciate how difficult the appraisal job is. It is more difficult, Senator, in 220 when you realize that we are not only determining the value, the present market value of property, but we are attempting to determine what the value of that property will be after the neighborhood is generally upgraded.

Senator CLARK. As I understand your testimony, and I am not sure that I do, you think that there should be some legislative changes in section 220 to incorporate the administrative requirements mentioned by Mr. Walker, even though he could do it administratively. You think it should be done legislatively.

Then, I ask you, what amendments to section 220 is the administration recommending in order to tighten it up?

Mr. ZIMMERMAN. We are both saying we think section 220, as now drafted, is adequate. The point that I think both Mr. Walker and I are making is simply that the planned neighborhood approach is essential. As I interpret the Senator's bill it would, except for code enforcement, go strictly to an individual piece of property without the protective project approach.

Senator CLARK. The only reason I disagree with you gentlemen so strongly is that I do not think we should confine section 220 to urban renewal areas. I think we should make section 220 available to neighborhoods and to communities where bona fide conservation and prevention of deterioration projects are underway, including rigorous code enforcement, and that you should not have the bludgeon over the heads of these local authorities to say, "We are not going to let you have section 220 unless you make this an urban renewal area." That is why I so drastically disagree with you gentlemen.

Mr. ZIMMERMAN. Senator, let me point this out, if I may, just by way of example: The sum total of an acquisition price plus the added cost for rehabilitation to bring an individual piece of property up to a predetermined minimum standard is, in most instances, greater than the value of that property unless the neighborhood is also upgraded. This is the point I am trying to make clear.

Senator CLARK. My point, which results in a drastic, but I hope, friendly disagreement with you gentlemen, is that you gentlemen have been dragging your heels for 6 years now on extending section 220 into conservation and prevention of deterioration areas, and now you show a great flutter of activity as a response to a bill on my part to give you a clear authorization to do what I think you should have been doing all along. And I understand that we are going to disagree about this. Again, I say I hope it will be a friendly disagreement, but I would be grateful to you if you could put in the record those provisions of existing law which you think authorize the extension of section 220 to conservation areas and areas where there is a local program to prevent deterioration, but where the areas has not been designated as urban renewal areas.

Mr. ZIMMERMAN. I will give more detail than was contained in my statement if that is what the answer is.

Mr. MASON. We will be happy to, Senator.

Senator CLARK. I would like to have you give a specific reference to a specific section of the law so we will have that in the record.

Mr. MASON. We will be very happy to, Senator.

Senator CLARK. Senator Bush.

Senator BUSH. No questions.

(The information referred to follows:)

FHA AUTHORITY TO EXTEND PROVISIONS OF SECTION 220 TO CONSERVATION AREAS

(Senator Clark requested that for the record a statement be submitted citing the provisions of law which are believed to authorize the extension of sec. 220 to conservation areas where there is a local program to prevent deterioration, but where the area has not been designated as an "urban renewal area." The requested statement follows:)

1. The question here revolves around the meaning of the term, "urban renewal area." The term is used in the existing statute to describe not only slum clearance areas and areas that are sufficiently deteriorated to justify loans and grants for urban renewal projects, but also areas where conservation and the prevention of blight are the only activities contemplated. Section 110(a) of the Housing Act of 1949, as amended, provides that an urban renewal area may be a "deteriorating area * * * which the Administrator approves as appropriate for an urban renewal project." The definition of an urban renewal project, in section 110(c) of the same statute, provides that a project may include "undertakings and activities of a local public agency in an urban renewal area * * * for the prevention of the development or spread of slums and blight," and that it may involve "rehabilitation or conservation in an urban renewal area * * * in accordance with (an) urban renewal plan."

2. The above language, which originated in the Housing Act of 1954, was intended to extend the concept of urban renewal to areas where conservation and the prevention of blight are the only activities required, provided that each such conservation area is subject to the terms of an urban renewal plan. Where this is the case and the Administrator has made the certification required by section 101(c) of the Housing Act of 1949, section 220 FHA mortgage insurance is made available under the terms of section 220(d) (1) (A) of the National Housing Act, which requires that property for which section 220 insurance is available shall be located in either (i) a title I slum clearance and redevelopment project that was placed under contract before the Housing Act of 1954, or (ii) an urban renewal area as defined by the 1954 act and subsequent amendments, or (iii) an urban renewal project being carried out in a disaster area under section 111 of title I. The language in clause (ii) of this subsection is interpreted by the Agency to include urban renewal areas where the objective is the conservation of existing values and the prevention of blight, whether title I loans and grants are required or not. The language does not cover areas that are entirely sound, because the sections 203 and 207 mortgage insurance programs are intended to be available in such areas.

3. It is the Agency's belief that this provision includes the areas that would be covered by section 2(b) of S. 3509. These areas must be designated as "urban renewal areas" under existing law, but this designation can be made with respect to areas where conservation and blight prevention activities are contemplated, rather than more drastic measures such as condemnation and clearance. The principal difference between the existing law and the proposed method is the requirement that an approved urban renewal plan must be in existence before section 220 mortgage insurance may be made available.

4. In conservation areas, the urban renewal plan may consist of only three basic elements: A comprehensive program of code enforcement, a comprehensive program to obtain voluntary compliance with rehabilitation standards that are acceptable to FHA for mortgage insurance purposes, and a commitment from the locality to eliminate any environmental conditions that are blighting the area or causing deterioration. These requirements are detailed in the procedures issued by the Urban Renewal Administration for "nonassisted" urban renewal projects, in part 45 of the "Urban Renewal Manual" for local public agencies. (This material was inserted in the record by Commissioner David M. Walker of the Urban Renewal Administration.)

5. It is the Agency's position that the safeguards provided by these elements of an approved urban renewal plan are essential to the successful conservation of a deteriorating neighborhood, and to the use of section 220 mortgage insurance. Both the eligibility criteria of existing law, described above, and section 2(b) of S. 3509 merely establish the basis for the Administrator to certify a neighborhood to the FHA Commissioner as being eligible for the use of section 220 mortgage insurance. The issuance of such mortgage insurance does not follow automatically: Applications must still be made for FHA commitments with respect to individual properties, and each property must meet the statutory and administrative standards of the section 220 program before an insurance commitment can be approved. If the safeguards that are required in an urban renewal plan are not in existence, many properties in areas certified for the use of section 220 will not meet the necessary criteria.

Senator CLARK. All right, Mr. Mason, do you want to move ahead?
Mr. MASON. Yes, sir.

Section 7 of S. 3509 would authorize appropriations to the Housing Administrator of \$500,000 annually for 3 years for scholarships and fellowships for the graduate training of professional city planning and housing technicians.

There is, of course, a need for additional technicians in the fields of planning and housing. Continually, additional colleges and universities are instituting programs for training these people.

I am informed that loans and fellowships for the graduate training of professional city planning and housing technicians are available, and are being awarded, under the provisions of the National Defense Education Act of 1958. I believe, therefore, it would be most undesirable to provide for an overlapping program in the Housing Agency. The matter of encouraging such training is one which we have worked on with educational institutions and with the Department of Health, Education, and Welfare and with the National Science Foundation. We think this is a part of the whole problem of professional training, and should be considered along with the training of our young people for other fields such as medicine or mathematics or physics.

Senator CLARK. Mr. Mason, can you give the committee the number of loans and fellowships for graduate training of professional city planning and housing technicians which have been awarded under the National Defense Education Act?

Mr. MASON. I do not have the figure here, Senator Clark, but I would be very happy to supply it for the record.

Senator CLARK. I would be grateful if you would. I suggest, just for those who may read the record, further, that there is no overlapping program, that the number of scholarships and fellowships awarded is minimal in number, comes nowhere near meeting the need that this provision of my bill, which actually is an old favorite of Senator Sparkman, is vitally required to get the people who are in desperate short supply in every city in the country.

Again, in the most friendly way in the world, I am really very much disappointed that you gentlemen oppose this provision and cannot see the need.

I make one other brief comment and then call on Senator Bush. Actually, what is happening in this country today is that there are not enough trained people for most of the rigorous tasks which are needed to preserve American freedom and to advance our civilization. Therefore, we are going to have to, for the foreseeable future, ration brains in places where they are needed and give infinitely greater support to educational programs from grade to graduate school so that the whole machinery of our civilization will not break down.

In the meanwhile, specialists are contending for priority in every field from nuclear physics to city planning. It seems to me until we can get a national personnel policy that those of us who have specific interests in particular programs such as planning urban renewal and housing have got to stay up with those other contestants for the brains of the country, and that this is a minimum program to enable us to get at least a few of the good apples out of the barrel until we can get some kind of a national personnel policy which will make this hectic seeking of people from all over the spectrum of ability unnecessary.

Senator Bush.

Senator BUSH. The question of professional city planning, of course, is a very important one, and there are some schools that are conducting postgraduate work in that field. I do not know how many.

Do you have, Mr. Mason, in your organization any information as to how many universities are conducting postgraduate courses, giving the city planning degree?

Mr. MASON. Senator Bush, I would not claim that we have every one, but we have most of them, and we are working continually, as I indicated in my statement.

Senator BUSH. Can you give me an idea of how many such schools there are?

Mr. MASON. I do not have this figure in my head.

Senator BUSH. You do not know whether it is 10, 20, or 100?

Mr. MASON. It would be about 30.

Senator BUSH. It would be about 30?

Mr. MASON. I would be happy to supply this figure accurately for the record.

Senator BUSH. Have you any evidence from those schools or your contact with those schools that there is any dearth of people seeking degrees in those departments?

Mr. MASON. We are able to interest new universities, of course, in the program. That is, universities who do not now have it on the basis that there will be people who seek this.

Senator BUSH. What I am getting at, of course, is that this calls for scholarship money for these schools. Is there any lack of applications? Does it need the stimulation of Federal scholarship grants?

Mr. MASON. I am sure, Senator Bush, this is a matter of opinion.

Senator BUSH. Your opinion might be formed by whether or not they have plenty of applicants qualified for these schools.

Mr. MASON. Yes.

Senator BUSH. In other words, are they turning away customers such as we are at some of our medical schools? I believe most of the medical schools, the desirable schools, are turning away applicants. I know that that is true at some of the eastern medical schools that I am familiar with because they have not got room for them.

The question is: Are these postgraduate courses lacking applicants at they are able to take care of, or are they turning them away because they cannot handle them?

Mr. MASON. Senator Bush, I do not believe they are lacking applicants, but I am sure that there would always be more applicants if this money were available. We find universities that come to us in Government to ask us—

Senator BUSH. My point is this: In having plenty of applicants for the program, then I would not think it needed stimulation by scholarships.

Mr. MASON. This is our position that there are more universities continually putting this course into their curriculum and, therefore, indicating that there are applicants for the course.

Senator BUSH. That is my impression, but I do not think the committee has any factual information on that.

Would counsel advise us whether he knows of any information in the committee files respecting this matter?

Mr. CASH. Not this year, Senator.

Senator CLARK. How about last year?

Mr. CASH. I would have to check it. I will do that.

Senator CLARK. I agree with you that this is a matter of opinion, although some basic facts can be obtained. The most important fact of all is that trained city planners are in desperate short supply all over the country, and I think you would agree with that.

Mr. MASON. I would agree with this perfectly.

Senator CLARK. My own view is that there is a good deal of potential expansion in a number of graduate schools of city planning, such as my own University of Harvard, which I know a little bit about. So that if we could get the applicants by reason of the inducement of fellowships and scholarships, there is a flexibility within these institutions which would enable them to be trained.

I have to state this as a question of opinion also, but I have given some thought and study to it.

Senator BUSH. It is always a question of opinion as to whether, if the program needs stimulation, then the way to do it is by scholarship or whether by grant-in-aid to the university, it is a more direct way to do it. I do not know. I am not saying that one is better than the other, but I do think that we do not have any evidence. My point is that we do not have any real evidence that there is need for a scholarship program.

Senator CLARK. I think even you, Senator, would admit with Mr. Mason that trained city planners are in desperately short supply, and I think the only possible fact we can get is the extent to which existing institutions need more bricks and mortar and teachers and professors to handle a larger supply than they are now.

In my own view which, again, I say is a question of opinion, it has not been done.

Senator BUSH. I do not happen to know that they are in desperately short supply. But I do believe that we are going to need a lot more of them over the years ahead than we have got. The question arises as to whether the universities conducting these programs are going ahead at a satisfactory rate in that connection and, if not, whether you should have Federal assistance in the way of a scholarship program or not. My point is, then, that the need for the scholarship program I do not think has been made clear.

Senator CLARK. I do not want to prolong this colloquy other than to say that a great many witnesses testified on days when the Senator from Connecticut, unfortunately, could not be here of the desperate shortage of trained city planners, and Mr. Mason agrees there is such a shortage.

Senator BUSH. All right, I am glad if we can agree on that. I am glad to accept positive assurance there is a shortage. I still say that it is not at all clear that this is the way to do it from anything that we have heard.

Senator CLARK. I am going to ask the staff to assemble and insert in the record evidence showing the present potential and the present utilization of existing graduate schools of city planning, which I think they can get in very short order.

Mr. MASON. Senator Clark, I would be happy to add—

Senator BUSH. If they are going to collect information of that nature, Mr. Chairman, let them also ask for information regarding the number of qualified applicants and see whether they are turning them away or not.

Senator CLARK. I think that is wise.

My guess is that a lot of that information is available in the office of Commissioner Derthick of the Office of Education; is it not?

Mr. MASON. We would be very happy to cooperate with staff and get this.

Senator CLARK. Will you see what you can come up with?

Mr. MASON. Yes.

(The information referred to follows:)

The American Institute of Planners and the American Society of Planning Officials submitted the following information on schools offering degrees in this field.

COLLEGES AND UNIVERSITIES OFFERING EDUCATIONAL PROGRAMS IN PLANNING

Institution, planning program, and degrees offered:

University of California, master of city planning.

Columbia University, M.S. in planning and housing; Ph. D.

Cornell University, master of regional planning, Ph. D.

Georgia Institute of Technology, master of city planning.

Harvard University, master in city planning, master in regional planning, Ph. D.

University of Illinois, B.S. in city planning, M.S. in city planning.

Illinois Institute of Technology, B.S. in city and regional planning, M.S. in city and regional planning, Ph. D.

Iowa State College, B.S. in L.A. (planning option), M.S. (town and regional planning major).

Massachusetts Institute of Technology, master in city planning, Ph. D.

Miami University (Ohio), Master in city design.

University of Michigan, B. Arch. (planning option); master of city planning.

Michigan State University, B.S. (major in urban planning), master of urban planning.

New York University, master of public administration (planning).

University of North Carolina, master of regional planning.

Ohio State University, master of city planning.

University of Oklahoma, master of regional and city planning.

University of Oregon, M.S. in urban planning, M.A. in urban planning.

University of Pennsylvania, master in city planning, Ph. D.

Pratt Institute of Technology, M.S. in planning.

Rutgers University, A.B., B.S. (option in planning).

University of Southern California, M.S. in city and regional planning.

University of Texas, M.A., M.S., M. Arch. (major in community and regional planning).

University of Virginia, bachelor of city planning.

Virginia Polytechnic Institute, M.S. in city and regional planning.

University of Washington, bachelor of urban planning, M.A. in urban planning.

Wayne State University, master of urban planning.

University of Wisconsin, B.S. (major in regional planning); M.A. and M.S. in regional planning.

Yale University, master of city planning.

Canadian schools

University of British Columbia, M.A. or M.S. in planning.

University of Manitoba, M. Arch. or M.S. in community planning.

McGill University, M.A., M.Sc.

University of Toronto, diploma course.

Addendum: Recently organized programs

University of Mississippi, master of city planning.
 University of Cincinnati, regional planning.

KEY TO ABBREVIATIONS

- A.B.—Bachelor of arts.
- B. Arch.—Bachelor of architecture.
- B.S.—Bachelor of science.
- L.A.—Landscape architecture.
- M. Arch.—Master of architecture.
- M.A.—Master of arts.
- M.S., M. Sc.—Master of science.
- Ph. D.—Doctor of philosophy.

FELLOWSHIPS AND LOANS FOR THE GRADUATE TRAINING OF PROFESSIONAL CITY PLANNING AND HOUSING TECHNICIANS UNDER THE NATIONAL DEFENSE EDUCATION ACT

The following information was given by staff of the National Defense Education Division, Office of Education, HEW :

During the current academic year (1959-60), fellowships in the general field of urban studies were given to six graduate students at two universities. Eleven fellowships at three universities have just been granted for the next academic year (1960-61).

Fellowships in urban studies

Institution	Number of fellowships	
	1959-60	1960-61
State University of Iowa	2	3
University of Oregon	4	4
Massachusetts Institute of Technology		4
Total	6	11

Each institution has expanded its graduate program in the fields in which fellowships are given, and each receives a grant of \$2,500 a year for each graduate student receiving a fellowship that year.

No statistics are available on students receiving loans under the National Defense Education Act. The first survey of students approved for loans will be started this July. Tabulations are expected to be complete by January 15, 1961.

EXCERPTS FROM TESTIMONY AND INFORMATION SUPPLIED THE SUBCOMMITTEE RELATING TO FEDERAL PLANNING SCHOLARSHIPS

American Institute of Planners, statement dated May 18, 1960 :

“ * * * We call attention to the fact that there is an acute shortage of trained specialists in housing and city planning. More than 25 colleges and universities now offer graduate programs in these fields. The number of students which they attract is far short of the number which are needed to fill positions open in local government and private consulting offices. In part this shortage arises from the newness of the field, but in part it also results from the competitive advantages which other, older disciplines have in the academic marketplace. Federal aids, for instance, are available to provide scholarships for graduate training in medicine, public health, physics, chemistry, and other older disciplines. These, and private funds in older fields naturally attract able students and help those who lack financial resources to obtain graduate education. Comparable aids should be available for graduate training in city planning and housing. We believe that a comparatively modest program of scholarships and fellowships of the order of half a million dollars per year could rectify this need within a few years and could overcome one of the major impediments to local housing, renewal, and urban development planning. * * * ”

National Housing Conference, statement dated May 11, 1960 :

“FEDERAL PLANNING SCHOLARSHIPS

“ * * * Second, we are heartily in favor of the provision in S. 3509 authorizing \$500,000 annually for a 3-year period to be used by the Housing and Home Finance Administrator to provide scholarships in institutions of higher education

for the graduate training of planning and housing technicians and specialists. This proposal, which has been favorably considered by this subcommittee in the past, will be of great benefit in easing the present pronounced shortage of qualified professional specialists in the planning, urban renewal, and housing fields. In view of the increasing activity lying ahead in these fields, we believe that such a Federal investment in professional training will be repaid many times over through expediting the progress and improving the quality of local programs. * * *

American Institute of Planners, testimony January 27, 1959 (colloquy between Senator Sparkman and T. Ledyard Blakeman, vice president, American Institute of Planners) :

"Senator SPARKMAN. * * * About 2 years ago I believe it was, the Senate committee accepted and the Senate passed a provision to provide scholarships for city planners. The House, however, in the conference between the two Houses was absolutely adamant on it, refused to accept it. So we have had that experience; that was in 1956, 2 years ago.

"Mr. BLAKEMAN. Senator, as you probably know, we are running about 300 positions short in planning all the time. Consistently the American Society of Planning Officials' letter, on jobs, there are 200 or 300 jobs open all the time and we just cannot fill them. I have been trying to recruit for Lancaster County and it is very difficult to get competent men at reasonable prices. * * *

"* * * The continuing and growing shortage of trained and professional city planning personnel is a major impediment to the execution of local programs of housing and renewal.

"We urge that a modest program of scholarships and fellowships for graduate and professional training in this field be made available as is done in the field of health, and some of the other sciences.

"We strongly support the proposals made earlier by Senate Subcommittees on Housing and strongly urge that these provisions be made this year. A program involving the expenditure of approximately \$1 million a year would provide enormous assistance and help to overcome a critical shortage of personnel. * * *

National Housing Conference, testimony January 23, 1959 (colloquy between Senator Sparkman and William L. C. Wheaton, Chairman of the Board of Directors, National Housing Conference) :

"Senator SPARKMAN. Going back on this question of research, a kindred question. Back 2 or 3 years ago we had testimony before this committee, considerable testimony, as to the need for city planners. As a matter of fact, this committee on a couple of occasions has written into the bill a provision for scholarships for city planners or some incentive to step up the training of people for this particular work.

"Do you have any comment as to the need for city planners now? Has it loosened up or is there still a shortage?

"Mr. WHEATON. It has never been more acute. I would say the local governments have between 500 and 700 vacant professional positions which can't be filled at the present in city planning and renewal agencies. The schools, and they have grown in number from 5 at the end of the war to about 31, are doing their best to expand training. The problem is that large scholarship and fellowship funds are available in physics, in medicine, in chemistry, but nothing is available in this relatively small but important field. A scholarship program of a million dollars a year, would, within a very few years, break this bottleneck which is now a very, very serious one for the local government agencies which have to really carry the ball in this program.

"Senator BUSH. Mr. Chairman, I think your witness makes an awfully good point there; I know a little bit about that, not nearly as much as you do, Mr. Wheaton. Are the State universities giving special degrees now?

"Mr. WHEATON. There are 31 colleges of which I would suppose half are State universities; North Carolina and California are the most outstanding, but Michigan, Illinois, and others provide such training. The only school, I think, in Connecticut is Yale.

"Senator BUSH. Is that the only one in Connecticut?

"Mr. WHEATON. That offers a degree in city planning.

"Senator BUSH. The University of Connecticut does not?

"Mr. WHEATON. No.

"Senator CLARK. You weren't suggesting that the only university in Connecticut was Yale, were you?

"Mr. WHEATON. No; the only one that offered a degree in city planning.

"Senator CLARK. Sometimes it seems that way to Harvard men.

"Senator BUSH. I think you made an awfully good point there. I agree from what I have learned about it through the activity at New Haven that it is a very pressing need. These are demands for these men that get this degree from all over the country. Obviously there is not enough training in that field and I think it is a very serious shortage. As these communities grow so rapidly, and the highways are cutting through and around them, the whole question of planning is a very vital one and I am glad you brought it out so well."

Senator CLARK. Now, go ahead with the public housing.

Mr. MASON. Subsection (a) of section 5 would authorize an additional Federal annual subsidy of \$120 for each dwelling unit occupied by an elderly family, in order to provide decent housing for these families at rentals they can afford and in projects operated on a fiscally sound basis.

The present subsidy is adequate at this time, and is sufficient to provide decent housing for elderly families at rentals which they can afford. About 90,000 elderly persons are being housed in federally aided low-rent projects.

Subsection (b) would restore the authorization for new contracts for additional dwelling units contained in the Housing Act of 1949. In effect, it would authorize new contracts for approximately 100,000 additional low-rent dwellings.

For the reasons which we discussed with you earlier this year, we are convinced that the present authorization for new contracts is sufficient to meet all anticipated demands on the program through fiscal year 1961. There is also outstanding in the program a backlog of annual contributions contracts covering 467 projects to include over 88,000 dwelling units on which construction has not started.

Subsection (d) would authorize the sale of dwellings and projects to tenant families who are ineligible to continue in occupancy by reason of being overincome. It also would authorize these families to continue in occupancy at higher rentals where they cannot obtain good private housing within their means and the local public housing agency determines that it is not feasible to sell the dwellings in the project under this subsection.

By authorizing higher income families to live in public housing, the bill would, where these provisions are used, deprive lower income families of the same accommodations. This would deprive low-income families of their only means of obtaining decent housing in favor of families who are better able to meet their needs. I understand that there are also difficult practical problems which would arise under these provisions as a result of State laws, the design of the projects, and limitations in outstanding local public housing bond resolutions.

Finally, the terms of sale under the bill would rarely provide an equity in the property in excess of its normal depreciation and little, if any, incentive for homeownership would be developed.

Accordingly, the Administration recommends against the enactment of section 5 of the bill.

Senator BUSH. Do you want to take that up separately?

Senator CLARK. We are still on the public housing section.

Mr. MASON. Section 6(b) would authorize health, social, and recreational facilities in public housing for elderly families. The Administration favors the provision of such facilities reasonably related in scope to the public housing being provided for elderly citizens.

Normally, of course, the provision of these types of facilities is the responsibility of the community as a whole. Certain assistance to

health facilities of the community is furnished by the Department of Health, Education, and Welfare. When the facilities are available, or expected to be made available, in the vicinity of a public housing project, they should not be duplicated in the project. When necessary facilities can be furnished by the community, they should not be provided under the low-rent public housing program. Accordingly, I believe the proposed language of the bill on this matter should be permissive rather than mandatory.

It is important that any facilities to be provided by a local housing authority be planned in close cooperation with the other local agencies concerned with the same type of facilities in the community. It also is suggested that assistance for the provision of health facilities be made contingent upon the local authority entering into an agreement with local health authorities for the administration and management of such facilities.

Senator CLARK. Mr. Mason, let us go back to the beginning of that statement where you say the present subsidy is adequate at this time, and I would ask you to reconcile that statement with the testimony given by Mr. Davern before this committee last February, which I will now read to you.

Senator BUSH. What was he then?

Mr. MASON. He was the Acting Commissioner at that time.

Senator CLARK. Mr. Davern says, and I quote:

In my opinion, the current authorization for 37,000 units of low-rent housing will meet all demands on the program through fiscal year 1961. I would like to add these facts: The program is concerned with extremely serious problems. One of those is financial stability of large programs. The Federal subsidy in the program is increased from 25 percent in 1950 to a forecast of 88 percent this year. Substantially all of the old projects in the program are operating at a deficit. They are being maintained with incomes from the new projects, and the newer projects are getting older each year, and their income is going down.

How can you reconcile Mr. Davern's testimony with your present statement that the present subsidy is adequate at this time? Is not the inevitable result going to be that wise administrators of public housing projects are going to reject elderly families unless they are wealthy enough to pay the top rent?

Mr. MASON. Mr. Davern may wish to comment.

Mr. DAVERN. I would like to reaffirm my statement which you have just read. However, notwithstanding that that situation exists, we have not turned down a single application for elderly housing, and there are none of them insolvent.

Senator CLARK. There are none of them what?

Mr. DAVERN. None of them are insolvent. All of them are operating. I would like to add this which I know will be of great interest to you: The Agency today can do everything under the present law that is provided in your subsection 5(a).

Senator CLARK. You can give the subsidy?

Mr. DAVERN. Yes, sir.

Senator CLARK. Then why do you object to it?

Mr. MASON. We do not think it is necessary.

Mr. DAVERN. We add another reason that it is not necessary because we can already do it.

Senator CLARK. That raises an interesting philosophical question, which I think goes across the board with respect to the friendly dif-

ferences of opinion between you gentlemen and some members of this subcommittee, including me.

You say so often that the provisions we suggest, so much for urban renewal, a larger authorization for public housing, relaxation of the requirements for putting 220 into areas other than urban renewal areas, this question which we discussed a little time ago about direct loans for housing for the elderly. You say all of these things are unnecessary. Maybe they are, but what harm do they do?

Mr. MASON. Senator Clark, the point of the matter is we thought that the Congress should know that it is within the ability of the Public Housing Administration to carry out your recommendation. It has not had to, yet, because it does not believe that people are being refused admission because of the fact that they are elderly.

Senator CLARK. I think this comes—

Mr. MASON. And we feel that it is, as Mr. Davern has pointed out, possible currently to care for this need.

Senator CLARK. Again, I say that you are quite within your rights in saying that you think these new suggested sections of the law are unnecessary. But I think you will yield to me the equal right to say that if we do not put them in the law, you will not do it. Even if we did put them in the law, you will not do it, but perhaps the next administration will, and that is why some of us who are in friendly disagreement with you—

Mr. DAVERN. Senator, I do not think our record shows that. You will recall our testimony on the McNamara report. I explained to you in some detail the efforts that the Agency had made to accomplish this program with respect to the elderly—that we had developed various and sundry plans and consolidated programs, consolidated units of the elderly with other projects, and have always worked to accomplish the program.

Senator CLARK. All I can say, Mr. Davern, is that recognizing your complete good faith in this matter and as a member of the McNamara subcommittee which has been around seeing some of these conditions on the ground, I do not think you have got much to show for your very estimable work.

I do not want to have the last word. I want to ask some more questions about public housing, but I do not want to cut you gentlemen short.

Mr. MASON. Go right ahead, Senator Clark.

Senator CLARK. This has to do with the question of whether there is an additional need for more public housing units. When Mr. Davern and the rest of you gentlemen were here in February, you said, and I quote from your testimony:

We will be able to come down here in May and give you an accurate figure on the number of live units on the pipeline list.

I do not see that accurate figure in Mr. Mason's testimony. Perhaps you have it.

Mr. DAVERN. Senator, I think Mr. Cash will verify that an up-to-date inventory list was filed with him with one copy for every member of the committee several weeks ago, and we asked that it be put in the record.

Senator CLARK. Mr. Cash tells me that the information came on May 17 and that it is available to committee members. I am glad you have it.

I understand it has been put in the record. (See p. 158.)

But I would like to have your verbal testimony very briefly, if you do not mind, reading from your own statement, as to what is the accurate figure of the number of live units on the pipeline list for public housing.

Mr. DAVERN. Twenty-seven thousand one hundred and seventy-six.

Senator CLARK. Against an existing authorization of how many?

Mr. DAVERN. Thirty-seven thousand.

Senator CLARK. Which would continue through the end of fiscal 1961 if the recommendation of you gentlemen that we authorize no more units should be adopted by the Congress?

Mr. DAVERN. I must pass the policy recommendations to Mr. Mason as I am a civil servant again. However, I will answer the factual questions. In my opinion, particularly considering as you will notice from the reservation list, that these are mostly small projects in small localities, and considering workload and demand, we will stay busy to the end of fiscal year 1961 with the current authorization.

Mr. MASON. Senator Clark, might I just break in? Commissioner Hazeltine has an 11:30 engagement. We will cover if any questions are asked of his department. May he be excused?

Senator CLARK. Yes, indeed.

I would like to complete this in an orderly fashion, if I can. I am sure any question—

Mr. MASON. We have somebody here to substitute for him.

Senator CLARK. Thank you, Mr. Hazeltine, for coming up. I am sorry you have to go.

Mr. Davern, you may have answered my question responsively, but I would like to restate it to be sure. As I understand you, there is a present authorization of 37,000 public housing units, which is to carry us through the balance of this fiscal year and all of fiscal 1961. Right?

Mr. DAVERN. Yes, sir.

Senator CLARK. And your accurate figure on the number of live units in pipeline is slightly in excess of 27,000. Right?

Mr. DAVERN. Correct, sir.

Senator CLARK. So that your recommendation that we should not authorize any more public housing units for the coming fiscal year is based on your view that you would not get more than 10,000 additional applications, which can be considered live units in the pipeline, during the next 13½ months.

Mr. DAVERN. Plus the workload considerations.

Senator CLARK. You mean you cannot process them any faster than that?

Mr. DAVERN. The 27,000 units of housing involves more than 300 localities, which means more than 300 workable programs, more than 300 local governing body approvals of loans, more than 300 site selections and site approvals, and many other steps. It represents a much larger workload than it does total number of units.

Senator CLARK. Then, you want this committee to understand that the agency of which you were, until recently, the acting head is not

able to process more than 37,000 five unit applications for housing in 13½ months.

Mr. DAVERN. If they are in projects of 10 to 20 to 50 units. That is a terrific workload. We could process 100,000 if they were the size of projects of Philadelphia and New York State.

Senator BUSH. And they are scattered all over the United States.

Mr. DAVERN. Let me tell you this: In my short tenure, I shifted personnel from all over the country into the areas where these units are concentrated, which is mainly the Southeast and New York.

Senator BUSH. I was going to ask you, is the difficulty not enhanced also by the fact that these are very widely scattered purchases all over the United States, many in small communities?

Mr. DAVERN. Yes, sir.

Senator CLARK. Did you ask for any additional personnel to enable you to speed up this processing?

Mr. DAVERN. We think we have adequate personnel. We have shifted personnel from the west coast to the east coast to do the job.

Senator CLARK. So am I being unfair in suggesting that we leave it that you do not feel any urge to have your agency able to process more than 37,000 applications for public housing—

Mr. DAVERN. Senator—

Senator CLARK. Let me finish my question—37,000 units of public housing in slightly over 1 year?

Mr. DAVERN. Senator, the agency would like to take on all it can do.

Senator CLARK. But you do not need any more personnel.

Mr. DAVERN. We welcome applications.

Senator CLARK. But you do not need any more personnel.

Mr. DAVERN. I think we can handle what we have. It is going to be a big job.

Senator CLARK. And you will not process any more than 37,000 applications in a little more than a year.

Mr. DAVERN. That is my guess at this time. However, as you recall, the Administrator's statement, the Administration had another reason for not asking for additional units this year, and that was the backlog of 88,000 units under contribution contract. This also constitutes a substantial workload. You will have noted that it involves 467 projects scattered all over the country.

Senator CLARK. Returning, Mr. Mason, to another part of your statement, you object, to the provisions of this bill which would authorize high-income families to purchase public-housing units, and you take a perfectly tenable, although I think unsound, philosophical view that you want to shove these people out into private housing as soon as they get over the income level which they presently cannot exceed without going out. You say the reason for that is to let another low-income family in.

This is a philosophical disagreement which we are not going to settle today. The view of those of us who disagree with you is that because we have never been able to get any adequate middle-income housing, what you are doing with those successful public-housing families who must, to some extent, have been rehabilitated because their earning capacity has gone up, is to send them back to the slums. And we think that is a worse evil than preventing another low-income family from getting into a public housing project.

I wonder if you would like to comment on that.

Mr. MASON. Well, Senator, we dislike the term "shove." We do not shove people out. When a person becomes over-income there is an attempt made to find adequate quarters.

This is not a harsh prompt action certainly.

We do believe that, as you have said, there is a philosophical difference here of opinion. We believe that public housing was intended for low-income people, and that regardless of the desirability and the humane desires that are expressed in your suggestion, we feel that it is still desirable to confine this to these people who need the greatest help.

Senator CLARK. Of course, you are buttressed in your view by your, shall I say, somewhat odd view that there is no need in this country for any middle-income housing because FHA is taking care of the whole need with the assistance of the private builders. This must make you feel much better about expelling these families from public housing because you think there is plenty of good available housing for all of them under the present program.

I do not mean to be sarcastic, but, as I understand your opposition to Senator Javits' bill and mine, it is based on the fact that there is no need.

Am I wrong?

Mr. MASON. Senator Clark, we do not believe that every American family has to have a new house.

Senator CLARK. No, we do not either.

Mr. MASON. And we believe low-cost housing, much of it, is provided in just the actions that your other bills are seeking to provide and which Mr. Zimmerman and Mr. Walker say they are now going to be able to do by section 220 rehabilitation.

Senator CLARK. I recognize the sincerity of your view which is based on the trickle-down theory, with which I am in complete disagreement, but you certainly have every right to hold it.

Senator BUSH. Mr. Chairman, I object to injecting that kind of remark, to say his view is based on the trickle-down theory. I do not think that is an appropriate criticism to make of the Administrator of this agency. He is giving us his opinion on these matters out of his experience and out of conviction and study of these issues, and I do not think that type of comment is fair.

Senator CLARK. I am interested in the views of my friend from Connecticut, because I was hitherto under the impression that he too believed in the trickle-down theory, which a great many eminent Americans do believe in. I thought, in fact, the Senator from Connecticut was one of the great protagonists of that theory. It is a perfectly respectable theory. There is nothing not respectable about it.

Senator BUSH. The Senator does not seem to think it is respectable, and he does not treat it with respect.

Senator CLARK. I think it is wrong.

Senator BUSH. I have very strong reservations about that kind of questioning and comment here before these witnesses.

Senator CLARK. I accept the implied rebuke in the most friendly possible manner and suggest that Mr. Mason now go forward with his comments on S. 3541.

Mr. MASON. Senator Clark, S. 3541, introduced by Senator Sparkman, by request, for himself and Senator Capehart, would make extensive changes in the Federal National Mortgage Association Charter Act and would provide for the establishment of Federal mortgage investment companies.

This bill embodies the central mortgage lending proposals of the Mortgage Bankers Association, the National Association of Home Builders, and the National Association of Real Estate Boards.

Your chairman explained when he introduced this bill that it is intended to provide the basis upon which the Senate can begin to consider proposals for a central mortgage reserve facility.

We in the Housing Agency have long felt the need for better means of stimulating a larger and more stable flow of savings into the residential mortgage market. We were gratified at having three major trade associations in the field of housing cooperate in developing a legislative proposal, and we believe it most helpful to have the Congress begin its active study of possible legislation in this field.

However, because S. 3541 contains important and far-reaching provisions, there has been insufficient time since its recent introduction for us to do more than become familiar with its main outlines. We have not yet determined the possible effects of the detailed provisions of the bill, a step which must precede the discussions necessary to the development of the administration's position.

We therefore believe that it would be well if the Housing Agency were to continue its study with a view to reporting our recommendations to your committee early next year. As you will recall, this would be in accord with the recommendations of your committee in its recent report entitled "Study of Mortgage Credit."

Senator CLARK. Mr. Mason, I am, of course, disappointed that you gentlemen do not feel free at the moment to express any views on that bill. We had a great deal of favorable testimony on it. It is a field in which certainly I am no expert but where it seems to me fairly clear there is a great need.

I had hoped that the proposal might be passed this year but perhaps I am unduly optimistic.

In view of your statement I do not see anything can be gained by further questioning on the matter.

Senator Bush?

Senator BUSH. No questions.

Mr. MASON. Senator Clark, Wednesday afternoon, for instance, I ran for about 3 hours a meeting discussing some of the effects of possible things on the various aspects of this, and it is quite evident to me that we need to look very carefully at this so that your committee will come up with a proper view.

Senator CLARK. I am sure that Senator Sparkman would join me in the hope that your agency between now and January will devote intensive study to this proposal and be prepared to make recommendations when this committee reconvenes, which I for one hope will be in January of next year.

Mr. MASON. Thank you, sir.

Senator CLARK. I would propose now, since that is the end of your statement, to get your comments on the various bills which are before us, unless Senator Bush has some other way he would prefer to proceed.

Senator BUSH. No, I have none.

Senator CLARK. Mainly this is opportunity for rebuttal, and if you do not want to say more than you have said before, this will be quite all right with me.

Mr. MASON. I understand, Senator Clark. We are very happy to answer whatever we can.

Senator CLARK. The first bill is S. 1342, the Javits-Clark bill for middle-income housing. You gentlemen sent in a letter of opposition last September.

Since then we have had extensive testimony in support, including what to me was quite convincing testimony about how a similar program in New York State was working.

I wonder if any of you would care to amplify your earlier statement in opposition to that bill.

Again I say if you do not want to, please do not feel compelled to.

Mr. MASON. I think, Senator Clark, I might add that this legislation would set a precedent in breaking the policy established by the Public Debt Act of 1941 that neither the Federal Government nor any agency should issue tax-exempt bonds. Of course, the committee of Congress is certainly able to change such policy any time they want to.

Senator CLARK. Any further comments on that bill?

(No response.)

Senator CLARK. The next general subject would be the various college housing bills, of which there are three, one by Senator Javits increasing the loan authorization by \$250 million, one by Senator Fulbright and Senator Sparkman increasing it by \$500 million, and one by Senator Javits extending from 10 to 12.5 percent the percentage of funds which could be taken up by any one State, it having appeared of record that New York, I believe, has substantially more than 10 percent of the college students in the country, has been very active in picking up these loan authorizations, and does not feel it is fair to have them curtailed to 10 percent because other States do not want to come in.

Of course, if the Fulbright-Sparkman bill were to become law, the percentage authorization question would be postponed.

I understand the Administration does not want any more college loan authorization and has its own college assistance bill, which I think you gentlemen will probably be realistic enough to agree has precious little chance of enactment this session of Congress.

With that basic fact in mind, I would like to know if you have any further comments on these bills?

You might also cover the extent to which applications of which you are aware, whether pending or not, indicate a continuing need for this program.

Mr. MASON. Senator Clark, there is a continuing need for a program to assist the universities to house their students. As you know, and I cannot give you the exact date, but early last fall, after the passage of the law, the authorization was quickly used up. There is none outstanding now excepting the small amount that comes from rollover, which is very small.

Senator CLARK. Actually, in your experience, this program has worked pretty well, has it not?

Mr. MASON. This program has worked very well, Senator Clark.

Senator CLARK. I understand you are committed by the Administration to oppose it, and I will not press you for your personal views.

Senator Bush?

Senator BUSH. No.

Senator CLARK. The next bill is S. 3402, introduced by Senator Javits, which would lower the FHA minimum insurance premium to one-quarter of 1 percent. This, as I understand it, is permissive and not mandatory.

We had a good deal of testimony in support of this bill. I wonder if you have any further comment?

Mr. ZIMMERMAN. I do not believe that any further comment would be useful. I would restate my very strongest opposition to a mandatory reduction in our insurance premium which is carried in some of the bills pending before Congress.

Senator CLARK. This bill is not mandatory. It is permissive. Do you have any objection to a permissive bill?

Mr. ZIMMERMAN. Let me answer the question this way: Other than section 203, I would object for the very simple reason that not in the foreseeable future would it be possible to reduce the insurance premium on any other program.

I would, therefore, oppose it as perhaps incorrectly leaving the inference that it was the sense of Congress that such reductions might be possible in the foreseeable future.

As far as section 203 is concerned, I have indicated several times previously that I would have no strong opposition. I would suggest, if it was left entirely up to my own desires, that we not reduce a longstanding floor on insurance premium until such time as we could actually effect a reduction.

But I would not oppose it as long as it was discretionary for section 203.

Senator CLARK. The Javits bill, Mr. Cash tells me, does not affect section 203.

Senator Bush?

Senator BUSH. No questions.

Senator CLARK. How about S. 3148 which deals with James White Fort down in Tennessee?

We had some witnesses and photographs indicating that this was a very worthy project and that you gentlemen were unwilling to give the requested assistance, and that therefore we had to pass a law to make it clear we wanted it done.

When these witnesses were here, I urged them to go down and see you, thinking that either your hearts were not as hard as they indicated or that perhaps they did not fully understand what you could and could not do.

I think it would be helpful if we could have some brief comment on that bill.

Mr. MASON. Senator Clark, unfortunately they did not take your advice. They did not call on me at least.

Senator CLARK. This is not the first time my advice has not been heeded.

How about Mr. Walker? Does he know anything about it?

Mr. MASON. Did they call on you?

Mr. WALKER. Yes, sir.

Mr. MASON. That is where they went.

Mr. WALKER. Senator, I would suggest that at the moment the Senator who had this particular problem is very happy with the solution.

Senator CLARK. Senator Kefauver?

Mr. WALKER. That is right, sir.

Senator CLARK. I will ask the committee to check on that, and if that turns out to be the fact then we certainly would not feel the need to go any further with the bill.

§. 3276 was offered by Senator Sparkman to extend the VA direct loan program. As you know, Senator Sparkman's continuing interest in that program is due to his conviction that in rural areas there just is not the credit available for former members of the armed services to get mortgages loans in any other way.

Mr. MASON. Senator Clark, the Administration has already testified on this position, and I see no reason to change that position.

Senator CLARK. It was opposition, was it not?

Mr. MASON. We are opposed to it, yes, sir.

Senator CLARK. Let me ask you whether you really think that it is unnecessary because mortgage funds are available in rural areas for members of the armed services at reasonably low rates of interest?

Mr. MASON. The mortgage funds are available in remote areas, but they are not, of course, available at low rates of interest.

Senator CLARK. So actually it is true, is it not—and I am perhaps an odd Senator to be raising this question—but it is true, is it not, that a veteran who lives in a rural area is at a real, practical disadvantage in buying a home at the present moment in the absence of a VA authorization because he has to pay so much more for his mortgage loan than the veteran living in an urban area that the differential is really very significant?

Mr. MASON. Senator, this is not strictly true at all. As you know, this Congress has authorized what is known as the voluntary home mortgage credit program. There are eight offices of this organization with individuals serving around the country, and people can get loans in remote areas at the same kind of normal rate that they would get them anywhere.

Senator CLARK. Yes, but there are actually thousands of people on that waiting list who cannot be taken care of at all; are there not? There is an enormous—

Mr. MASON. There are no thousands on the waiting list of the voluntary home mortgage credit program. These are on the lists of the Veterans' Administration for low-interest-rate loans below the market price.

Senator CLARK. Yes, but the agency you mentioned is supposed to help the VA applicants, and there is an enormous waiting list of VA applicants, and if your solution is as good as you suggest, why are they not being taken care of by the voluntary home mortgage credit program?

Mr. MASON. Because these people prefer to get the low interest rate and will wait and wait for it.

Senator CLARK. What is the difference in interest between the two?

Mr. MASON. Senator, there is no one flat figure that you can quote because, as you know, rates in Massachusetts and California vary.

Senator CLARK. Can you not give us the range of difference? It amounts to 1, 1½, or 2 percent in many instances, does it not?

Mr. MASON. The VA rate is 5¼ percent. In Massachusetts the going rate is around 5¾ to 6 percent, and in California it is over 6 percent.

Senator CLARK. Yes?

Mr. MASON. Substantially.

Senator CLARK. Through the Southeast where Senator Sparkman naturally has a very keen interest it is even higher than that, is it not? In rural areas?

Mr. MASON. Many of these veterans are getting their loans through FHA and the voluntary home mortgage credit program, but many veterans are waiting because the Congress is providing funds at low interest rates.

Senator CLARK. Is it not true that in many areas of the country, including particularly the Southeast, either there is not any mortgage money available at all for veterans living in rural areas or the interest rate is substantially higher than that in Massachusetts and California?

Mr. MASON. There are funds available, Senator Clark. The interest rates are the going rates, and they are not higher than California in the Southeast.

Senator CLARK. They are not higher than California?

Mr. MASON. No, sir. California I think is the cream of all the country as far as return on interest rates.

Senator CLARK. Well, Mr. Mason, if a 5¼ percent guaranteed loan is available through the voluntary home mortgage credit program, then the veteran is not eligible for a direct loan, is he? In other words, the interest rate is the same in both places, 5¼ percent. Right?

Mr. MASON. The point of the matter is, Senator Clark, that there are not anywhere in this country any substantial amount of funds available at 5¼ percent.

Senator CLARK. Now we are getting down to brass tacks.

Senator BUSH?

Senator BUSH. No questions.

Senator CLARK. And you do not think there should be?

Mr. MASON. No; I think that the rate follows the rate that the money markets declare, and I would love to have it 4 percent, of course.

Senator CLARK. But you do not think any legislative action should be taken to insure a veteran of 5¼ percent rate?

Mr. MASON. Sir, I think that we can give the veterans the best stake in American homeownership by letting them indulge freely in this marketplace of ours rather than by holding their hand, so to speak.

Senator CLARK. This is a very terse explanation of a philosophy with which I am in complete disaccord.

Let's move on to S. 3278.

Mr. Cash tells me that Senator Williams is presiding at another hearing, and he would like to be here when you comment on mass transit, so if it is agreeable to Senator Bush I will postpone that bill for a little while, and I am going to skip S. 3282, which is the one about Latin American savings and loans, unless you gentlemen want to say something about it.

Mr. MASON. We are in favor of it.

Senator CLARK. And how do you feel about this private bill of Senator Hart's, S. 3291, with respect to the Oakdale, Mich., project which we had some pretty interesting testimony on here the other day?

Mr. MASON. Senator Clark, I read the interesting colloquy that went back and forth on this. We have felt up to now since this project is not in default that probably within the agency lies the means of straightening this out. I have talked with the Federal National Mortgage Association's counsel, who is now the owner of this mortgage, and he feels that within the meaning of this bill, which is to do what is in the public interest, that anything can be done directly by the agency.

Again, the people of Oakdale, I think, said things to this committee that they have not said to our people.

But at least we need to work very closely with this, and will, to see if we cannot get this straightened out.

Senator CLARK. Which of your assistants—

Mr. MASON. The problem that comes up in this sort of thing comes up because a public housing project or a Lanham Act project which probably should not have been sold at all was sold because the people wanted to buy. The people living there did not want to be moved.

Senator CLARK. The people thought they wanted to buy it?

Mr. MASON. They thought they wanted to buy it. Well said, Senator Clark.

As they get in it and find the tremendous cost of maintaining this kind of structure, they are unhappy, and I can understand their unhappiness.

Senator CLARK. Do I understand from you that you think you can work out this problem administratively without legislation?

Mr. MASON. I think we can work it out administratively—anything this bill would permit us to do—unless the Congress wants to set a specific amount that is to be given to these people, and then that is a different matter. But within the public interest I believe we can.

Senator CLARK. Which of your administrators has this matter in his charge?

Mr. MASON. It is in Mr. Baughman's hands.

Senator CLARK. Mr. Baughman, have you been in touch with Senator Hart about this? Do you know whether he is satisfied?

Mr. BAUGHMAN. We have talked to him. We do not have enough knowledge at the present time to come to any conclusion on the matter. In fact, we are just studying the matter now.

Senator CLARK. All right.

Now I would like to turn to S. 3458, which is my bill to amend section 112 so as to include hospitals. We have had a good deal of testimony on that since you gentlemen were here. Do you have any further comment?

Mr. MASON. I will ask Commissioner Walker.

Senator BUSH. Which one is that?

Senator CLARK. S. 3458.

I know Mr. Walker is very familiar with this problem because of his deep knowledge of the situation in Philadelphia, which is one of the places where this seems to be badly needed.

There are a number of other cities also which are very much in favor of this project.

Mr. WALKER. Senator, this is the section which extends the university or higher education provisions to hospitals, and I testified on May 9 that section 112 provides for a waiver of the normal predominantly residential requirements in such projects and also permits the locality to receive noncash grant-in-aid credit for expenditures made by universities for the acquisition and clearance of property either within or in the immediate vicinity of an urban renewal project.

In effect, section 112 increases the Federal contribution to the urban renewal project, or to other projects in the locality.

If hospitals are added to the category of institutions that can create such credits, there could be justification for adding a long list of other types of institutions, and ultimately the local share of project cost could be reduced to little or nothing.

I would not change my position, Senator. I am still opposed to including hospitals in this.

Senator CLARK. All right, sir.

I wonder if you gentlemen would like to add anything more to your hitherto expressed strong opposition to H.R. 10213, Congressman Rains' bill?

Mr. MASON. Senator Clark, I think we made ourselves quite clear.

Senator CLARK. Abundantly clear.

Senator Bennett has introduced S. 3498, S. 3499, and S. 3500, which he introduced at the request of the administration. I assume you gentlemen support them. I do not think we have had any specific testimony on them. Two of these—

Mr. MASON. I think, Senator Clark, we did testify. Of course, we are in favor of them. I mean this is obvious.

Senator CLARK. This is to require appropriation authority for two programs which are presently being financed by Treasury borrowing and to make the home repair and improvement program permanent and remove the ceiling on insurance authorization.

Senator BUSH. I do not believe you testified on those bills.

Senator CLARK. Mr. Cash tells me they did.

Mr. MASON. Yes, Senator.

Senator CLARK. I do not remember it.

Mr. MASON. Senator Bush, it was after you left, I am sure, the other day.

Senator BUSH. Was it?

Mr. MASON. Yes.

Senator CLARK. I am going to ask Mr. Cash to ask you a question respecting a bill introduced by Senator Fulbright and Senator Sparkman which has some bearing on this problem.

Mr. CASH. Mr. Mason, S. 3498, one of Senator Bennett's bills, would increase the community facilities loan program by \$100 million.

Mr. MASON. Yes, sir.

Mr. CASH. But it would permit that amount to be used only subject to appropriation.

Mr. MASON. Yes; that is correct.

Mr. CASH. On May 24, Senator Fulbright and Senator Sparkman introduced a bill, S. 3586, to increase the same program by \$100 million but leaving the availability of the funds on its present basis.

Senators Fulbright and Sparkman would like your comment on that bill.

Mr. MASON. The administration is in favor of handling funds before the Appropriations Committee, to have it look at the program, and therefore does not favor the bill of Senators Fulbright and Sparkman.

Senator CLARK. To placate my good friend from Connecticut who took dissent to my using the word "trickle-down" a little while ago, perhaps I could cast a sin upon myself by saying you gentlemen are opposed to back-door financing? Is that right?

Mr. MASON. That is correct.

Mr. CASH. Mr. Mason, could you state for the record whether the existing authorization would be substantially exhausted by applications already on hand?

Mr. MASON. It is substantially exhausted or will be by the end of this fiscal year.

Mr. CASH. Merely by processing applications already on hand? The existing—

Mr. MASON. We have applications on hand of about \$22 million.

Mr. CASH. And you have authority—

Mr. MASON. And this will—with the wearing away of it, because they do not all come to fruition—just about meet the amount of money we have, which is \$19 million.

Mr. CASH. So if you received one more application you would be out of business.

Mr. MASON. Probably not "one more," sir. They probably will take a million or two more than the \$22 million to come to the \$19 million.

Mr. CASH. You believe this program should continue under one method of financing or the other?

Mr. MASON. Yes; we do. This is a very helpful program to many small communities.

Senator CLARK. I have just been advised that Senator Williams will not be able to get here with respect to S. 3278, his mass transit bill. Have you gentlemen sent a report on that?

Mr. MASON. Yes; we have. (See p. 56.)

Senator CLARK. And you have also testified in opposition to it, have you not?

Mr. MASON. Oh, no; we testified in favor of it, Senator Clark.

Senator CLARK. You did?

Mr. MASON. Yes. In favor at least of the planning part of it, which we consider the—

Senator CLARK. Oh, yes; I remember. You wanted to keep the interest rate a lot higher. That was your principal amendment that you desired?

Mr. MASON. We thought the financing should be different on the actual projects.

Senator CLARK. In other words, you stand on the report you sent to Senator Robertson some time ago on that?

Mr. MASON. May 6. Yes, sir.

Senator CLARK. All right. That brings us down to Senator Murray's bill, S. 3502, which was primarily advocated by a group of witnesses from Puerto Rico. It involves this new kind of condominium financing.

But there was also a witness or two from the continental United States who thought this bill would be desirable. A mortgage banker and the Home Builders Association were for it. And I would like to have the view of the agency on it now. I do not think you have testified on this before.

Mr. MASON. No; we have not, Senator Clark, and Mr. Zimmerman will speak first.

Mr. ZIMMERMAN. I have a short prepared statement on this particular bill and the concept involved. (See p. 997.)

Senator CLARK. I do not think I did this before, but I think we ought to have the prepared statements of all of you gentlemen made part of the record.

Mr. MASON. Thank you, Senator Clark.

Senator CLARK. You either read that part of it or summarize it, as you may see fit.

Mr. ZIMMERMAN. S. 3502 would authorize FHA to insure mortgages for the purchase of individually owned units in a multifamily structure. Although the word "condominium" is not mentioned in the bill, it is intended to authorize insurance of mortgage loans for the purchase of dwelling units in a condominium. Condominiums resemble cooperatives but differ in a number of ways.

While condominiums are common in Puerto Rico and other countries, they are unusual in this country. The few condominiums that exist in the United States have, in some cases, been formed through the creation of trusts. However, in Puerto Rico and other places condominium ownership is provided for by a condominium law.

Under the law in Puerto Rico each individual unit in a multiunit structure can be owned outright by an individual or other entity. Title can be recorded as if it were an individual home or other piece of property. The unit can be conveyed and encumbered irrespective of the building of which it is a part. Each unit owner also owns a share in the common facilities of the building, such as the land, the foundations, halls, lobbies, stairways, and janitor lodgings. The common facilities remain undivided and are not subject to division. The necessary maintenance of the property and use of the common facilities are governed by agreement between the co-owners of the structure. The common profits and expenses of the buildings are distributed among the owners.

FHA can, under the present law, insure mortgages on one or more single-family homes with little or no problem related to the other owners where the homes are placed side by side with common walls on adjacent lots. With individual ownership of units in a multiunit condominium, however, there is no way in which the mortgage could be insured on one unit without joining in a relationship with all the other owners. FHA's mortgage insurance programs are presently based upon the statutory authority to insure a mortgage on a fee simple or a long-term leasehold interest. A condominium creates what are sometimes referred to as air rights. FHA does not now have authority to insure mortgages on air rights.

Because of the many problems which must be considered FHA believes that the proposal to give FHA such authority should have further study before S. 3502 or similar legislation is enacted. I will give a few examples of the legal questions and practical matters involved.

In case of FHA acquisition of a unit in a condominium as a result of default on an insured mortgage, FHA, under the condominium law in Puerto Rico, would be required to offer the acquired property for sale first to other owners in the condominium. This could delay disposition and increase possibility of FHA losses. While the property is held by FHA, it would be responsible for the prorated maintenance and operation costs of the entire structure. In Puerto Rico when a condominium is entered into, a condominium "regime" is created and a form of public dedication is made whereby the only manner in which the condominium may be abandoned or dissolved is with the consent of all the members. FHA could be in the position of maintaining and operating a majority or a large number of the units as a result of foreclosure action if for any reason it was unable to dispose of the units. So long as there was one owner who remained and wished to continue with the condominium arrangement FHA would be required to dispose of the properties in accordance with the condominium concept and would be precluded from disposing of the property in any other manner. This would, of course, be governed by the law of the jurisdiction in which the condominium is located.

It is clear that S. 3502 would need to be amended by changing its definition of "mortgage." Numerous other changes would need to be made in the bill before it became law. Because condominium ownership is unique in this country, and because of the many considerations involved in FHA's mortgage insurance programs, FHA cannot without further study recommend enactment of legislation along the lines of S. 3502.

Senator CLARK. Mr. Zimmerman, as you know, this bill is supported not only by the witnesses from Puerto Rico but by the Home Builders Association, which always testifies before us. It was also strongly supported by Mr. Brown Whatley of Jacksonville, Fla., a former president of the Mortgage Bankers Association of the United States, who testified that he was already making loans, mortgage loans, of this sort on a conventional basis.

It is true, is it not, that before FHA got into the picture to pick the insured loan the mortgage bankers would be the individuals most concerned with what would happen on default?

Mr. ZIMMERMAN. I think that is generally true, sir.

Senator CLARK. So if the mortgage bankers are not concerned about making this kind of a loan, why should FHA be so concerned with these objections, which I must say are not very persuasive to me?

Mr. ZIMMERMAN. Senator, I think that any inference that the mortgage bankers generally or any other lenders are not concerned over this particular approach is incorrect. I have talked not only to Brown Whatley but to many others who have on occasion proceeded on these lines, but I have not yet talked with anybody, with the possible exception of the Puerto Rico group, who does not appreciate and react very sensitively to these problems.

This is, as the Senator knows well, a civil law concept which is most unusual and unique.

And I do not mean to infer by my statement that this is not a direction we should go in. But I am sure that you will appreciate the problems that we think have to be faced up to and sort of thought

through before we could come to any conclusions as to how the program should be drafted. That is all I mean to suggest.

Senator CLARK. You are not particularly influenced by the fact that mortgage bankers are already making these loans and do not seem to see any particular difficulty in them?

Mr. ZIMMERMAN. To be right honest with you, Senator, I have not yet done what I have already talked to my staff about doing. I want to get those projects out, look at them, see how they were financed, and see how they have answered these problems that I have mentioned. I hope very much that we will be able to, with the kind of industry advice that we expect to get, work out a basis whereby we can move in this direction and recommend adoption of the condominium concept.

Mr. MASON. Senator Clark, we have been talking with a lot of different people since this group from Puerto Rico came up here, and lenders in New York have been making a loan of this type without calling it that. Here in Washington, D.C., the Westchester Apartments are a sample.

But in every case where these people have done this they tell me they have done it where there was other income-producing property, like a restaurant and a garage at the Westchester or up in New York on Fifth Avenue where there were stores that produced income for this general corporation.

Senator CLARK. Senator Bush?

Senator BUSH. The idea being that the income would help carry the vacant space, so to speak?

Mr. MASON. This is correct.

Senator BUSH. It was not under mortgage?

Mr. MASON. This is correct, Senator Bush. It provides an added incentive I would say also to somebody to organize this kind of an organization.

Senator CLARK. The next bill is S. 3504, which is Senator Bush's bill removing the limit on FHA general mortgage insurance authorization.

Do you care to ask any questions about that, Senator?

Senator BUSH. Has the Administration testified on it? That is an Administration bill.

Mr. MASON. It is an Administration bill. We testified before this committee at some length.

Senator BUSH. That is a familiar subject in this committee. I have no desire to hear them further on it. This has been recommended before, last year and so on.

Senator CLARK. I think the only question we might ask—and perhaps you gentlemen have given us up-to-date figures—correct me if you have—as to the status of the present authorization. You did send a letter down here dated May 27 indicating you thought you could get by until after next January. I see in the last sentence in your letter, Mr. Zimmerman, you state, and I quote:

To accommodate this rate of authorization use, an increase of \$4 billion as suggested by Senator Clark would be appropriate.

I understand you want the ceiling taken off, but if the committee did not agree with you that you would still like to have the \$4 billion?

Is that right?

Mr. ZIMMERMAN. No, I think that in context I am simply indicating that any additional insurance authorization is always welcomed by FHA, and we indicated that if we have \$4 billion it will take us \$4 billion further than we would be able to go without it.

Senator CLARK. Your position is still that you do not need any more authorization but you would like to have the ceiling taken off anyway?

Mr. ZIMMERMAN. As indicated in my statement, which as I understand is going to be put in the record, we now on the basis of the kind of information we have, and the best projections that we can make, think that probably the present authorization would take us toward the end of February or perhaps into the early part of March.

Senator CLARK. Of 1961?

Mr. ZIMMERMAN. Yes. I can only reemphasize how very, very difficult this is. When the Senator asked if we are still firm I can say we are as firm as we can be when we deal with the impossible.

Senator CLARK. Well, as a matter of commonsense, would you not agree with the new administration coming in in January and an awful lot of pretty important national and international problems confronting the new President, regardless of who he may be, that Congress would be wise to give you some leeway so that you would not have to come back here in January on a blitz basis to get additional authorization?

Mr. ZIMMERMAN. I would like to even treat him nicer than that and remove the limitation entirely so he would not have to worry about it.

Senator CLARK. I know you would, and maybe you are going to get it, but I do not think you are, so as a realist I am going to ask you again if you are not going to get the ceiling removed do you not think it would be wise as a practical administrative matter to give you some additional authorization?

Mr. ZIMMERMAN. \$4 billion could be helpful, sir, yes.

Senator CLARK. Thank you very much.

Senator BUSH?

Senator BUSH. No.

Senator CLARK. The next bill is S. 3509, which is my omnibus bill. We have already considered a number of provisions in that bill, and Mr. Walker was kind enough to come to my office two days ago where we discussed off the record in a friendly way his views about the urban renewal picture.

I understand, Mr. Walker, although I have not had an opportunity to read it, that your views on urban renewal are set forth in the statement which will be printed as a part of the record. I wonder if you want to add anything at this time.

You know my view, which is that you are wrong. And I know your view, which is that you are right. And I do not know whether anything further can be gained by the discussion or testimony.

I, as you know, rely on the survey made by the American Municipal Association. You, I think I am fair in saying, tend to think that they show a need which does not exist and will not exist. You are bound by the administration, in any event, not to ask for further urban renewal authorization, but I know you think that through your administrative procedures that you can operate without it, without doing anything to the detriment of the program.

It is, of course, with this that I disagree.

I suggest that you are going to have to squeeze the pipeline too tight and that it would be very well if we did have an increase in urban renewal authorization even if you did not need it.

And I will ask you on the record: Assume you are right and I am wrong. What harm will it do to give this increased authorization?

Mr. WALKER. Senator, I just cannot believe that it can do any good. I am completely and sincerely convinced that we have sufficient money to operate with in accomplishing the urban renewal program, and I cannot conceive that there is an advantage to the authorization of greater amounts of money when the record—the record in which I believe, Senator—indicates that we have sufficient funds.

Senator CLARK. That is a very forthright and candid statement, and, of course, the mayors of America disagree with you thoroughly and so do I, but you may be right.

I do point out that you state on the first page of your printed statement or rather your mimeographed statement which is going in the record that it is unnecessary to burden the Federal budget for the amount of authority at this time. But I am sure that you know that a grant authorization does not burden the Federal budget by as much as 1 cent, does it?

Mr. WALKER. Senator, this is a field, as you claimed a little bit ago, in which I am not an expert. I am not an economist. But it just seems to me that—

Senator CLARK. You are just a young fellow trying to get along?

Mr. WALKER. Yes.

Senator CLARK. You are doing pretty well.

Mr. WALKER. It just seems to me if you add \$200 million to a figure, even though it may not be in the budget, to all intents and purposes you have increased that program \$200 million.

Senator CLARK. Well, Mr. Walker, there is a lot in this whole field that I do not know anything about, but one of the things I think I do know something about is that a grant authorization, whether it is for \$100 million or \$100 billion, does not burden the Federal budget by as much as 1 cent until the money is actually expended, which might be anywhere from 3 to 10 or 12 or 15 years later.

I am sure that if you consult with your colleagues they will advise you that this statement is actually not correct.

Mr. WALKER. Senator, you very well outlined the reason why it does not seem very fruitful to discuss dollars here, but you do not intend to stop with that section of 3509, do you?

Senator CLARK. I am sorry. I did not hear what you said.

Mr. WALKER. I said you very well outlined why it would not be fruitful for you and I to discuss dollar amounts in urban renewal, but I am asking, Mr. Chairman: You do not intend to stop with that phase of S. 3509, do you?

Senator CLARK. How do you mean "stop"?

Mr. WALKER. There are other things in your bill, and I would be very unhappy if I did not have the opportunity of supporting certain things in that bill.

Senator CLARK. Well, I would be more than happy to have you support these. Oh, you mean on urban renewal?

Mr. WALKER. Yes, sir.

Senator CLARK. Yes, sir. Let's have your strong support.

Mr. WALKER. You have put a provision in there that I want to hasten to support, sir, because it has a great implication in my opinion.

Section 4(d) of S. 3509 would amend the existing statute to enable local public agencies to carry out "pilot" rehabilitation efforts in urban renewal projects, by acquiring a few buildings, rehabilitating those buildings at project expense, and then selling them to private owners. The number of buildings involved would be limited to 50 dwelling units or 2 percent of the total dwelling units in the project area, whichever is the lesser figure. The net cost would be shared by the Federal Government and the locality in the same manner as other net project costs.

We are enthusiastic about this proposal, as a means of breaking through the initial apathy and confusion that often accompanies the launching of a rehabilitation or conservation project.

Senator CLARK. I am delighted to have your support, Mr. Walker. There is a school of thought which says you have the authority to do this now. Do you think you require legislation? I thought you did, but others do not.

Mr. WALKER. Well, Senator, I do not believe I do. I simply do not think that this is in the law at the moment.

Senator CLARK. At least you have not felt inclined to try to do it yet?

Mr. WALKER. The law prevents it, sir. I would also like to say, Senator, without going too far into this statement, that while I oppose the inclusion of hospitals with the universities, I do not object to your qualifying amendment to bring relocation by the universities in line with other efforts.

Senator CLARK. Very happy to have that.

I think we have covered all of the other provisions in my bill, the FHA programs, the FNMA special assistance purchase authority, urban renewal, public housing, housing for the elderly, and planning scholarships and fellowships.

Senator BUSH. How about relocation payments?

Senator CLARK. Oh, yes. How about these relocation payments, Mr. Walker, as Senator Bush says?

Mr. WALKER. Yes, sir.

Senator CLARK. That is section 4(b) of my bill.

Before you answer Senator Bush on that, I want to call your attention to the testimony of Mayor Dilworth down here and I think one or two of the other mayors also that they would favor taking a dollar ceiling off the amount which could be paid for reasonable and necessary moving expenses. They pointed out the situation of a printer who, with his family, had been conducting—with his grandfather or so forth—a printing business in Philadelphia for over a hundred years and was forced to move out of a redevelopment-urban renewal area. The cost for moving just his printing equipment ran to \$72,000.

Mayor Dilworth told us the various devices and gimmicks and things as they worked out.

But it does seem unfair that that man should not be allowed to move his machinery and go to some other area and set up his business. And since the Federal Government is dispossessing him, why should not the Federal Government pay for the legitimate moving expenses?

Mr. WALKER. Senator, two things I would like to say with respect to this. I agree that a business that is destroyed by a payment limit of \$3,000—I contend that such a business might also be destroyed by a \$5,000 payment.

Senator CLARK. I think you are right, and that is why I would be inclined to strike that ceiling out.

Of course, you gentlemen know the high confidence I have in your administrative abilities, and I would be confident that you would not abuse this authority if we gave it to you.

Mr. WALKER. Actually, Senator, the instances on the record are so few that this in my opinion would not be a very expensive change. However, there are certain other objectives that I think need to be mentioned here.

It seems to me completely inconsistent that this should be viewed as a total Federal contribution.

No. 1, Senator, I do not think that only the Federal Government is evicting the business. I think the primary eviction stems from the desire of the locality to do the job. Both of us are partners in this evicting action, and I think that we ought to make this a normal project cost, and it ought to be shared in by the locality and the Federal Government in the same manner that we share all other costs.

Senator CLARK. So, in effect, what you are saying—and see if I understand you because I think it makes sense, superficially anyway—is that you would like to see a provision written in the law which would authorize the necessary and proper expenses of moving a business concern and any actual direct losses, the charge to be shared one-third by the locality and two-thirds by the Federal Government?

Mr. WALKER. That is partly right, sir.

In order to move farther ahead than we can under the limit of \$3,000 or \$5,000, I am offering an amendment here today, Senator, which would bring some consistency with other Federal operations. This amendment provides for a payment in these cases of up to 25 percent of the property value, which would be parallel to the bill offered by the General Services Administration, which has been reported by the Senate Committee on Government Operations. In this amendment I am offering such a formula, instead of a raise from \$3,000 to \$5,000, which I think has no merit.

(The amendment referred to follows:)

PROPOSED AMENDMENT TO URBAN RENEWAL RELOCATION PAYMENT PROVISIONS

SEC. —. Section 106(f) of the Housing Act of 1949 is hereby amended—

(i) by changing the period at the end of paragraph (1) to a colon and adding the following: “*Provided*, That upon request of the local public agency such relocation payments may be included in gross project cost on the same basis as other project expenditures, in which event the dollar limitations set forth in the second sentence of paragraph (2) of this subsection shall not apply, but the total of such payments to individuals, families, and business concerns displaced from a parcel of real property shall not exceed 25 percent of the fair value as estimated by the Administrator, of such real property. Payments under this subsection shall be subject to such rules, regulations, and limitations as may be prescribed by the Administrator.”; and

(ii) by striking out the last two sentences of paragraph (2) and inserting the following in lieu thereof: “Such payments shall not exceed \$200 in the case of an individual or family, or \$3,000 in the case of a business concern. Payment to individuals and families of fixed amounts (not to exceed \$200 in any case) may be made in lieu of their respective reasonable and necessary moving expenses.”

Senator CLARK. We will be happy to take a look at it, and I must say I think you are quite persuasive.

Actually, the serious problem comes in connection with lease holders; does it not?

Mr. WALKER. Yes.

Senator CLARK. Because there is no way in which you can compensate them under present law.

Mr. WALKER. I would like to reiterate here at this committee something that I had the pleasure of saying at your university, Senator, and that is that Senator Sparkman's resolution about taking a fair, friendly look at all of our condemnation procedures and their effects is a most timely one, and I think one sorely needed.

Senator CLARK. That I think is before the Judiciary Committee at the moment.

Senator Bush?

Senator BUSH. No.

Senator CLARK. The final bill is S. 3512, introduced by Senator Williams who I hoped would be here but who is not going to be. This deals, as you know, with cooperative housing, relocation housing and urban renewal, and I would like to have the views of the agency on that.

Mr. MASON. Mr. Zimmerman.

Mr. ZIMMERMAN. I might make an attempt to summarize the position that is outlined in my statement. I think that as I look over our attitude on some of the sections, not all of which we find objectionable, I would say on balance I think this is a bad bill and for reasons that have been set out very fully in my testimony.

Mr. ZIMMERMAN. Section 1 of S. 3512 would require the Commissioner to give a preference to a local public agency or a qualified consumer cooperative in the sale of any multifamily housing project acquired by FHA. And I think I can put it very simply. Not only do I not see any justification for the preference, but I can see a lot of harm that comes from this kind of preferential treatment where the disposal of Commissioner-held properties are concerned.

I think that you could say, in effect, that you spoil your market because a lot of otherwise interested buyers or prospective buyers will not take an interest in the property. I think this is the experience of government agencies generally. Where prospective purchasers are confronted with this kind of a preference they do not have the same interest in coming in and competing for these properties.

Senator CLARK. I think this goes back again to a very deep philosophical difference between Senator Williams and me and a number of the other members of the committee and the Agency. You gentlemen, generally speaking, want to have these needs met by FHA and FNMA at interest and discount rates which can be picked up on the open market and which, in effect, price thousands if not millions of families out of the housing market.

This is your sincere conviction. And some of us think, well, that is all right up to a point, but where we can stimulate by a modest amount of Government assistance the building of cheap but safe and sanitary housing the Government ought to do it.

It is perfectly clear that if Senator Williams' bill were passed this would spoil the market for FHA and FNMA and private mortgage

bankers and insurance companies to some extent, but it would also result in some American families getting into a decent, sanitary home which they cannot presently afford.

Mr. ZIMMERMAN. Senator, I do not dispute your observation that we may have a philosophical difference, but I do not believe that it is reflected in the position we are taking on section 1 of this bill.

I see no reason why a cooperative, a group of people who join themselves together in this type of joint ownership, should receive any kind of a preference over these other people that I am sure the Senator feels just as strongly as I do also need good housing.

Senator CLARK. I was expressing a general philosophical concept, not with reference to section 1 of any particular bill.

Mr. ZIMMERMAN. Yes, I understand.

Senator CLARK. Senator Bush?

Senator BUSH. No questions.

Senator CLARK. As far as I know, that is all the subcommittee wants to question you gentlemen about unless one or more of you would like to make a further statement.

All statements will be put in the record.

Mr. MASON. Senator Clark, may I think you for a very courteous hearing.

Senator CLARK. Thank you, Mr. Mason. It is always a pleasure to have you here.

(The prepared statements of Mr. Zimmerman, Mr. Walker, and Mr. Baughman follow:)

STATEMENT OF DAVID M. WALKER, COMMISSIONER, URBAN RENEWAL
ADMINISTRATION

Mr. Chairman and members of the committee, I am happy to come back before you today to discuss the urban renewal provisions of legislation that has been introduced since my previous testimony. My comments will be directed primarily to the urban renewal provisions in S. 3509, which was introduced by Senator Clark.

CAPITAL GRANT AUTHORITY

Section 4(a) of S. 3509 would increase the urban renewal grant authorization by \$600 million on the date of the enactment of the bill, which would be in addition to the \$300 million already authorized to become available on July 1, 1960. This would mean that a total of \$900 million in new capital grant authority would be made available between now and the end of fiscal 1961. As I have indicated in my previous appearances before this committee, it is unnecessary to burden the Federal budget for this amount of authority at this time. We expect to use almost all of the authority that has been provided and made available for the current year, but the \$300 million that will become available on July 1 will be sufficient, by all indications, to sustain a program geared to the maximum level of actual accomplishment through the coming fiscal year.

RELOCATION PAYMENTS

Section 4(b) of S. 3509 would increase the ceiling on relocation payments to business concerns from \$3,000 to \$5,000. When I testified on May 9, I indicated that we recognize the problem faced by a few business concerns when their actual moving expenses and losses of property amount to a sum far in excess of the \$3,000 they are permitted to receive under the existing law. I also said that we believe the cost relocation payments should be shared by the localities in the same way that they share in other project costs. Since that testimony was presented, we have developed legislation which we believe would help to solve both of these problems. I would like to offer this proposed amendment and urge that the committee give it favorable consideration. (See p. 986.)

In explanation of this amendment, I want to point out that we believe the existing relocation payment limits are sufficient to cover the moving expenses and losses of property incurred by the great majority of families, individuals and businesses dislocated by urban renewal projects. In the relatively few cases where the existing limits are seriously inadequate, it is usually a business concern that is involved, and the actual relocation expenses may be a great deal more than \$3,000. The difference, the amount that cannot be reimbursed, may be sufficient to cause a business to fail, and it is our opinion that this problem would not be solved by a \$2,000 increase in the limit, as provided by section 4(b) of S. 3509.

To meet this sort of situation, we are proposing under certain conditions to remove the fixed limits of \$200 and \$3,000 from relocation payments for families and businesses, respectively. Instead, our amendment would permit reimbursement of owners and tenants for moving costs and property losses in amounts up to 25 percent of the value of the property, as estimated by the Housing Administrator. This is parallel to the provisions of S. 2583, an administration bill which would provide relocation payments for owners and tenants of property acquired for Federal purposes by the departments and agencies of the executive branch. S. 2583 was favorably reported last week by the Senate Committee on Government Operations.

Since our experience has shown that almost all families can be relocated at a cost of less than \$200 for moving expenses and losses of property, our amendment would not change the provision of existing law which permits local public agencies to set fixed payments of up to \$200 for all individuals or families relocated from an urban renewal project. This procedure eliminates a considerable amount of detailed recordkeeping and reduces the burden of paper work that is imposed on the local public agency.

You will realize from what I have said that our proposed amendment would increase the overall cost of making relocation payments—a cost that is now borne by a 100-percent Federal grant, calculated separately from the normal grant for the Federal share of project costs. We have long felt that it is inequitable for the Federal Government to pay the entire amount of the relocation payments, while all other normal project costs are shared by the Government and the locality carrying out the project. Consequently, we believe that localities wishing to take advantage of the proposed liberalization of the payment limits should agree to share the cost of relocation payments on the same basis as other project costs. Our amendment would accomplish this by including relocation payments among the expenditures that are charged to gross project cost.

We realize that in some States there may be constitutional or other legal obstacles to the contribution of local public funds for relocation payments, and we understand that this was the reason Congress originally provided for the 100-percent Federal grant. In recognition of this, our amendment would be applied on an optional basis: In States where localities are prohibited by State law from sharing in the cost of relocation payments, the provisions of the existing Federal law would continue to be utilized. In States where localities are authorized to share these costs, a local public agency could choose to do so, and thus obtain the advantage of the liberalized payment limits. We hope this will encourage States in which the sharing of these costs is not now authorized to amend their laws or constitutions so that sharing will be possible.

PUBLIC HOUSING SITES IN URBAN RENEWAL AREAS

Section 4(c) of the bill would provide that land "acquired" as well as land "to be acquired" as part of an urban renewal project could be disposed of for low-rent public housing under the provisions of section 107 of the Housing Act of 1949, as amended. Section 107, adopted in last year's act, provides for a special method of determining the disposition price for such land, and it permits acceptance of the local contribution to the housing project, in the form of tax exemption, as a local noncash grant to the renewal project. At present, section 107 is applicable only if the land was, or will be, acquired after September 23, 1959 (the date the 1959 act was adopted). We would not object to the amendment removing this limitation, provided it does not apply the provisions of section 107 retroactively to cases where project land has already been sold for a public housing project. This is apparently not the intention of section 4(c), but to make the matter clear we have prepared a technical amendment which I can submit for the committee's consideration.

"PILOT" REHABILITATION ACTIVITIES

Section 4(d) of S. 3509 would amend the existing statute to enable local public agencies to carry out "pilot" rehabilitation efforts in urban renewal projects, by acquiring a few buildings, rehabilitating those buildings at project expense, and then selling them to private owners. The number of buildings involved would be limited to 50 dwelling units or 2 percent of the total dwelling units in the project area—whichever is the lesser figure. The net cost would be shared by the Federal Government and the locality in the same manner as other net project costs.

AMENDMENT CLARIFYING SECTION 4(C) OF S. 3509

Section 4(c) of S. 3509 is amended by adding the following sentence: "Section 107 is further amended by striking out the words 'is incorporated' in the proviso to that section and inserting in lieu thereof 'was incorporated on or after September 23, 1959'."

We are enthusiastic about this proposal, as a means of breaking through the initial apathy and confusion that often accompanies the launching of a rehabilitation or conservation project. There are isolated localities where the rehabilitation of existing housing has been successfully carried out, but this most important phase of the urban renewal effort is not going ahead on a mass basis. Part of the problem seems to be the lack of proven examples—actual rehabilitated buildings to show to property owners and convince them that they can improve their homes at a cost that will not be prohibitive. If the local public agency could step in and rehabilitate a few buildings at the very start, it should go a long way toward stimulating the sort of enthusiasm that is needed to make a project successful.

I have only one warning with respect to this proposal. It is that this sort of "pilot" rehabilitation should be carried out by the local public agency in a manner that could be duplicated without Government funds by a private property owner. It would do no good to carry out Government-financed rehabilitation at a cost that would not be feasible for the property owners in the project area. We do not believe that this is the intent of the proposed amendment, and if it is adopted, we would require local public agencies to carry out the rehabilitation work in such a way as to show the feasibility of privately financed rehabilitation.

PILOT REHABILITATION PROVISION OF S. 3509—PROPOSED AMENDMENT
TO SECTION 4(D) OF BILL

On page 4 of S. 3509, substitute the following for lines 18 through 21: "(7) acquisition and repair or rehabilitation for guidance purposes, and resale by the local public agency, of dwelling units which are located in the urban renewal area and which, under the urban renewal plan, are to be repaired or".

Finally, I would like to point out that the language of the amendment proposed in S. 3509 may be technically inadequate to carry out the full intention of the provision. Specifically, we do not feel it is entirely clear that not only acquisition and resale of dwelling units, but also the actual rehabilitation of those units as a project activity of the local public agency, could be included in project costs. We have prepared some technical language that would clear up this point, and I would be happy to submit it for the committee's consideration.

URBAN RENEWAL PROJECTS INVOLVING UNIVERSITIES

Section 4(e) of S. 3509 contains four amendments to section 112 of the existing act—the section added by the Housing Act of 1959 to provide special benefits for urban renewal projects that are undertaken in connection with urban colleges and universities. As you know, section 112 provides for a waiver of the normal predominantly residential requirement in such projects, and also permits the locality to receive noncash grant-in-aid credit for expenditures made by universities for the acquisition and clearance of property either within or in the immediate vicinity of urban renewal projects.

Subsection 4(e)(1) of S. 3509 would permit the locality to obtain noncash grant-in-aid credit with respect to university expenditures for property that is acquired from the local public agency—so long as it is not bought and sold by the local public agency as part of a federally subsidized urban renewal project. We feel that this might be permitted under the existing language of section 112, but the amendment would provide a helpful clarification.

Section 4(e) (2) would amend section 112 to expand the scope of the relocation expenditures by a college or university which are eligible to be counted as credits toward the cost of the project. The present language covers only the cost of assisting in relocating tenants of buildings that are to be demolished. The proposed amendment would include the cost resulting from the relocation of all occupants, whether they are tenants or owners, and would extend this coverage to include buildings that are to be rehabilitated, as well as those that are to be demolished. This amendment would make the provisions of section 112 more consistent with the normal relocation payments provisions of section 106(f) of existing law, and we have no objection to the proposed change.

Section 4(e) (3) would provide for noncash grant-in-aid credit for a university's expenditures with respect to property that is redeveloped or rehabilitated before the approval of the urban renewal plan or development plan required by section 112. We believe that the existing law correctly limits such credits to expenditures that are made with respect to property that is to be redeveloped or rehabilitated in accordance with the required plan. If the redevelopment or rehabilitation is carried out before the plan is officially in existence, the plan must simply recognize the improvements that already exist. There is no way of telling whether the community would otherwise have adopted a plan calling for a different type of improvement for that land. This would violate a basic principle of urban renewal—that the Federal subsidy is justified only when the local governing body has determined the land uses that are in the best interests of the community at large. In effect, the provisions of section 112 increase the Federal contribution to the urban renewal project—or to other projects in the locality—and we do not believe these additional Federal funds should be spent without a prior planning determination by the local governing body. Consequently, we oppose the adoption of this amendment.

Section 4(e) (4) would authorize local grant-in-aid credit under section 112 when a public authority, established by a State, acquires property and leases it to an educational institution for educational uses. The amount of the credit would be the same as if the educational institution had acquired the property. We believe that this is a logical amendment, in that it would provide for equal treatment under section 112 where the methods used to obtain property for an educational institution are technically different but have the same objectives and results.

SECTION 220 FHA MORTGAGE INSURANCE

With respect to section 2(b) of S. 3509, I would like to say that we fully agree with Senator Clark's concern for the gray areas which are not sufficiently obsolete or blighted to require urban renewal grants, but which will surely deteriorate into that condition if something is not done now. Mr. Zimmerman has told you about our joint efforts to improve Federal procedures in this field. I would like to give you an explanation of what we in URA are doing to help the FHA make section 220 mortgage insurance available in those broad areas of our cities.

As you know, the Housing Act of 1954 made section 220 mortgage insurance available not only in projects with urban renewal loans and grants, but also in areas where the urban renewal plan calls for action by the locality on its own. These projects are referred to as nonassisted urban renewal projects, and 12 of them are now underway in various parts of the country. When we were analyzing our procedures last winter to see where they could be simplified or condensed, we took a hard look at the nonassisted project requirements, to see why only 12 projects had been started since 1954. Our conclusion was that so much preliminary work was required before a locality could qualify an area for one of these projects, and the degree of blight had to be so extensive, that communities were discouraged from initiating nonassisted projects in the areas Senator Clark is concerned about.

We have taken clear-cut steps to eliminate these obstacles. We would like to help make section 220 mortgage insurance more readily available in areas where there is deterioration or other evidence of blight which prevents the issuance by FHA of the normal section 203 or 207 mortgage insurance—provided the local authorities agree to eliminate the blighting influences. We have rewritten our requirements for nonassisted projects to accomplish this purpose. It is now possible for a locality to obtain approval of a nonassisted project with an urban renewal plan that calls for only three basic elements: concentrated code enforcement on an area basis, a statement of minimum property standards for the area, and a commitment by the city to eliminate any environmental blighting factors

that exist. Where there are no environmental blighting factors that should be eliminated from the neighborhood, and the minimum code standards are acceptable for FHA mortgage insurance purposes, the urban renewal plan would in effect require only a commitment that house-to-house code enforcement will be carried out.

These procedures should open up large areas in most of our cities for the use of section 220 mortgage insurance, in the same sense as intended by section 2(b) of S. 3509. At the same time, it should avoid the weakness of that section, in two ways: (1) The locality would agree to the elimination of blighting influences where such influences exist, and (2) where the local code standards are not sufficient to meet FHA insurance requirements, the locality would be required to conduct a house-to-house campaign to persuade all property owners to meet a satisfactory standard, thus avoiding the sort of minimum improvements which inevitably lead to further deterioration.

Our new policies for nonassisted projects were issued in the revised manual for local public agencies which was published on March 1. We have reduced the requirements for these projects to the point where they take up only 5½ small pages in the new manual, and I think it might be helpful if the committee would permit me to place these pages in the record at this point.

It is our conviction that any city with a sound planning program can prepare the necessary plan for a typical nonassisted project very quickly—in 2 or 3 months at most, and a test run of our procedures indicates that our regional offices can process an application for such a project in 60 days. This should make it possible for the cities to move quickly into this urgently needed job of conserving the basically sound older neighborhoods.

The impact of this change will be greatly magnified in the months and years to come, as more and more communities prepare community-wide renewal programs with the assistance provided by the Housing Act of 1959. The community renewal program will identify at one time all of the neighborhoods in a city that are appropriate for the use of section 220 mortgage insurance in non-assisted projects. With this knowledge, a city can move into conservation activities on a broad, communitywide front.

STATEMENT OF JULIAN H. ZIMMERMAN, COMMISSIONER, FEDERAL HOUSING ADMINISTRATION

Mr. Chairman and members of the subcommittee, it is a pleasure to appear before your committee and give you the views of the Federal Housing Administration with respect to bills affecting FHA's programs which were not included in my testimony before your committee on May 9.

Two bills have been introduced since May 9 which directly affect the FHA's housing loan insurance programs. One is S. 3509, the Housing Amendments of 1960, introduced by Mr. Clark. The other is S. 3512, a bill related primarily to cooperative housing, which was introduced by Mr. Williams of New Jersey. These two bills will be discussed. In accordance with the committee's request I will also comment on S. 3502, a bill introduced by Mr. Murray, which would authorize insurance of mortgages covering individually owned units in a multi-family structure. The provisions of S. 3509 relating to FHA will be discussed first.

HOUSING AMENDMENTS OF 1960, S. 3509

General mortgage insurance authorization

Section 2(a) of S. 3509 would increase the FHA general mortgage insurance authorization by \$4 billion. As stated in my testimony before your subcommittee on May 9, the best estimates available to us at this time indicate that the present authorization will be sufficient to carry FHA through this year and into next year. However, because it would eliminate many problems, FHA recommends the enactment of S. 3504, introduced by Senator Bush and Senator Capehart, which would remove the present limitation on the aggregate amount of the FHA general mortgage insurance authorization.

As of April 30, 1960, there remained an unused insurance authorization of \$4.3 billion. At that time outstanding agreements to insure amounted to \$1.2 billion. It is expected, on the basis of past experience, that not more than \$400 million of these agreements will result in charges against the insurance authorization.

It is anticipated that FHA applications will rise appreciably, on a seasonally adjusted basis, during the next few months. On the assumption that home mortgage applications will rise by 40 percent between April and September (seasonally adjusted) and remain at that level through December, the unused authorization at the end of this year will be between \$500 million and \$750 million. This unused authorization could be expected to accommodate commitment processing until the end of February or the middle of March 1961.

This is the most reasonable estimate we can make at present, but I am sure this committee appreciates how difficult it is to predict with any degree of confidence the prospective use of authorization or the probable date of exhaustion of authorization. FHA activity is entirely responsive to the voluntary desires of borrowers, builders, and lenders for the services of FHA programs. They, in turn, respond to general economic and money market conditions as well as to their personal wishes. Since all of these factors are variable and difficult to predict, FHA expectations of authorization use are inevitably subject to a big chance for error. For example, last September, with FHA applications previously approaching an annual rate of 960,000 units, it was estimated that \$9 billion of additional authorization would be required for operations through June 30, 1960. The progressive tightening of the money market substantially reduced FHA application volume to an annual rate below 700,000 for the past 5 months and reduced, also, the conversion of agreements to insure. Accordingly, our net use of authorization from October 1 to June 30 is likely to be only \$6 billion.

Broadening and Extension of Section 220 Urban Renewal Housing Program

Section 2(b) of S. 3509 would provide that the FHA urban renewal housing program under section 220 would be available to a neighborhood in a community which has an approved workable program for the prevention and elimination of slums and blight, and which is carrying out a code enforcement program in accordance with the workable program. The Housing and Home Finance Administrator must have also determined that the section 220 mortgage insurance program is needed in order for the community to carry out effectively its program for the conservation of neighborhoods and the prevention of deterioration of residential properties.

Language would be added to section 220 of the National Housing Act which would seem to be designed to make it more clear that the mortgage insurance under that section would assist "conservation and prevention of deterioration" of existing dwelling accommodations. The loan to value limits on the amount of a mortgage covering a two- or more-family residence would be increased where it covers property other than new construction.

FHA believes this section in the bill is not necessary. Section 220 already specifically provides that its purpose is to aid in the prevention of the deterioration of residential property. It also states that its purpose is for the elimination of slums and blighted conditions and to assist the rehabilitation and construction of housing. The insertion of the words "conservation and prevention of deterioration" would, therefore, add no new purpose to the law.

As section 220 now provides, it is already adequate for accomplishing the objectives of the proposal in areas where FHA is assured that there is a local program underway that will not increase the insurance risks beyond those already contemplated in section 220. These are areas where the locality has not only a workable program, but, in addition, an urban renewal plan for the specific neighborhood that has been approved by the local governing body. The plan need not involve the use of Federal loans and grants. With such a locally approved urban renewal plan, there will be a general improvement or conservation of the neighborhood and not merely rehabilitation of an individual piece of property. Code enforcement alone is not enough to make certain that a neighborhood will be generally improved to the extent that might be necessary for purposes of adequate property valuations. Generally speaking, unless true value can be found in the entire neighborhood, which inures to the benefit of individual property, the objectives of individual property renewal are largely unattainable.

The Federal Housing Administration and the Urban Renewal Administration have been working together to find ways to coordinate their programs and to accomplish more in the conservation of neighborhoods and the prevention of deterioration. Ways and means are being devised to simplify their operations and to make them more workable. New instructions have been sent to the field

by URA with respect to the urban renewal areas in which the FHA section 220 urban renewal housing program can be used for rehabilitation and conservation. These instructions encourage the planning of urban renewal areas aimed at conservation and the prevention of deterioration with or without Federal loans and grants. FHA is also simplifying its instructions to the field personnel and making every effort to assure that the section 220 mortgage insurance program will be used to the fullest extent possible in such areas. The experience gained daily in the operation of the housing program in coordination with URA will result in progressively more accomplishment through better planning at both Federal and local levels.

FHA believes in the objectives of conservation and the prevention of deterioration of residential properties. Through its title I home improvement loan insurance program and increasingly through the 220 and 221 programs, much is now being accomplished in this direction.

Housing for the elderly—Health, social, and recreational facilities

A new provision would be added to the FHA mortgage insurance program for elderly housing by section 6(b)(1) of S. 3509. Under the new provision such special facilities as the Commissioner determines are necessary to provide adequately for the health, social, and recreational needs of elderly persons in an elderly housing project would be required to be included in the project.

FHA considers the proposed additional provision unnecessary. Adequate authority already exists under the present law for health, social, and recreational facilities to be included in elderly housing projects. The FHA regulations and standards that have been issued give clear instructions to this effect. Further, the existing law permits the Commissioner to include in a project such commercial facilities as he deems adequate to serve the occupants.

If the provision is intended to require that special facilities must be provided, it could result, in some cases, in foreclosing participation in the elderly housing program by organizations who do not need and do not want the facilities which would be furnished in the projects. For example, one successful project for teachers is so located as not to need any of the facilities contemplated by this provision. Each resident has a valid and outstanding health insurance policy to take care of health needs. Elimination of the provision of health and other special facilities assists in keeping the rents lower in the projects. Under present law the Commissioner has discretion to permit the inclusion of such facilities as are desirable under all circumstances, thus assuring the lowest possible charges to the occupants.

COOPERATIVE HOUSING AMENDMENTS AND OTHER AMENDMENTS, S. 3512

S. 3512 would make a number of amendments in FHA's section 213 mortgage insurance program for cooperative housing. Under FHA's cooperative housing program, mortgage loans made by private lenders are insured covering management-type cooperatives and sales-type cooperatives. The projects may be multifamily projects or consist of single-family homes.

In a management-type cooperative, the mortgagor is a nonprofit corporation formed to build or purchase and operate a cooperative project which is occupied by the members of the cooperative. Individual members do not obtain title to their own dwelling units, but have a share interest in the entire project, an equal voice in its management, and the right to occupy a designated unit. Subject to specific statutory requirements a management-type cooperative may also be formed to purchase an existing structure for operation as a cooperative housing project.

In a sales-type project each individual member is a stockholder of the cooperative corporation undertaking the construction of the housing project. Upon completion of the project, provision is made for the acquisition of title to an individual home by each member and, if desired, the insurance of an individual mortgage on each home.

Mortgages are also insured to provide for the construction of a project by an investor sponsor for sale to a nonprofit cooperative for occupancy by members of the cooperative.

Under section 213 FHA insures cooperative housing mortgages that are liberal in amounts and have long terms. Special assistance is provided by FNMA to cooperative housing. The FHA also assists and guides the formulation of cooperatives and their management and operation.

FHA believes that the liberal assistance already provided both by FHA and FNMA is adequate at this time to encourage and assist cooperative housing. It is opposed to most of the amendments in S. 3512 as being unnecessary and undesirable. These amendments will be discussed separately.

Preference to local public agencies and to qualified consumer cooperatives in sale of acquired properties

Section 1 of S. 3512 would require the Commissioner to give preference to a local public agency or a qualified consumer cooperative in the sale of any multifamily housing project acquired by FHA under any of the FHA multifamily housing programs when a request is received from such an agency or cooperative. FHA opposes any such mandatory requirement. Sound administration and the interest of the Government require that Commissioner-held properties be liquidated without discrimination as advantageously as possible.

The proposed requirement would delay the disposition of multifamily properties and interfere with long-established and well-proved policies of disposing of Commissioner-held properties by advertising for bids to obtain the most advantageous price. Although he was not referring to FHA, the Comptroller General in his 1959 annual report stated:

"We believe that generally the sale or lease by competitive bidding results in * * * obtaining the highest return for the land."

FHA considers it unwise to be required to give preferential treatment to any group in the disposition of its Commissioner-held properties. Such preference would eliminate entirely or seriously limit the interest of other prospective purchasers. In effect it would spoil the market. Therefore, such a proposal would appear inconsistent with the recommendation of the Comptroller General; also, in my judgment, it would seriously prejudice FHA's liquidation operations.

Investor sponsor—sales price to cooperative

The maximum price permitted by the present law at which an investor-sponsor project can be sold to a nonprofit cooperative would be increased, under the provisions of section 2(a) (1) of S. 3512, by permitting project costs after completion of construction to be included in the sales price. Under the proposal, an investor sponsor could sell the project at a price computed as of the day of sale, rather than as of completion of the project, as presently required. The new provision would permit adding to the sales price organizational and legal expenses and overhead expenses incurred up to 2 years after completion of the construction. This could include expenses of organizing the cooperative, and taxes, insurance, and project maintenance expenses. It would take away the incentive of the investor sponsor to sell the project to a cooperative as quickly as possible.

The provision would permit inclusion in the sales price of costs after construction, which are not actually costs of production of a project. They would not be considered a part of the capital cost under established appraisal or accounting practices. The cost to the cooperative would also be increased without any corresponding increase in value of the project.

This provision and other provisions in the bill would tend to eliminate ordinary business risks. FHA does not believe this is necessary or desirable.

Exterior land improvements

Under section 2(a) (2) of S. 3512 exterior land improvements would be required to be excluded from the part of a section 213 cooperative housing project attributable to dwelling use for the purpose of determining the amount of the mortgage based upon the per room or family unit limits.

FHA does not object to this provision.

Determination of replacement costs for purposes of mortgage amount

Section 2(a) (3) and 2(a) (4) of S. 3512 would specify items to be included by FHA in the replacement cost of cooperative housing for the purpose of determining mortgage amounts. In addition to items customarily considered in determining replacement costs, the costs would be required to include interest charges, hazard and mortgage insurance premiums, and other costs not only during construction, but also after completion of construction up until the time a sufficient number of the dwelling units in the project are sold and occupied to produce the income required to meet operating expenses and debt service.

FHA is opposed to this provision. It would have the effect of permitting proceeds of the insured mortgage to be used to pay certain operating expenses

of the housing and interest on the mortgage itself. Such use of mortgage proceeds would violate all accepted principles and practices of mortgage lending. Operating expenses and interest after completion of the housing are in no way part of the cost of production of the project. These expenses and charges would not be considered a part of capital costs under either established appraisal or accounting practices. The seriousness of this provision is demonstrated by the fact that the addition of interest, taxes and insurance charges for only 1 year to the capital costs of the project could increase the mortgage amount by as much as 7 or 8 percent. Such an increase would result in substantially larger costs to the members of a cooperative to support the higher debt service requirements.

The provision would increase replacement cost estimates in all projects for the purpose of relieving hardships that may occur in only a few instances. The net result would be that the costs of the housing to the occupants would be increased unnecessarily, as would FHA's insurance risks.

This is another provision that would eliminate risks on the part of the sponsors of cooperative housing projects and incentives to make the project successful.

Economic feasibility of investor-sponsored cooperatives

Section 2(a) (5) of S. 3512 would provide that in determining the economic feasibility of a project in the case of an investor sponsor mortgagor building for sale to a nonprofit cooperative for occupancy by its members, the sole test of such feasibility would be the availability of people in the community who need the housing which would be provided and who can afford such housing.

This provision is unnecessary and undesirable. Under existing legislation, FHA has latitude to establish such criteria as are determined appropriate relating to the feasibility of proposed cooperative housing projects. To consider only the number of persons available in a community without regard to their wants and desires for cooperative housing could result in the undertaking of cooperative projects which would be destined to failure. It would be a disservice to FHA, the sponsors, and members of the cooperative to fail to take into consideration other relevant and persuasive factors in determining feasibility.

Assistant Commissioner for Cooperative Housing

Under section 2(a) (6) of S. 3512 the Commissioner would be required to appoint an Assistant Commissioner for Cooperative Housing in lieu of the Special Assistant for Cooperative Housing.

FHA opposes this provision. The Housing Amendments of 1955 established a Special Assistant for Cooperative Housing. Other special assistants have been appointed within the Agency to function in similar capacities for other programs. Special assistants function well in helping to develop their respective programs, but undesirable administrative problems would arise if an Assistant Commissioner were appointed for the cooperative housing program.

FHA's present organizational and functional pattern places Assistant Commissioners at the head of such basic staff divisions as Operations, Technical Standards, Administration, Programs, Examination and Audit, Mortgages and Properties, and Title I. This organizational structure carries out all of FHA's programs most effectively. There are special assistants to the Commissioner for home mortgages, section 207 multifamily mortgages, elderly housing, nursing homes, urban renewal, cooperative housing, armed services housing, and inter-group relations. They assist both the Commissioner and all Assistant Commissioners in meeting problems arising out of a particular program. The administrative authority and discretion to follow this logical pattern should not, in my judgment, be impaired by an act of Congress.

Eligibility of previously unsuccessful cooperative housing sponsors

Section 2(a) (7) of S. 3512 would remove a provision in section 213 which makes an investor sponsor ineligible for future section 213 mortgage insurance if he obtained an FHA insured mortgage under that section and failed to sell to a cooperative. A provision would be substituted which would place discretion in the Commissioner to refuse to insure a mortgage loan to such a sponsor for such period of time as he shall determine appropriate. The new provision would be made applicable to a mortgagor who has a stockholder who was identified with a mortgagor who failed to sell to a cooperative.

FHA has no objection to this provision.

Multiple mortgages—cooperative housing

Under section 2(a) (8) of S. 3512, the Commissioner would be authorized to insure separate mortgages executed by the same mortgagor-cooperative covering several different projects in the same area. A further provision of the amendment would limit recovery in the case of foreclosure or delinquency of a mortgage to the income derived from the project which is covered by the mortgage. Recovery from income of the mortgagor from other sources or another project would be prohibited.

FHA is opposed to this provision. There is no provision of the present law which prohibits insurance of separate cooperative housing mortgages executed by the same mortgagor, so this part of the amendment is unnecessary.

The restriction on the rights of recovery from other income or projects of the mortgagor would seriously limit both the mortgagee's and the FHA's usual remedies against mortgagors.

Cooperative housing mutuality

Section 2(a) (9) of S. 3512 would provide for the establishment of two mutual mortgage insurance funds for management and sales cooperatives. The mutuality provisions would be like those now applicable to section 203 home mortgages. Mutuality could be made applicable to mortgages insured prior to enactment of the bill where a request is received from the mortgagee within such period as the Commissioner may prescribe.

FHA is opposed to this proposal. It is our opinion that section 213 now provides a number of special benefits which are not available to other programs. More specifically we have in mind the relationship of section 213 sales type housing to section 203 housing. The building operation and the type of ownership are essentially the same in both cases. FNMA special assistance provided by Treasury borrowings, longer mortgage terms, and insurance of advances of mortgage proceeds for construction of community facilities, are all available for section 213 cooperative housing, but not for section 203 housing. We therefore oppose additional advantages to cooperative housing through the mutuality provisions of this section.

Replacement cost or value—inclusion of financing charges and discounts

The Commissioner would be required under section 3 of S. 3512, in processing an application for insurance of a mortgage, to include in his estimate of replacement cost or value of the property to be covered by the mortgage, an amount equal to the amount of the financing costs and fees which would be imposed by FNMA in connection with its commitment and purchase of the mortgage under its special assistance functions. The mortgage would be required to be eligible for special assistance from FNMA and the mortgagee must state that it intends to apply to FNMA or others for a commitment to purchase such mortgage.

FHA is opposed to this provision. The proposal would permit the inclusion in the mortgage of discounts and other financing charges not now included in an FHA-insured mortgage. This would, in effect, be an increase in the cost to the borrower without a corresponding increase in the value of the property. It also would encourage the use of FNMA special assistance and deter sponsors from seeking funds from private investors.

The FHA has followed the customary appraisal practice of including in value or replacement cost only those financing charges which can be considered typical in housing construction and rehabilitation. The purchase of FHA-insured mortgages by FNMA cannot and should not be considered typical mortgage financing since FNMA purchases only a small proportion of such mortgages.

FHA MORTGAGE INSURANCE PROGRAM FOR CONDOMINIUMS—S. 3505

S. 3502 would authorize FHA to insure mortgages for the purchase of individually owned units in a multifamily structure. Although the word "condominium" is not mentioned in the bill, it is intended to authorize insurance of mortgage loans for the purchase of dwelling units in a condominium. Condominiums resemble cooperatives but differ in a number of ways.

While condominiums are common in Puerto Rico and other countries, they are unusual in this country. The few condominiums that exist in the United States have, in some cases, been formed through the creation of trusts. However, in Puerto Rico and other places condominium ownership is provided for by a condominium law.

Under the law in Puerto Rico each individual unit in a multiunit structure can be owned outright by an individual or other entity. Title can be recorded as if it were an individual home or other piece of property. The unit can be conveyed and encumbered irrespective of the building of which it is a part. Each unit owner also owns a share in the common facilities of the building, such as the land, the foundations, halls, lobbies, stairways, and janitor lodgings. The common facilities remain undivided and are not subject to division. The necessary maintenance of the property and use of the common facilities are governed by agreement between the coowners of the structure. The common profits and expenses of the buildings are distributed among the owners.

FHA can under the present law insure mortgages on one or more single family homes with little or no problem related to the other owners where the homes are placed side by side with common walls on adjacent lots. With individual ownership of units in a multiunit condominium, however, there is no way in which the mortgage could be insured on one unit without joining in a relationship with all the other owners. FHA's mortgage insurance programs are presently based upon the statutory authority to insure a mortgage on a fee simple or a long-term leasehold interest. A condominium creates what are sometimes referred to as "air rights." FHA does not now have authority to insure mortgages of these kinds.

Because of the many problems which must be considered FHA believes that the proposal to give FHA such authority should have further study before S. 3502 or similar legislation is enacted. I will give a few examples of the legal questions and practical matters involved.

In case of FHA acquisition of a unit in a condominium as a result of default on an insured mortgage, FHA, under the condominium law in Puerto Rico, would be required to offer the acquired property for sale first to other owners in the condominium. This could delay disposition and increase possibility of FHA losses. While the property is held by FHA, it would be responsible for the prorated maintenance and operation costs of the entire structure. In Puerto Rico when a condominium is entered into, a condominium "regime" is created and a form of public dedication is made whereby the only manner in which the condominium may be abandoned or dissolved is with the consent of all the members. FHA could be in the position of maintaining and operating a majority or a large number of the units as a result of foreclosure action if for any reason it was unable to dispose of the units. So long as there was one owner who remained and wished to continue with the condominium arrangement FHA would be required to dispose of the properties in accordance with the condominium concept and would be precluded from disposing of the property in any other manner. This would, of course, be governed by the law of the jurisdiction in which the condominium is located.

It is clear that S. 3502 would need to be amended by changing its definition of "mortgage." Numerous other changes would need to be made in the bill before it became law. Because condominium ownership is unique in this country, and because of the many considerations involved in FHA's mortgage insurance programs, FHA cannot without further study recommend enactment of legislation along the lines of S. 3502.

STATEMENT OF J. STANLEY BAUGHMAN, PRESIDENT, FEDERAL NATIONAL MORTGAGE ASSOCIATION

Mr. Chairman and members of the committee, I appear before you today to present the views of the Federal National Mortgage Association on the provisions that concern FNMA in S. 3509 and S. 3512. There are several amendments in these bills that would affect either FNMA's Government-financed special assistance functions or its privately financed secondary market operations, or, in some instances, both of these separate FNMA activities. In another bill, S. 3541, there are proposals that would expand the FNMA secondary market operations' financial services into a mortgage banking facility and also make changes in FNMA's basic organizational structure. Mr. Mason has already commented on S. 3541.

S. 3509

Section 3 of S. 3509 would increase from \$950 million to \$1,100 million the overall FNMA special assistance authorization that is subject to the discretion

of the President. FNMA's budget estimates recognize that another \$150 million should be added to the funds that are available for special assistance in connection with mortgage financing of housing programs, especially those for urban renewal and elderly persons. However, it is the position of the Administration that these additional funds should be made available through the type of appropriation procedures that would be provided for by S. 3499.

S. 3512

The FNMA Charter Act amendments in S. 3512 are set out in the five numbered paragraphs of its fourth section.

Paragraph (1) of section 4 would remove the existing statutory FNMA mortgage amount ceilings with respect to FHA-insured section 213 mortgages covering cooperative housing projects located in urban renewal areas. Under this legislation, such mortgages would receive treatment analogous to that accorded FHA-insured section 220 urban renewal mortgages. FNMA has no objection to this proposal.

Paragraph (2) of section 4 proposes an amendment under which the per-dwelling-unit mortgage amount, in the case of any mortgage in a multifamily housing project, would be computed from only that portion of the overall mortgage amount that is attributable to the dwelling portion of the multifamily housing project. FNMA has no objection to this method of computation.

Paragraph (3) of section 4 would impose a requirement, under the Government financed special assistance functions, that FNMA's purchase price for all mortgages purchased pursuant to commitments made during a period of 1 year shall be par or 100 percent of the unpaid principal balance, without regard to interest rates. The same paragraph would also impose with respect to the same commitment contract transactions inflexible limitations on fees, which could not exceed either 1 percent in the aggregate, or one-fourth of 1 percent for a commitment.

The Administration, as you know, has consistently and firmly opposed any requirement for purchases at a fixed par rate.

If there be kept in mind the real purposes that the special assistance functions are designed to serve, the question arises whether mortgages bearing differing interest rates, varying as to current new FHA and VA mortgages from 5¼ to 5¾ percent, can consistently be purchased at any single uniform price—whether that price be par or some other amount. Certainly they are neither valued nor purchased on such a basis by institutional investors.

The special assistance functions provide for the purchasing of selected types of mortgages pending the establishment of their acceptability in the general mortgage market. If the establishment of such acceptability is to be advanced, special-assistance purchases should be conducted in circumstances that are planned to encourage private investment in the same types of mortgages. If the circumstances were to include fixed purchase prices that were disproportionately high in relation to the market, FNMA's purchases would necessarily supplant or deter private investment.

Because the circumstances often involve the purchase by FNMA of mortgages that are valued by investors generally at less than par, adoption of the proposed pricing requirement, supplemented by the proposed limitation on fees, would create a situation in which the investment of non-Government funds in such mortgages would become impracticable to any large extent. This result would follow even though the mortgages were of the more desirable types eligible for special assistance.

Also, investors in a position to choose whether they will make mortgage credit available, or whether they will invest in other types of obligations, are not likely to select the mortgage field whenever mortgage investments are not reasonably competitive with other types of investments. If the Federal Government, acting through FNMA, under its special assistance functions, were to establish mandatory and inflexible purchase prices supported by Treasury funds, it would thereby tend strongly to preempt that part of the mortgage market covering the special-assistance types of mortgages. In addition, the proposed provision to establish FNMA's fees below those of other mortgage institutions would further aggravate the situation. Specifically, the usual fee for purchase commitments is 1 percent, but under the bill FNMA's maximum commitment fee could not exceed one-quarter of 1 percent.

In consequence it is our view that under the bill the Government, in its endeavor to be helpful to special types of home purchasers, would be unwittingly reducing the total credit actually available for those special types of home purchasers. As I have said many times before, in the long run substantially more financing will be available for the special assistance types of mortgages if we help to maintain an environment favorable to investment in them by private funds.

Paragraph (4) of section 4 of S. 3512 would increase the \$200 million of direct special assistance authorization for FHA-insured section 213 cooperative housing mortgages, provided by section 305(e) of the FNMA Charter Act, by the amount of \$50 million. All of the increase would be intended solely for mortgages on certified consumer cooperatives. Another amendment in paragraph (4) would increase the limitation on outstanding commitments in any one State under this authorization from \$20 million to \$25 million.

Nearly 3 years ago, in July of 1957, the Congress provided that \$50 million of the \$200 million of authorization in section 305(e) should be available solely for mortgages on consumer cooperatives. Of this earmarked sum, approximately \$18 million remains available. Section 305(e) of the FNMA Charter Act also contains a further separate direct special assistance authorization of \$12.5 million for mortgages on certified consumer cooperatives, which was added by a 1959 amendment. There has been no occasion to need to use any part of this second authorization: it, unlike the first, is not subject to any State limitation.

Thus, at this time, there exists more than \$30 million of unused direct special assistance authorization for consumer-type cooperative mortgages. This amount, in our opinion, is sufficient for the special assistance needs of consumer cooperative housing. Accordingly, we recommend against the enactment of paragraph (4) of section 4 of the bill.

Paragraph (5) of section 4 of S. 3512 proposes two further amendments of the direct special assistance authorization in section 305(e) of the FNMA Charter Act for FHA-insured section 213 mortgages covering cooperative housing. The first would require FNMA to issue or extend its commitments for these mortgages in such a manner that they would be continued for an additional 2 years after completion of the projects. It appears probable that this proposal is intended to assist a mortgagor of the type that could certify to FHA, under section 213, that upon completion of the project covered by the mortgage the mortgagor intends to sell such project to a nonprofit cooperative ownership housing corporation or trust within 2 years.

FNMA's commitment contracts to purchase multifamily housing mortgages customarily are for a term not exceeding 27 months. However, in the category of cases under consideration, FNMA's practice has been to provide for extensions. Accordingly, we think there is no need for this proposal. The incentive for diligent sales efforts by the original mortgagor might be lacking if there were a statutory provision for a mandatory 4-year commitment period.

Under the second amendment, whenever the Federal Housing Commissioner shall have issued a statement of feasibility on a section 213 project FNMA would be authorized to enter into a contract to reserve funds for the purchase of the mortgage for such period as the Commissioner certifies is necessary, taking into account the time required by the FHA to issue a commitment for mortgage insurance. However, no charge for the reservation of funds could be imposed prior to the time when the Commissioner issues a commitment to insure the mortgage; at that time FNMA could impose a charge of one-eighth of 1 percent. Later, when and if FNMA issues its commitment contract to purchase the mortgage, another one-eighth of 1 percent, being the balance of the authorized commitment fee of one-fourth of 1 percent, under the bill, could be charged. We think there is no established need for this proposed commitment-to-issue-a-commitment.

Mr. Chairman, I have concluded my prepared testimony.

Senator CLARK. Our final witness is Mr. John H. Arrington, Chief of the Family Housing Division of the Department of Defense. Mr. Arrington, would you come forward and occupy the witness chair?

Let's see if we can move ahead. Mr. Arrington, we are happy to have you with us. Your statement will be printed in the record. Will you please proceed in your own way?

STATEMENT OF JOHN H. ARRINGTON, CHIEF, FAMILY HOUSING DIVISION, OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE (PROPERTIES AND INSTALLATIONS); ACCOMPANIED BY ANDREW MAYER, OFFICE OF GENERAL COUNSEL, DEPARTMENT OF DEFENSE

Mr. ARRINGTON. Would you care to have me read the statement, Mr. Chairman?

Senator CLARK. I would prefer to have you highlight it but if you do not think you can do it adequately go ahead and read it.

Mr. ARRINGTON. I can just state briefly that the statement covers progress under our principal housing program, the Capehart program, during the past several years, as a progress report, on the first two pages.

It discusses our principal difficulty at the present time, which is in connection with our statutory interest ceiling fixed at 4½ percent. The main purpose of our appearance this morning is to request that that be increased to 5½ percent.

We have been closing Capehart projects in recent months at a rather slow rate but we have been paying discounts of as much as 7½ and 8 points for some projects.

Senator CLARK. So, actually, what happens is that you do not get the money any cheaper, it is just reflected by a discount instead of in the interest rate? Is that it?

Mr. ARRINGTON. That is correct, sir. And with higher construction costs—this comes out of the house—it is increasingly difficult for us to provide an adequate unit in high-cost areas.

Senator CLARK. It increases the unit cost?

Mr. ARRINGTON. We are under a statutory cost ceiling of \$16,500 per unit on the average. This has to come out of that, so we get that much less house.

Senator CLARK. Yes. You are talking exclusively about Capehart housing, are you not?

Mr. ARRINGTON. Yes, sir.

Now, in the course of the statement we also give a brief report on our 809 program and our 810 program, and—

Senator CLARK. I would like to ask you about 809 and 810. Are you satisfied with the progress there?

The reason I ask is that I have just had a situation in connection with naval personnel at the Philadelphia Navy Yard—you are probably familiar with that situation—where they are now in a public housing project. The city has been trying to get them out for a good long while, and the suggestion was that it could be handled by 810 housing. Everybody I talked to said that just would not work at all, was just a useless gesture.

I was happy to see that the conference report on the military construction bill had given us the Capehart housing which the mayor and the Navy and everybody else had wanted, which raises the question in my mind as to whether perhaps 809 and 810 are useful in some sections of the country. They do not seem to be much use in the city of Philadelphia.

Mr. ARRINGTON. Well, the section 809 program, of course, is much more limited in scope than section 810. Section 809 is for essential

civilian workers at research and development installations, and it conforms to the general provisions of section 203 I believe. Of course, most of those civilian workers can pay a reasonably adequate purchase price. For the record I should like to provide certain comments of the Department of Defense on the Senate amendment to section 809. (The information referred to follows:)

ASSISTANT SECRETARY OF DEFENSE,
PROPERTIES AND INSTALLATIONS,
Washington, D.C., May 27, 1960.

HON. JOHN J. SPARKMAN,
*Chairman, Subcommittee on Housing, Committee on Banking and Currency,
U.S. Senate*

DEAR MR. CHAIRMAN: As you know, the Senate recently passed S. 3226, 86th Congress, a bill which amends section 809 of the National Housing Act so as to provide for mortgage insurance on homes owned by employees of the National Aeronautics and Space Agency and its contractors. Your committee, in reporting the bill, stated that it was designed to overcome the technical difficulties arising from the fact that administrative jurisdiction over certain research and development installations has been transferred from the Department of Defense to NASA, while section 809, as presently worded, refers only to employees at installations of the military departments, so that NASA has no authority to certify eligible employees or to guarantee the Federal Housing Administration against loss.

In reporting the bill, your committee added an amendment specifically authorizing the Administrator of NASA to guarantee the armed services housing mortgage insurance fund against loss, to the extent required by the FHA Commissioner. However, although some housing units originally occupied by personnel of the Department of Defense are now occupied by NASA personnel, there is nothing in the bill which specifically provides for the substitution of NASA for the cognizant military department as guarantor with respect to such units. Despite the omission of specific language on this point, however, the Department of Defense is of the view that such substitution is appropriate under the language of the amended bill. Since NASA is specifically authorized to guarantee the ASHMI fund with respect to mortgages insured after the date of enactment, where the houses are to be occupied by NASA personnel, it is clearly the intent of the bill that only NASA, and not the Department of Defense, make such guarantees; however, the bill does not distinguish between mortgages insured prior to enactment and those insured subsequent thereto: It merely provides for a NASA guarantee "in the case of mortgages referred to in this subsection"—that is, section 809 mortgages on housing for NASA personnel, irrespective of when they were insured. Since it seems unreasonable for the Department of Defense to incur the contingent liability on housing for NASA personnel, the Department interprets the language of S. 3226, in the form in which it passed the Senate, as authorizing a substitution of guarantors, and if the bill is enacted without further amendment the Department will endeavor to implement the legislation so as to provide for such substitution.

Sincerely yours,

COOPER P. BENEDICT.

Section 810, on the other hand, unlike section 809, is essentially a rental program rather than a for-sale program, and it is for civilians and military personnel at any installation throughout the country.

Senator CLARK. The naval people told me that they could not possibly build section 810 housing—rather, a private builder could not possibly build section 810 rental housing—for rents which their naval personnel could afford to pay. Is this true, gentlemen?

Mr. ARRINGTON. That is the essential problem. I touch briefly on that in my statement. I might read for a moment.

One fundamental difficulty which still confronts this program is the fact that in most areas reasonably adequate private housing cannot be built to rent at prices which military personnel can afford to

pay. For example, a five-room unit under this program should cost about \$12,000 to \$13,000, which would mean that the gross rent would or should be about \$125 per month—

Senator CLARK. Do you have any experience which would enable you to comment on whether the major reason for the inability to build at a price which will make for more moderate rental is due to land acquisition cost? Or is it due to the actual house itself or both?

Mr. ARRINGTON. You are speaking now generally throughout the country?

Senator CLARK. Yes.

Mr. ARRINGTON. The basic difficulties are the level of quarters allowances for military personnel. The highest enlisted allowance is \$96.90. When you include utilities it is difficult in most areas to get much of a house at that price.

Senator CLARK. But I assume it is correct, is it not, if you move in to metropolitan areas the land acquisition cost throws it way out of gear?

Mr. ARRINGTON. That is true.

Senator BUSH. Mr. Chairman, the question arose in the Armed Services Committee about the costs of these houses. You say the average cost is about \$16,500. But the point was made by the Subcommittee on Construction, Senator Stennis' committee, that some of these houses that were built for the general officers are running up as high as \$30,000 or more than that even, and that this is taking away from the money that is available to go into the more moderate-price houses for enlisted personnel.

Would you like to comment on that?

Mr. ARRINGTON. Well, I know that that was brought out during the course of testimony, and also I believe the General Accounting Office prepared a report which included a statement on this particular subject.

I believe the instances primarily cited were Air Force projects, Air Force Capehart projects, and apparently the costs for general officers' quarters were in the \$30,000 area.

Under the Capehart program we are governed by the congressional limitations respecting space, but we do not have an individual unit cost ceiling. The general officer quarters built by the Air Force were within the space ceiling, and it simply boils down to the fact that on today's market it costs about \$30,000 to get that much space.

I would not say it would have too great an impact on the balance of a project because the number of units of that type are relatively few compared to the number of units for your junior officers and enlisted men.

In other words, I do not think it would unduly burden the lower cost units.

Senator CLARK. Do you want to add anything further?

Mr. ARRINGTON. No, sir.

Senator CLARK. Senator Bush, any other questions?

Senator BUSH. No.

Senator CLARK. Thank you very much, sir.

I am sure the other members of the subcommittee will read your testimony with interest.

(The prepared statement of Mr. Arrington follows:)

STATEMENT OF JOHN H. ARRINGTON, CHIEF, FAMILY HOUSING DIVISION, OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE (PROPERTIES AND INSTALLATIONS)

I appreciate the opportunity to appear before you today on behalf of the Department of Defense, in order to offer our views on proposed legislation now pending before this committee, and report on the progress of our military housing programs.

During the past 5 years, great progress has been made in the provision of family housing for our military personnel stationed in countries throughout the free world. Several programs have been utilized in this effort, but the Capehart program has produced more housing units than all of the others combined. Some of the highlights of progress under this program are as follows:

More than 76,000 units were placed under construction in the short space of 3 fiscal years—20,742 in fiscal year 1957, 28,988 in fiscal year 1958, and 26,491 in fiscal year 1959. To date, more than 62,000 units have been completed and occupied, with about 39,000 units having been finished in the past 12 months. An additional 25,000 units are currently being built at this time and it is now expected that another 12,000 to 15,000 units will be started during the next 5 months.

This program will soon have provided housing for armed services families at more than 200 military installations. Although the great majority of these installations are in the continental United States, 16 are offshore: there are 11 in the new State of Hawaii, 2 in Puerto Rico, 2 on the Island of Guam and 1 in the Panama Canal Zone.

The 87,000 units placed under construction to date have been financed with mortgage loans amounting to \$1.4 billion. Of this amount about \$410 million has been provided by the Federal National Mortgage Association and \$970 million has been obtained from private sources, such as State, city, and private pension funds, endowments, insurance companies, banks, etc.

The average mortgage for all 87,000 units amounts to \$15,750—\$750 less than the statutory limit of \$16,500. In addition, about \$800 per unit has been spent from appropriated funds to acquire sites, prepare the sites, and provide off-sites utilities and roads. Thus the total initial cost for the average unit amounts to \$16,550.

In addition to the 107,000 units now in various stages of development, we have requested authorization for an additional 9,618 units in our fiscal year 1961 program. The proposed 1961 program is modest because we feel it necessary to proceed with increasing caution as we approach substantial satisfaction of our more pressing needs. Sizable safety factors (approximately 175,000 units) must be preserved against possible future personnel cuts and redeployments and in anticipation of possible increases in the private housing supply in many areas. In many nonisolated areas we have deferred proposed projects until we can properly evaluate the impact of prior increments.

In recent months progress under the Capehart program has been slowed down considerably, due to several factors. Two, which caused relatively minor difficulty, involved reducing the program to comply with a statutory limitation on the number of units which could be contracted for, and devising procedures to provide a military title guarantee in lieu of commercial title insurance wherever possible.

But the most serious deterrent to progress has been the discount which our builders have had to pay in order to obtain interim and permanent financing. The discount has been as much as $7\frac{1}{2}$ to 8 points for some projects. Since January there have been signs that the money market is easing slightly, but no significant change has yet been observed in the price paid for Capehart mortgages.

Because this discount is an actual item of cost to the builder, it must be included in his bid. In a number of instances this has resulted in bids in excess of the statutory limit and it has been necessary to undertake costly redesign and re-advertising.

Accordingly, the Department of Defense has recommended an increase in the statutory ceiling to $5\frac{1}{2}$ percent. Such an increase would be consistent with increases previously granted for other federally insured or guaranteed mortgages, and it has the approval of the Bureau of the Budget.

It is not anticipated that it would be necessary to increase the Capehart interest rate to the proposed new ceiling in the immediate future. Indications are that investors are currently seeking a net yield of about $5\frac{1}{4}$ percent on Capehart mortgages. If the current easing of the money market continues and is reflected in the prices paid for Capehart mortgages, it is believed that an in-

terest rate of 5 percent would cause these mortgages to sell for slightly less than par. However, the 5½ percent ceiling would provide a desired degree of flexibility.

Another program under title VIII of the National Housing Act which has aided in providing housing at military installations is the section 809 program. As you know this program was created by Public Law 574, 84th Congress, and provides mortgage insurance on sales housing for civilian employees of the military departments and their contractors at research or development installations.

To date certificates of need have been issued to the Federal Housing Administration for 6,275 units for 8 installations. While activity at some locations has lagged, it has boomed at others. For example, mortgages have been insured on 1,546 houses in Huntsville, Ala., and on 2,065 units in the vicinity of Cape Canaveral, Fla.

The newest program under title VIII of the National Housing Act is provided by section 810, which was added last year by the Housing Act of 1959. This new section makes provision for building under FHA-insured mortgages off-post, private rental housing for military and essential civilian personnel at military installations. The Secretary of Defense or his designee is required to certify as to the need and feasibility of the proposed housing. Upon receipt of the certificate, the FHA Commissioner may insure a mortgage without making a finding of economic soundness (as required for basic FHA programs), although if he finds that the mortgage is not an acceptable risk, he may require the Secretary of Defense to guarantee the FHA insurance fund from loss. The insured mortgage may not exceed 90 percent of the estimated value of the property and \$2,500 per room (up to \$3,500 in high-cost areas) in multifamily housing or \$22,500 per single-family house.

The Department of Defense opposed this legislation on the grounds that we could not accept as military assets any housing in which we would not have control as to location, design, and rental. However, since passage of the legislation, we have worked out with the FHA procedures which we believe will alleviate these objections.

One fundamental difficulty which still confronts this program is the fact that in most areas reasonably adequate private housing cannot be built to rent at prices which military personnel can afford to pay. For example, a five-room unit under this program should cost about \$12,000 to \$13,000, which would mean that the gross rent would or should be about \$125 per month, as against an average quarters allowance of \$92 per month for personnel entitled to quarters and a maximum allowance of \$96.90 for enlisted men. While it appears that reasonably adequate housing might be built in low-cost areas, it is believed that in other areas the military services might have to accept housing which would be somewhat less than adequate, or which would require rents considerably in excess of quarters allowances.

As indicated above, we have entered into a memorandum of agreement with FHA and have drafted instructions to the military departments. It is now expected that final instructions can be issued by the end of this month. In view of proposed legislation in H.R. 10777 which would require that line item authorization be contained in the annual Military Construction Authorization Act before this program could be utilized at a given location, we attempted to have certain 810 authorizations included in this year's act. A number of 810 authorizations were suggested to the Senate Armed Services Committee and others were added by the Senate, so that H.R. 10777 as passed by the Senate on May 13, 1960, contained line items for 3,105 units. However, as a result of conference action, all line item authorizations for section 810 housing have been deleted and, therefore, under the provision contained in the House version of the bill it will be impossible for us to undertake any section 810 projects until line item authorizations can be requested for inclusion in the Military Construction Authorization Act of 1962.

During the past several years, acquisition of Wherry projects has progressed at a satisfactory rate as funds from the revolving fund established pursuant to Public Law 1020 have become available. As of May 1, 1960, the military departments had acquired 62,487 units of the original 83,742 units constructed for Department of Defense use. These included 46,251 on a mandatory basis and 16,236 on a permissive basis. An additional 781 units were in process of acquisition as of that date.

With respect to plans for future acquisition, it is expected that by June 30, 1961, an additional 6,455 units will have been purchased by DOD. These together with the 63,268 already acquired or in process of acquisition will bring

the total Wherry inventory of the DOD to 69,723. This figure, when added to the 4,319 units in default or acquired by the FHA, represents in excess of 88 percent of the original Wherry total of 83,742 units.

From the statistics provided above, it may be noted that there will be 9,700 units of Wherry housing still in private hands as of July 1, 1961. Many of these were constructed to serve installations where the military force has since been substantially reduced. In these cases, the DOD has no current plans for acquisition. There are, however, some projects in this group which may be acquired subsequent to July 1, 1961, depending upon the continued need for the housing and the availability of funds for purchase and rehabilitation.

This statement has been cleared in substance by the Bureau of the Budget, which has no objections to its submission. I shall be glad to answer any specific questions the committee may have.

Senator CLARK. Mayor Christopher of San Francisco was scheduled to appear earlier in the hearings but was unable to be present. He has sent us a statement which will go in the record here. Also a letter from Mr. Merrill of the San Francisco Planning and Urban Renewal Association.

(The statement and letter referred to follow:)

STATEMENT OF GEORGE CHRISTOPHER, MAYOR, CITY AND COUNTY OF
SAN FRANCISCO, CALIF.

San Francisco is making noteworthy progress in the redevelopment of its produce market area, known in the community as the Golden Gateway. Plans have been promptly prepared, the city is investing substantial cash in supporting facilities, acquisitions are underway, developers of strength and competence have come forward to build in the area the many apartments, garage facilities and office buildings needed by the city. Strong community support for the project exists.

The project is seriously needed in view of the shortage of residences in the city and the loss of industries from freeways and other public works.

The tax base is also a consideration in view of the fact that San Francisco's rates have been increasing, and this project, when completed, will help to reduce or reverse the trend.

However, much of this progress will be retarded if relocation of families and industries out of the produce area is not made promptly and with greater equity. Although families and single persons are involved, the immediate problem is one of industrial relocation. The city has undertaken to assist the produce industry and other businesses reestablish themselves, but it has no answer to those industries which are not highly profitable but which must undergo relocation costs substantially in excess of the present allowances under the Housing Act of 1949, as amended. The printing industry in particular has higher costs than the \$3,000 maximum now allowed in terms of Federal grant payments. In some instances moving costs will exceed \$12,000 per plant.

It is our view that with other expenditures the city and county is making, it would be preferable for the Federal Government to assume the full relocation costs within the limits proposed by this bill. However, if this is not feasible, I would certainly add my support to Senate bill 3042, because where displacement of families and businesses is concerned, I do not believe the question of full or partial assumption of the relocation cost by Federal grant should be allowed to stand in the way of fairer treatment of affected residents and businesses.

SAN FRANCISCO PLANNING & URBAN RENEWAL ASSOCIATION.

May 24, 1960.

Mr. MAURICE J. SHEAN,
Federal Legislative Representative,
City and County of San Francisco,
Washington, D.C.

DEAR MR. SHEAN: This is in reference to the mayor's statement concerning the question of relocation payments for families and businesses in redevelopment areas. It also refers to S. 3042 proposed by Senator Javits. We wish to inform you that the San Francisco Planning & Urban Renewal Association supports the position taken by the mayor and the redevelopment agency and

endorses his statement for the record. We request that our position be included in the hearing record.

We particularly wish to reaffirm the mayor's statement that many of the industries will be faced with relocation and moving costs in excess of \$12,000 per plant. We also wish to amplify the mayor's position that we would prefer a straight increase in the Federal grant, but in lieu of that we certainly support S. 3042. We hope that you will forward our remarks to the Senate committee concerned with this hearing and that the Congressmen and Senators through a copy of this letter will urge the early adoption of S. 3042.

Sincerely yours,

JOHN L. MERRILL, *President.*

Senator CLARK. Earlier in the hearings the U.S. Conference of Mayors had requested permission to insert in the record a number of letters from mayors of many cities on urban renewal problems. (See p. 403.) The letters have been received and will go in the record now. (The letters referred to follow:)

CITY OF AKRON, OHIO, *May 5, 1960.*

Mr. HARRY R. BETTERS,
Executive Director, U.S. Conference of Mayors,
Washington, D.C.

DEAR MR. BETTERS: Since December, 1957 the city of Akron has been actively engaged in the development of an urban renewal program.

At the present time two survey and planning applications are pending in Washington, and approval is expected shortly. The total net project cost for both projects is \$5,872,500, of which \$3,915,000 is to be the Federal Government's share. Needed local contributions amount to \$1,957,000.

Currently the city planning commission is developing a needs program for capital improvements which will include a recommendation to set aside funds each year for the next 5 years for renewal purposes.

With this record one can see that Akron is serious about its renewal program. Therefore, we strongly urge the U.S. Conference of Mayors to present its case—for needed legislation to maintain and strengthen the urban renewal, slum clearance, and housing programs.

Very truly yours,

LEO BERG, *Mayor-Manager.*

CITY OF ALEXANDRIA, VA., *May 5, 1960.*

Mr. HARRY R. BETTERS,
Executive Director, U.S. Conference of Mayors,
Washington, D.C.

DEAR MR. BETTERS: Alexandria is hopeful that the Congress will adopt appropriate legislation to insure the continuity of adequate Federal support for urban renewal, slum clearance, and housing.

We are concerned about the continuity of these programs, not only because we are currently developing a specific urban renewal project, but because additional renewal and redevelopment activities will undoubtedly be needed.

A city cannot plan ahead nor budget for an extended fight against blight and deterioration unless it has assurance that adequate Federal assistance will be available on a continuing basis to supplement local efforts.

Accordingly we wish to join with other cities, large and small, in urging Congress to provide continuing and adequate Federal assistance for urban renewal and housing programs.

Sincerely,

LEROY S. BENDHEIM, *Mayor.*

CITY OF ALTON, ILL., *May 10, 1960.*

Mr. HARRY R. BETTERS,
Executive Director, U.S. Conference of Mayors
Washington, D.C.

DEAR MR. BETTERS: We in Alton wish to continue our urban renewal, slum clearance, and housing program in accord with the policy established by the U.S. conference of mayors.

Sincerely yours,

P. W. DAY, *Mayor.*

CITY OF ATLANTA,
Atlanta, Ga., May 3, 1960.

Mr. HARRY R. BETTERS,
*Executive Director, U.S. Conference of Mayors
 Washington, D.C.*

DEAR MR. BETTERS: The city of Atlanta is vitally interested in continuation of an adequate Federal-aided, long-range urban renewal program. Any interruption or curtailment in this program would prove disastrous to Atlanta's overall plans to rid itself of large areas of substandard housing and slums surrounding its business core. In the continuing absence of financial assistance from the State government, Atlanta must look to the Federal Government for financial aid in rebuilding many already dilapidated areas.

Atlanta's five current Federal-approved urban renewal project areas, containing 1,201 acres involves over \$18 million in Federal funds and half that amount in local funds and grants-in-aid. This represents only a bare beginning of the total need. Our planners envision the necessity for a long-range program, with the introduction of no less than one new Federal-assisted project area each year for the next 10 years.

Such a program would involve no less than \$4 million in Federal funds to be matched locally by \$2 million in cash and grants-in-aid, annually.

The financing of such a program for Atlanta, as well as other slum and blight plagued cities, requires wholehearted, long-range assistance by the Federal Government such as is being proposed by the chairman of the U.S. conference of mayors.

It is sincerely hoped that the national administration and Congress will provide ways and means of continuing adequate support for urban renewal. American cities must have help if they are to continue the battle against city blight, working toward eventual elimination of our substandard areas which constitute, at present, an ever-increasing drain on the financial, moral, and social stability of these cities.

Very truly yours,

WILLIAM B. HARTSFIELD, *Mayor.*

CITY OF BINGHAMTON, N.Y., *May 9, 1960.*

U.S. CONFERENCE OF MAYORS,
Washington, D.C.

(Attention: Harry R. Betters, Executive Director).

GENTLEMEN: Please forward my views concerning the proposed legislation on urban renewal, slum clearance, and housing to the appropriate Senate and House committees.

I feel very strongly that an adequately financed Federal program for urban renewal should be continued on the current two-thirds, one-third basis. Although cooperation by IHFA with our office has been excellent, it is my feeling that the program could be improved by changes in regulations, which would permit cities more latitude in long-range planning. By this, I mean municipalities should not have to worry year by year whether or not Federal money will be available for programs as they are ready for submission by them.

I also feel that one of the keys to a successful urban renewal program is the ability to relocate low-income families. In order to accomplish this, low-income rentals must be available. Otherwise, the program will falter and die on the vine.

A certain amount of public housing should be available irrespective of the needs of urban renewal, strictly for humanitarian reasons. It is doubly important for cities that are undertaking urban renewal projects.

Very truly yours,

JOHN J. BURNS, *Mayor.*

CITY OF BLOOMINGTON, ILL., *May 11, 1960.*

Mr. HARRY R. BETTERS,
*Executive Director, U.S. Conference of Mayors,
 Washington, D.C.*

DEAR MR. BETTERS: At last night's city council meeting, the council authorized me to send a statement in support of the urban renewal measures presently before the U.S. Congress.

It is our feeling that urban renewal is the one field which shows greatest promise for improving the future of urban living.

Although we are a small city compared to the huge metropolitan areas, we, too, see a great need for the elimination of substandard areas from our communities and the providing of new blood in the arteries of this community.

The citizens of this community have been impressed to date with the one urban renewal project we are undertaking and it is my hope that we can continue this planned program of rebuilding this city.

We urge support of the expansion of urban renewal and other housing programs currently in effect.

Very truly yours,

ROBERT MCGRAW, *Mayor*.

BRIDGEPORT, CONN., *May 4, 1960.*

Mr. HARRY R. BETTERS,
*Executive Director, U.S. Conference of Mayors,
Washington, D.C.*

DEAR MR. BETTERS: As mayor of the city of Bridgeport, Conn., a community actively participating in the urban renewal and public housing programs, may I respectfully request that the spokesman for the U.S. Conference of Mayors express this community's 100 percent support for the continued program of the conference, at all congressional hearings on pending legislation.

We have made a good beginning in these projects, and it is mandatory that funds be provided for us to continue in this very necessary part of community development and redevelopment.

Very truly yours,

SAMUEL J. TEDESCO, *Mayor*.

THE CITY OF BUTTE, MONT., *May 2, 1960.*

U.S. CONFERENCE OF MAYORS,
Washington, D.C.

(Attention Harry R. Betters, executive director).

GENTLEMEN: The urban renewal program is absolutely a necessity for the municipalities. I am intending to make separate application for and on behalf of the city of Butte for use of such funds if possible. This project is most urgent and important; the Butte Public Library was greatly and considerably damaged by fire in March of this year. The public library is situated in the uptown area of Butte, but in an old section of that area.

If money cannot be obtained through the urban renewal fund do you have any suggestions where financial assistance may be obtained to help build a new library?

Anything that the conference of mayors might do in this regard will be greatly appreciated.

Sincerely yours,

VERN GRIFFITH, *Mayor*.

STATEMENT OF EDWARD A. CRANE, MAYOR, CAMBRIDGE, MASS.

As the mayor of Cambridge, Mass., I want to be recorded in favor of a continuing Federal urban renewal authorization of at least \$600 million annually for the next several years. The requirements for restoring our older urban centers have multiplied far beyond those which existed when the Housing Act of 1949 and its amendments in 1954 were enacted.

In Cambridge, for instance, we inaugurated two redevelopment projects in 1951 and three urban renewal projects in 1957, all of which total 611 acres. Normally this urban renewal restoration program could be expected to care for the immediate needs of our city.

However, Cambridge now faces a major change and loss of income due to the imminent construction of a Federal 90-10 highway. In this city of 6 square miles we stand to lose \$376,899 annually in tax revenue from properties to be taken in this 300-foot-wide swath through the city for the new highway.

It is obvious that the restoration of the urban renewal areas in Cambridge alone cannot retrieve this loss of revenue. We must study the feasibility of an expanded urban renewal program as one means to recover this loss.

But the humane reasons for the continuation of the urban renewal program nationally are far more important than the financial reasons. What is happening in Cambridge is happening elsewhere in the Nation. The Massachusetts Department of Public Works, which will construct this highway through our city, estimates that 1,211 Cambridge families will be dislocated from 369 residential structures.

Only through the rehabilitation and conservation of many homes and neighborhoods not in the path of this new highway, but which are beginning to show the wear and tear of the years, can Cambridge hope to retain most of the families dislocated by this highway.

Cambridge like so many other urban communities, also houses colleges and universities and is contributing its share to the expansion of such facilities to meet the increased national demands for such facilities. This together with the fact that most of the new highways are being built in the interest of national defense are but two more justifications for the continuation of the urban renewal authorizations annually.

In my opinion, Congress should raise rather than lower its sights on urban renewal. The \$600 million annual authorization is not too large to preserve the human, financial, educational and national defense values of our urban centers.

CONCORD, CALIF., *May 3, 1960.*

U.S. CONFERENCE OF MAYORS,
Washington, D.C.

GENTLEMEN: Please register before the Senate and House committees our urgent request that support be continued for urban renewal, slum clearance, and housing.

This program is of vital importance to our city, and considerable damage would be done to programs vitally needed in this area, if Federal support is withdrawn or diminished.

Very truly yours,

BRYAN SHARY, *Mayor.*

CITY OF DECATUR, ILL., *May 4, 1960.*

U.S. CONFERENCE OF MAYORS,
Washington, D.C.

GENTLEMEN: The city of Decatur has a citizens committee of well over 100 persons working actively on urban renewal. Having just received approval of our workable program and having an application on file with the Housing and Home Finance Agency for planning funds for our first project we consider the continuance of this program to be a must.

It has taken several years to whip up local enthusiasm for attacking blight. Without financial assistance from Federal grants it is doubtful that a successful program could be implemented. It would appear to be a terrific waste of human effort if the program falters at this time. I urge that the Congress take such steps as may be needed to extend this program for urban renewal, slum clearance and housing at the earliest practicable date.

Cordially,

ROBERT A. GROHNE, *Mayor.*

OFFICE OF THE MAYOR,
Elizabeth, N.J., May 9, 1960.

HON. HARRY R. BETTERS,
Executive Director,
U.S. Conference of Mayors,
Washington, D.C.

DEAR HARRY: We are definitely interested in the Senate and House committee hearings on urban renewal, slum clearance, and housing legislation.

The city of Elizabeth is almost 300 years old and, as mayor, I am keenly aware of the need for legislation to meet the challenge of deteriorating older cities. The growing dimensions of slums, urban blight, and the need for low-rent housing is a problem that needs immediate attention.

As we must rely primarily on real estate taxes to meet the ever-increasing cost of municipal government, we face an acute shortage of revenues. Elimina-

tion of urban blight and funds for low-rent housing cannot be accomplished without Federal subsidy.

I urge that funds be made available to provide for slum clearance and sufficient low-rent housing units to assist us in the relocation of families who would be displaced by the Federal program in our city.

Sincerely,

STEVEN J. BERCIK, *Mayor*.

CITY OF FRESNO, CALIF., *May 10, 1960.*

Mr. HARRY BETTERS,
Executive Director,
U.S. Conference of Mayors,
Washington, D.C.

DEAR MR. BETTERS: This letter is to advise you of Fresno City's continued support for urban renewal, slum clearance, and housing.

It is most important that Congress continue floating money toward this program.

Yours very truly,

ARTHUR L. SELLAND, *Mayor*.

GARDEN GROVE, CALIF., *May 11, 1960.*

Subject: Urban renewal, slum clearance, and housing.

U.S. CONFERENCE OF MAYORS,
Washington, D.C.

(Attention of Mr. Harry R. Betters).

GENTLEMEN: As mayor of Garden Grove, Calif., a city of 85,000 people, I want to extend my wholehearted support to the U.S. Conference of Mayors and its Federal urban renewal program.

Please count me among your supporters when your representatives appear before the Senate and House committees on May 17, regarding this vital issue.

Sincerely yours,

GEORGE B. MONOLD, *Mayor*.

CITY OF HARRISBURG, PA., *May 2, 1960.*

Mr. HARRY R. BETTERS,
U.S. Conference of Mayors,
Washington, D.C.

DEAR MR. BETTERS: Harrisburg, Pa., is in the midst of a slum clearance and urban renewal program. We feel that only with Federal assistance are we able to make any real progress in the matter of urban renewal.

Our city, the capitol of Pennsylvania, is unusually hard pressed for finances, due partly to the exemption of all State property from local taxation. I am most certainly in favor of foreign aid; nevertheless, I would also like to feel that we are making some contribution toward giving our local communities an opportunity to do some much needed renewal work.

Please feel free to use this letter for the purpose of placing it into the record at any hearing on the aforementioned subject matter.

Very truly yours,

NOLAN ZIEGER.

CITY AND COUNTY OF HONOLULU, HAWAII,
May 9, 1960.

Mr. HARRY BETTERS,
Executive Director, U.S. Conference of Mayors,
Washington, D.C.

DEAR MR. BETTERS: I strongly urge that favorable action be taken by Congress to extend the urban renewal, slum clearance, and housing programs to safeguard the extensive plans of our cities covering these programs.

The failure of Congress to take action to extend the urban renewal, slum clearance, and housing programs beyond June 30, 1961, would result in a very serious situation here in Honolulu, and I know from reports from other parts of

the country that many other cities face the prospect of having to abandon or to defer indefinitely plans for highly important community programs.

The failure of Congress to act on the urban renewal, slum clearance, and housing programs at this time would be very unfortunate in view of the fact that public understanding and acceptance of these programs has been built up over a period of years and any delay or substantial cutback in Federal support would be extremely detrimental.

I agree 100 percent with the program of the U.S. Conference of Mayors calling for congressional action authorizing a level of Federal urban renewal grants to meet the activities planned by local communities on the current two-thirds Federal funds for one-third local funds basis. I also endorse the conference plan which recommends that Congress act to make available sufficient low-rent public housing units to meet local needs in relocating low income families displaced by governmental programs and activities.

Sincerely,

NEAL S. BLAISDELL, *Mayor*.

CITY OF LAKELAND, FLA., *May 2, 1960.*

Mr. HARRY R. BETTERS,
Executive Director, U.S. Conference of Mayors,
Washington, D.C.

DEAR MR. BETTERS: In response to your letter of April 29, we welcome this opportunity to fully endorse the program as sponsored by the U.S. Conference of Mayors with regard to urban renewal, slum clearance, and housing.

We in Lakeland are in full accord with the program sponsored by the Federal Government to provide funds and assistance to local communities for slum clearance and urban renewal. We recognize that the financial requirements of implementing slum clearance and urban renewal programs are beyond the ability of the local community, and that this is an area of assistance that may be provided by the Federal Government toward removing the cancerous and costly substandard housing areas from our midst.

Even though we in Florida may not yet take advantage of the slum clearance grants because of a lack of State legislation, we are proceeding in the attempt to correct this shortage in order that we may qualify to enter into this Federal assistance program.

Sincerely,

WM. G. COOPER, Jr., *Mayor*.

CITY OF LAS VEGAS, NEV., *May 9, 1960.*

Mr. HARRY R. BETTERS,
Executive Director, U.S. Conference of Mayors,
Washington, D.C.

DEAR MR. BETTERS: The Madison School urban renewal project is the first phase of a long-range program of using Federal assistance to eliminate substandard houses and provide good homes in Las Vegas. In accordance with our schedule for the Madison School project, we plan to sign a loan and grant contract with the Housing and Home Finance Agency sometime during August. We will need a loan of approximately \$1 million and a Federal capital grant of \$650,000 for the Madison School project. In addition, our long-range urban renewal program will require \$10 million in loans, \$2 million in Federal capital grants, and \$19 million in Federal Housing Administration special insurance, within the next 5 years. We also expect to need approximately 300 additional units of Federal assisted public housing and 100 units of public housing for the aged.

It is our feeling that functions of the Federal Government should be limited to those activities which the Federal Government is more capable of performing than local or State governments. Since urban renewal programs have not been successful in many instances without Federal participation, in our opinion it is an example of an activity coming within this scope. Accordingly, we are happy to have an opportunity to be recorded as strongly supporting the continuances of an expanded program of Federal participation in urban renewal.

I should like to take this opportunity to discuss several facets of this program which I believe to be within the purview of consideration by the Senate and House committees. Although these points may be considered as a criticism of the program, it is my desire that they will be accepted in the constructive manner intended.

1. *Tenure of the program.*—If lasting benefits are to be achieved by American cities through urban renewal, we believe it is imperative that the local governments be given a greater assurance that the Federal Government will continue to participate in this program indefinitely, or at least for a reasonable period of years. In this way we feel that many cities, including Las Vegas, will be in a position to effectively program and schedule urban renewal activities over a period of years. For example, the proposed program in the city of Las Vegas is too extensive to be practical as a single project. Therefore, we must schedule it as a series of projects. However, in view of the present lack of assurance that Federal assistance will continue, we are faced with the problem of what will happen if we cannot redevelop the remainder of our blighted district. For this reason, our urban renewal staff is being forced to consider the possibility of redevelopment in each successive project so that as near as possible it will be self-sufficient within itself. As a consequence, it appears that our program will be less effective than would be the case if we were assured that we could plan each separate project as a unit within the whole area.

2. *Improved administration.*—In view of what appears to be a generally widespread desire among American cities for an expanded urban renewal program, it would seem that the Congress is justified in considering additional administrative staff for the Urban Renewal Administration. At the present time we seem to be constantly faced with the problem of having prepared an application for one or more projects, with the applications believed to be in order, only to find that there is lengthy delay in the processing of these applications. It would appear that one way in which more expeditious processing of applications by local public agencies could be achieved would be through the provision of funds to make available additional staff assistance to the Urban Renewal Administration.

We feel, however, that this is only half of the problem. In order to achieve a more effective and expeditious administration it would also appear that responsible officials of both the Urban Renewal Administration and the Housing and Home Finance Agency should advance from the stage of merely talking about streamlining administrative procedure. They should actually adopt and implement policies which will simplify and expedite the administrative procedures of the Agency. We feel that it is within the purview of the Congress to assist in achieving an improved administration by the provision of additional staff assistance and also by insisting on the early adoption of simplified urban renewal procedures.

Once again I want to express my appreciation to you and to the U.S. Conference of Mayors for affording me an opportunity to present the thoughts of the city of Las Vegas relative to this program. I hope these comments will be of some assistance to you during the hearing conducted by the Senate and House committees.

Very truly yours,

ORAN K. GRAGSON, *Mayor.*

HARRY R. BETTERS,
Executive Director,
U.S. Conference of Mayors,
Washington, D.C.:

The city of Little Rock is vitally interested in the urban renewal, slum clearance and housing bill that is now before Congress. In order to solve our slum problems it is necessary that the urban renewal program be increased from \$300 million a year to at least \$600 million per year. The city of Little Rock now has eight projects in various stages of execution and we must have an adequate urban renewal bill in order to solve our pressing slum clearance problems.

WERNER C. KNOOP,
Mayor, City of Little Rock.

CITY OF LYNN, MASS., *May 12, 1960.*

MR. HARRY R. BETTERS,
Executive Director,
U.S. Conference of Mayors,
Washington, D.C.

DEAR MR. BETTERS: The program of the U.S. Conference of Mayors for adequate legislation favoring urban renewal, slum clearance, and public housing is the only solution for the predicament of the industrial city of today.

Slum clearance is a moral and safety issue in coping with juvenile delinquency and fire hazard. Urban renewal is the only feasible method of broadening the tax base and attracting new payrolls to our older industrial areas. Public housing must be provided to solve the problems of relocation that are created by urban renewal and slum clearance.

I have dedicated my three terms as mayor to promoting these programs; 18,000 registered voters favored such a program by referendum in the 1959 municipal election in our city of Lynn.

Please be assured of my support and encouragement in all efforts to urge the Congress of the United States to pass legislation favorable for urban renewal, slum clearance, and public housing.

Very truly yours,

THOMAS P. COSTIN, Jr., *Mayor.*

CITY OF MADISON, WIS., *May 2, 1960.*

Mr. HARRY R. BETTERS,
Executive Director,
U.S. Conference of Mayors,
Washington, D.C.

DEAR MR. BETTERS: In reply to your letter of April 29, 1960, I wish to indicate to your office that this office and the Madison Common Council have strongly supported urban renewal legislation and the appropriations to implement the provisions of the legislation. Our position has been supported, in turn, by the electors of Madison by authorizing general obligation bonds to finance the city's portion of the urban renewal program that is being carried on in Madison.

This is a most worthwhile effort. Unless we rebuild rundown and deteriorated areas of the central sections of our cities, we will have considerably greater expense in the years ahead because of these blighted conditions, with considerably increased welfare and relief costs accompanying them.

Federal Government must assist municipalities in carrying on urban renewal projects, since we cannot finance their tremendous costs with the limited financial resources within our political jurisdictions. By the same token, healthy and strong cities find a much better and a more stable economy for our Federal Government.

I strongly urge our congressional representatives to support the position of the U.S. Conference of Mayors and the American Municipal Association in the matter of urban renewal, slum clearance, and housing legislation.

If I can furnish specific information to you at any time with respect to this matter or other matters of municipal concern, I hope you will feel free to inquire.

Sincerely yours,

IVAN A. NESTINGEN, *Mayor.*

MAYOR'S OFFICE,
City of Malden, Mass., May 11, 1960.

U.S. CONFERENCE OF MAYORS,
Washington, D.C.

GENTLEMEN: The city of Malden is a city with a population of approximately 60,000 and is within the metropolitan area of Boston. It is presently undertaking a redevelopment program entitled the "Charles Street Urban Renewal Project" and a rehabilitation program entitled the "Suffolk-Faulkner Urban Renewal Project." Federal funds have already been earmarked for the former, but have not been earmarked for the latter.

It appears definitely that within the next 4 or 5 years the city will have to undertake additional urban renewal. Unless Federal funds are made available for cities comparable to Malden I feel strongly that the national economy will suffer greatly. Aside from the social consequences of blight and decay, the loss in tax dollars and the disproportionate municipal cost resulting has a direct effect upon the economy of the Nation.

The curtailment of Federal funds by Congress and the executive branch, in my opinion, would be extremely unwise and shortsighted.

Please convey my views at the hearings. Thank you.

Very truly yours,

JOHN P. DONNELLY, *Mayor.*

U.S. CONFERENCE OF MAYORS,
Washington, D.C.

CITY OF MARION, OHIO, *May 2, 1960.*

GENTLEMEN: This will acknowledge receipt of your letter of April 29, with reference to urban renewal, slum clearance, and housing.

We wish to advise that we are in the process of appointing a regional planning commission, and same will be in existence within 2 weeks.

We have in the north section of our city quite a few streets without water or drainage, and this is considered one of our slum areas, and in which we have in vision one of our future projects. We believe that it is quite evident with most cities of today, that they are suffering from a loss of tax revenue, and are in dire need of assistance.

We are therefore very much interested in any congressional action toward the granting of help for local communities.

Your efforts in our behalf will be greatly appreciated.

Yours very truly,

KARL DUNE, *Mayor.*

BOARD OF COMMISSIONERS,
CITY OF MOBILE, *May 2, 1960.*

Mr. HARRY BETTERS,
U. S. Conferences of Mayors,
Washington, D.C.

DEAR MR. BETTERS: We are most pleased that the U.S. conference of mayors will be given an opportunity to testify before the Senate and House committees with respect to needed legislation in the areas of urban renewal, slum clearance, and housing.

Mobile is vitally interested in all of these areas, and we are most anxious to see the extension of the Federal programs. We in Mobile consider urban renewal, slum clearance, and housing as very vital to the future of our city, and we feel that a job begun and not finished will be only a partial answer to the problems which face us, along with hundreds of other American cities.

Next year Mobile will observe the 250th anniversary of its location at its present site. A city of this age naturally recognizes the need for urban renewal and slum clearance to a greater degree, perhaps, than do our newer sister cities.

We urge the delegation of the conference of mayors who will appear before the congressional committees to present as forcefully as possible to our legislators the urgent need for the continuance and expansion of the programs in the areas of urban renewal, slum clearance and housing.

Sincerely,

JOSEPH N. LANGAN, *Mayor.*

NASHUA, N.H., *May 2, 1960.*

Mr. HARRY BETTERS,
Executive Director, Conference of Mayors,
Washington, D.C.

DEAR MR. BETTERS: Received your letter referring to urban renewal, slum clearance, and housing legislation before the Senate and House committees.

May I express myself as to the importance of this program. Nashua is in the progress of completing arrangements for clearing a slum area. We certainly could not have undertaken this project without Federal assistance. We have several other districts that should be undertaken.

I strongly urge passage of more assistance to communities throughout the Nation.

Trusting the Senate will act favorably on this important program.

Sincerely,

MARIO J. VAGGE, *Mayor.*

NEW YORK, N.Y.

HARRY R. BETTERS,
Executive Director,
U.S. Conference of Mayors,
Washington, D.C.

DEAR MR. BETTERS: On behalf of the city of New York and of the New York Metropolitan Regional Council I offer our strong support of the views of the

U.S. Conference of Mayors on new housing and urban renewal legislation, and ask that the officials of the conference have this brief statement placed on the record when they testify before the Senate and House Subcommittees on Housing on May 17. New York City has taken major steps in this past year to expand, improve, and expedite its slum clearance, urban renewal, neighborhood conservation and rehabilitation, and relocation programs. At the same time, and for those very reasons, we must continue to look to the Federal Government for essential financial assistance. Since Mr. J. Clarence Davies, Jr., chairman of New York City's Northwest Housing and Redevelopment Board, will testify on behalf of the city later this week in greater detail, I will set forth here several of the major points which are of overriding concern to New York City.

1. Urban renewal grants in the amount of \$600 million a year for the next several years are a minimum requirement for a program geared to the physical needs of the Nation's cities and to the need for continuity of long-range planning, programming and research.

2. The full \$336 million annual contributions for public housing authorized in the 1949 act should be restored in order to give cities the amounts of public housing required to meet the needs of low-income families and permit flexibility in programming public housing activities in relation to other improvement programs.

3. More liberal relocation assistance for both residential and business tenants, which, at the discretion of the Administrator, can be modified to meet local requirements, practices, and policies, is of paramount importance to New York City. At the request of my administration, the New York State Legislature authorized, and the city has adopted, a "Tenants' bill of rights" which for the first time establishes uniform procedures and benefits for the tenants displaced from the sites of all public and publicly assisted improvements. A specific authorization, is needed to make such uniform practices and benefits fully applicable to title I operation in New York City.

4. Additional Federal assistance, as proposed in S. 1342, introduced by Senators Javits and Clark, for middle- and lower middle-income housing. We in New York City and State have pioneered in programs to aid the construction of moderate rental, middle-income housing. Title I operations should be utilized to fill this need so vital to the continuing health of our cities; through the granting of long-term, low-interest loans, and tax abatement. Despite the fact that our limited profit housing programs both State and city, and redevelopment companies housing program are expanding, a great unfilled area of need still remains in the moderate rental range. Increasing costs of money, construction, and land require that all aids—long-term, low-interest mortgage financing, tax abatement, and writedown of the cost of site acquisition.

The continued and expanding participation of the Federal Government in all aspects of the housing and renewal programs is heartily welcomed.

ROBERT F. WAGNER.

Mayor of the City of New York.

STATEMENT OF MAYOR CLIFFORD E. RISHELL, OAKLAND, CALIF.

In 1954, the Congress of the United States adopted legislation which enabled communities to develop a workable program for urban renewal. The intent of the legislation was to encourage the revitalization of our urban renewal centers through new programs, in addition to slum clearance.

In 1956, the Congress of the United States, recognizing that larger areas of metropolitan centers needed to be planned for urban renewal, provided for general neighborhood renewal plans. The city of Oakland has pursued aggressively an urban renewal program fully consistent with the 1954-56 legislation. At a great expenditure of local funds and effort, we are proud of the status of our workable program and the fact that our community has pioneered with considerable success in the fields of conservation and rehabilitation. Nevertheless, it seems that the administrative policy and subsequent housing acts have not been wholly consistent with the intent of Congress. Despite the growing number of communities which are striving to halt blight and deterioration, with its attendant economic and social illness, assured adequate assistance to these programs has failed to materialize.

It is particularly discouraging for a community which has in good faith undertaken a general neighborhood renewal program to be constantly frustrated in the pursuit of orderly execution of the project, by administrative delays, which seem clearly to reflect a purposeful slowdown of the program. It seems that the recent philosophy is based on two points: (1) The lack of sufficient Federal funds to pursue such programs to their promised conclusion; (2) slowing programs down in constantly restricting their scope to make the most out of the limited funds which are available. This philosophy does not take into consideration the total needs of the program or the necessity for continuity in Federal assistance.

Inadequate housing and neighborhood decay are among the most critical problems facing our Nation today. In addition to adequate appropriations for a minimum attack upon these problems, Congress must make certain that its aims and intent are no longer frustrated by administrative foot dragging, and that the will of the people has some reasonable chance of being fulfilled.

PATERSON, N.J., *May 4, 1960.*

Mr. HARRY R. BETTERS,
Executive Director,
U.S. Conference of Mayors,
Washington, D.C.

DEAR MR. BETTERS: We are vitally interested in the extension of the urban renewal, slum clearance and housing programs, and give to these programs our earnest support.

Ours is an old city founded in 1792, with over 37 percent of the total dwelling units built before 1900, and 60 percent built between 1900 and 1929. Needless to say, blight has attacked almost every section of the city where these aged and aging structures are located.

We have begun a program of urban renewal to attack the slums and now have two projects in execution. An application is also being processed for a general neighborhood renewal plan, covering 550 acres of the central Paterson area, and proposing a 10-year redevelopment plan for rebuilding and rehabilitating our most important revenue-producing sections. One of the projects in execution will revitalize our industry through the creation of an industrial park, and the other will provide middle-income housing for our citizens. Our public housing program consists of 1,718 dwelling units, and plans are completed for the construction of 190 units of housing for senior citizens.

Without the aid of the Federal Government in all of our plans it would have been impossible for Paterson to undertake these programs for waging war against our blighted and slum-ridden areas. The tools provided by the Government are also a boon to humanity, which should be entitled to safe, decent and sanitary housing.

We thank you for this opportunity and ask that our statement be introduced the record of the hearings on May 17, 1960.

Very truly yours,

WILLIAM H. DILLISTIN, *Mayor.*

STATEMENT OF WALTER H. REYNOLDS, MAYOR, PROVIDENCE, R.I.

At this time when the honorable committees of the Congress of the United States are conducting their hearings on urban renewal, I wish to report that Providence has recently concluded two demonstration grant studies under section 314 of title I. Both of these studies, professionally developed, clearly illustrate and emphasize the necessity of enlarged renewal developments which are impossible without Federal assistance. Perhaps you are aware of both, the College Hill report, which has received a 1960 national award from the American Institute of Architects entitled, "Citation of Organization" and the most recently completed study on a master plan for downtown Providence.

Shortly following the College Hill report, Providence submitted its application for Federal assistance to carry out the renewal proposals. This was in February 1960. Because of insufficient Federal moneys, approval of planning funds is not

expected before August or September of this year. We hope we will not experience a longer delay than anticipated.

We have three other renewal projects in need of immediate action, Federal Hill, Weybosset Hill, and Mashapaug Pond, but it is obvious that with Federal authorizations of \$300 million yearly, each region, each State and each community can only expect to receive a small portion, once annually, if the total authority is to be spread out nationally for all to benefit to some small degree.

We in Providence believe that our problems are reflected typically throughout the Nation. I am prompted to suggest that what our American cities need from the Federal Government to provide for the masses of our ever-growing population is greater participation through annual authorizations of at least \$750 million annually, and for participation in nonresidential redevelopment as well. The dilapidated, obsolescent, and inefficient nonresidential structures in our older cities are factors that are depriving us of a healthy revitalized economy.

These two facets—residential and nonresidential redevelopment—are a vital concern to our cities and nationally to our Nation. Both merit your very serious consideration in the design of future Federal authorizations in the struggle to better our American way of urban life.

RENO, NEV., May 8, 1960.

U.S. CONFERENCE OF MAYORS,
Washington, D.C.

GENTLEMEN: In reply to your letter of April 29, 1960, regarding the hearing scheduled on urban renewal, slum clearance and housing legislation before Senate and House committees; may I, on behalf of the city of Reno, give the following testimony:

The city of Reno is presently engaged in an urban renewal project (Northeast project, Nevada, R-2), encompassing some 90 acres. It is proposed that certain portions of the project area will be cleared and completely redeveloped. The remaining area encompassing approximately 10 city blocks will be rehabilitated with each residential structure being brought to a "safe, sanitary place in which to live" standard. The area presently under treatment is one of several in the city of Reno which is badly blighted and in need of immediate consideration.

As is common with such a neighborhood, it contributes little if anything to the community as a whole. Without the Federal financial assistance which has been afforded this community for slum clearance, the treatment now being given the area would not have been possible. Without continued financial assistance, it is doubtful that the city of Reno will, in the foreseeable future, be able to remove or for that matter, prevent the spread of blight and slums so common in the rapidly growing cities of the West.

Reno hopes that Congress will see fit to further assist communities in their attempt to redevelop their older blighted areas which have become such a burden to the cities as a whole.

Sincerely,

BUD BAKER, Mayor.

CITY OF ROCK ISLAND, ILL., May 9, 1960.

MR. HARRY R. BETTERS,
Executive Director, U.S. Conference of Mayors,
Washington, D.C.

DEAR MR. BETTERS: Rock Island should be included among those desiring a continued and expanded program of urban renewal with Federal participation continued at least on the present two-thirds basis.

Small communities are only now, thanks to the general neighborhood renewal plan and similar devices, able to participate. Rock Island has filed a GNRP application and we expect our 10-year needs to be nearly \$6 million in Federal funds and over \$3 million in locally supplied financing.

Please convey our sentiments on this matter at the May hearings of the House and Senate committees.

Very truly yours,

ROBERT D. HEITSCH, Jr., City Manager.

CITY OF SPRINGFIELD, ILL., *May 3, 1960.*

Mr. HARRY R. BETTERS,
Executive Director, U.S. Conference of Mayors,
Washington, D.C.

DEAR MR. BETTERS: Inasmuch as a substantial majority of the citizens of our country live in urban communities, and

Inasmuch as cities have limited taxing powers which strictly confine their ability to promote urban renewal and housing improvements, and

Inasmuch as all cities greatly need assistance from the Federal Government, I therefore urge legislation to relieve this problem.

I would strongly urge the Senate and House committees to recommend to the House of Representatives and to the U.S. Senate legislation to set up a Cabinet post with a Secretary of Urban Problems as well as to introduce and promote legislation to increase the grants for urban renewal and slum clearance.

With kindest regards.

LESTER E. COLLINS, *Mayor.*

TROY, N.Y., *May 2, 1960.*

Mr. HARRY R. BETTERS,
Executive Director, U.S. Conference of Mayors,
Washington, D.C.

DEAR MR. BETTERS: In answer to your letter of April 29, 1960, let me take this opportunity to urge your office to support any and all plans for urban renewal, slum clearance and housing legislation presently before Senate and House committees.

I am sure I share the sentiments of most of our members in realizing the importance of these programs and keeping them active and the necessity for Federal means to assist communities in such projects.

Your representatives are doing a wonderful job in conveying our feelings to Congress regarding the programs of importance.

Sincerely yours,

NEIL W. KELLEHER, *Mayor.*

THE CITY OF UTICA, N.Y., *May 5, 1960.*

Mr. HARRY R. BETTERS,
Executive Director,
Conference of Mayors,
Washington, D.C.

DEAR MR. BETTERS: I am wholeheartedly in support of the urban renewal, slum clearance, and housing programs of the U.S. conference of mayors, and strongly urge congressional action in order that these programs may be carried out.

I cannot emphasize enough the urgent need for congressional action to authorize a level of Federal urban renewal grants to meet the need of community activities and also congressional support for the conference program calling for the making available of sufficient low-rent public housing for the relocation of low-income families displaced by such governmental activities and programs.

Sincerely yours,

FRANK M. DULAN, *Mayor.*

CITY OF WEST PALM BEACH, FLA., *May 5, 1960.*

Mr. H. R. BETTERS,
Executive Director,
U.S. Conference of Mayors,
Washington, D.C.

DEAR MR. BETTERS: We trust that you will represent the city of West Palm Beach, Fla., in the hearing scheduled on urban renewal, slum clearance, and housing legislation.

We are very interested in continuation of low-rent housing units to meet the needs of this locality, and thus insure the uninterrupted operation of the present 221 program and private housing.

Yours truly,

PERCY I. HOPKINS, *Mayor.*

THE CITY OF WHITE PLAINS, N.Y., *May 4, 1960.*

The city of White Plains filed an application for funds for planning an urban renewal project and for reservation of funds for the project itself. This application was originally filed on March 3, 1958. Just recently the city was advised that it has been awarded a grant of \$164,750 for planning the project, and it is now awaiting receipt of the contract.

The city of White Plains is the county seat of Westchester County and the area for study for the proposed urban renewal project covers a substantial portion of the main business section of the city and is, therefore, of considerable importance to the people of the city and the county.

The amounts requested by the city of White Plains are as follows :

Amount of advance applied for.....	\$164, 750
Reserve capital grant.....	8, 600, 000
Reserve capital grant for relocation.....	599, 000
<hr/>	
Total Federal grant.....	9, 199, 000

We respectfully request that such action be taken so that sufficient funds will be made available by legislation to assure the availability of funds for the city's urban renewal application, as well as all of the proposed projects throughout the country and so that the same may be financed on the current two-thirds Federal funds-one-third local funds basis.

It is expected that additional funds will be required to relocate in low-rent public housing units the families to be displaced by the urban renewal project and we request that sufficient funds be also made available for this purpose.

Respectfully submitted.

RICHARD S. HENDEY, *Mayor.*

BOROUGH OF WILKINSBURG,
Wilkinsburg, Pa., May 3, 1960.

To be entered in the record of congressional hearings on urban renewal :

In relation to the question of continuing the programs of Federal grants to municipalities for urban renewal, this community wishes to go on record in favor of such continuation.

As the urban aspect of our Nation increases, the need for a continuous program of maintenance of our urban areas also increases. The size of such a program and its effect upon the public as a whole, dictate that the responsibility be national as well as local.

In many areas of American life we accept the principle of Federal aid for programs which have a national effect. I feel that in the area of urban renewal, the need for the application of this principle is both urgent and great. I, therefore, feel that this program should be continued.

RICHARD GRIFFITH,
Borough Secretary-Manager.

CITY OF WOONSOCKET, R.I.,
May 5, 1960.

Mr. HARRY R. BETTERS,
Executive Director, U.S. Conference of Mayors,
Washington, D.C.

DEAR MR. BETTERS : As the mayor of the city of Woonsocket, R.I., I have a vital interest in the program of urban renewal, slum clearance, and housing; and the effect of this Federal program on our community. From all indications, it appears that the \$350 million in urban renewal grants for the year July 1, 1959, to June 30, 1960, and the \$300 million for the year July 1, 1960, to June 30, 1961, will be inadequate to meet local needs to renew cities throughout the country.

The city of Woonsocket is presently working toward urban renewal and it is expected that within the next year a survey and planning application will be submitted and a reservation requested for approximately \$3 million in Federal funds to initiate our first renewal project near the central core of our city. The citizens in this community have become aroused toward the need for urban renewal and if there are not sufficient funds to fulfill our request, it could

seriously dampen the enthusiasm which has been generated. If this enthusiasm is dampened through the lack of funds, the chances of a renewal project at a later date would be severely hampered.

Present plans for the city of Woonsocket indicate that rebirth of our city will not end with one renewal project but rather it is expected that at least four separate projects will be required to prevent our city from declining both economically and physically. It is with this concern for the future of the city of Woonsocket that I strongly support the program of the U.S. Conference of Mayors in regard to urban renewal, slum clearance, and housing.

Very truly yours,

KEVIN K. COLEMAN, *Mayor*.

Senator CLARK. We have received a number of statements and letters concerning matters discussed in the hearings. They will, without objection, go into the record at this point.

Any that may be received prior to going to press will also be inserted.

(The letters and statements referred to follow :)

STATEMENT BY PHILIP WILL, JR., PRESIDENT, THE AMERICAN INSTITUTE
OF ARCHITECTS

The American Institute of Architects is the professional organization representing 13,400 members in the United States. In recent years the architects of the United States in convention assembled have voiced their support for the development of an improved series of housing and urban renewal programs in the United States. AIA representatives have supported housing programs in appearances before House committees. Most recent were the appearances of Messrs. Carl Feiss, J. Roy Carroll, Jr., and Edmund R. Purves on January 23, 1959, before the Senate committee. Resolutions affecting and demonstrating the policy interest of the institute have also been submitted to congressional committees from time to time on the subject of public housing and urban renewal and the establishment of a Department of Urban Affairs.

The AIA consistently has been concerned with the plight of the American cities, the disintegration of the central portions of American cities, the spread of urban blight and sprawl, and the lack of sound and consistent metropolitan regional planning development. The AIA recognizes that the tremendous expansion of the number of families anticipated in the next 25 and 30 years will practically require a doubling of the number of dwelling units presently available in the United States. We consider as unrealistic and unfortunate any efforts to reduce the number of housing starts at this time considering the present and future immediate needs of the people of the United States for decent and adequate housing properly located in relation to community facilities and services. We also recognize that there is a threat to the satisfying of the requirements of community facilities and services which must be built to meet the essential new dwelling unit count throughout the country. This threat lies in the financial capacity of urban places to meet through normal tax levies and other sources of revenue the demands which will be placed on already overburdened municipal government.

The AIA has dedicated itself to building better American citizens and to assisting Federal, State, and local governments in every way possible to bring this about. We therefore urge consideration by the Congress of the following salient programs:

1. There should be no diminution in housing starts per annum. On the contrary, every effort should be made through Federal encouragement to increase housing starts for all types of dwelling units to no less than 1½ million per annum for the next 10 years.

2. The urban renewal program should receive all the funds which it requires in both capital grants and loans. The urban renewal program should no longer be restricted by housing eligibility criteria. Balanced urban development and redevelopment calls for urban renewal of a wide variety of types to provide increased employment potential and improved tax basis for localities in areas presently deteriorated or deteriorating. Therefore the AIA urges that the basic criteria to be used in urban renewal be related to the identification of the public purpose behind the renewal activity as exemplified by a locally acceptable general plan and community renewal plan, the identification of relocation potential for

all displaced uses, the identification of market for proposed reuses, and the close relationship of the proposed reuse plans to a public works program for the locality and the workable program.

We recognize the essentiality of adequate relocation housing, supplementary to public housing to keep all programs moving.

The 10 years' past experience with slum clearance, urban redevelopment, and urban renewal now provides every evidence that this activity can graduate into the maturity of comprehensive and citywide renewal programs.

3. The AIA continues to support the local planning and State planning assistance programs and the metropolitan regional planning programs as presently available in the section 701 of the Housing Act of 1959. However, it recommends new legislation to provide for a major all-out attack on urban sprawl, the preservation of open space, the adequate planning and replanning of highways and street systems as they affect areas subject to urbanization, in relation to general plans for the locality and the provision of funds where necessary for advance planning of open spaces in danger of subdivision laceration and land pollution.

4. The AIA recommends consideration by the Congress of a new towns planning program similar to programs presently available and successfully executed in Great Britain and Scandinavia. No such programs are presently underway in the United States.

5. The AIA consistently has supported public housing in the United States but deprecates the planning criteria, administrative attitudes and the red tape that has bogged down and defeated the program in recent years.

6. The AIA favors an expanded program of housing for the elderly.

7. The AIA has supported and continues to support the college housing program which has been successfully carried and has provided so many beneficial results throughout the country. The need for space in our colleges and universities is rapidly increasing and the AIA feels that if America is to keep its technical and educational standards at the highest possible level, the college housing program can do much to support future educational effort.

8. The AIA has supported and continues to support the early establishment of a Department of Urban Affairs or its equivalent. In the meantime, it recommends legislation for the study of the best means of carrying out a program which will place before the Congress of the people of the United States the problems of urban places at the same level that the problems of other aspects of the physical development of the country are presently located. Due to the accelerating urbanization of the Nation, it feels that a Cabinet position is ultimately demanded. At this time it recognizes that so complex a problem will need further study and urges on the Congress that it pass legislation providing funds for the detailed study and recommendations required to achieve a workable scheme for this purpose.

Please be assured that the AIA is at all time at your service.

AMERICAN INSTITUTE OF PLANNERS,
Washington, D.C., May 18, 1960.

Senator JOHN SPARKMAN,
*Chairman, Subcommittee on Housing, U.S. Senate Committee on Banking and
Currency, Washington, D.C.*

DEAR SENATOR SPARKMAN: The American Institute of Planners desires to make known to the Committee on Banking and Currency its support of several features of pending housing and urban redevelopment legislation. The institute is the professional society of city and regional planners in the United States. Its 2,500 members account for the professional planning staff in city planning, housing, and urban renewal agencies in American communities who have the primary responsibility for planning local and State and federally aided programs of planning, urban development, and urban renewal. Other members of the institute in private practice serve as consultants to local, State, and Federal agencies on problems of city planning and urban renewal. Their experience with these programs at all levels of government and in all parts of the country is reflected in our views concerning the importance of pending legislation.

The American Institute of Planners does not support any particular bill which has been available for study and that is before the committee. It does urge congressional enactment of a number of measures which appear in varying forms in several of the bills pending before the committee, and on which the institute has formally adopted resolutions. The institute recognizes the urgent need for

the expansion of private residential construction, the expansion and improvement of the present urban renewal program, the need for continuing and enlarging the program of planning assistance, the need for additional measures of aid to middle income families and to low income families particularly in the provision of relocation housing, and the special needs of housing for the elderly and for aids to colleges and universities for housing. It also recognizes that an expanded program of research on the problems of city development and a new program for the training of additional specialists in housing, urban renewal, and city planning are essential to the progress of American cities. This statement seeks to emphasize those aspects of a broad program of aid to cities which appear to be of the greatest importance at the present time. This emphasis should not be construed to indicate our lack of interest or concern with other aspects of pending legislation.

The program of assistance to local, urban, and metropolitan planning authorized under section 701 of the Housing Act of 1954, and amended by subsequent acts, has been one of the most significant Federal aid programs and one whose cost has been minute compared to its widespread benefits. Under this program hundreds of American communities, for the first time, have developed or are developing master plans for their growth and renewal. At comparatively small cost, the program has stimulated action by hundreds of local governments of direct benefit to programs of private housing, urban renewal, transportation, and the like, whether locally financed or financed with one or another of the aids authorized by the Federal Government. Furthermore, the 701 program is proving to be a most effective means for coordinating these several programs. It is obvious that programs of urban renewal, suburban development, and transportation development must be coordinated by some agency of local government. Regrettably, Federal and State agencies have to date been unable to provide such coordination in any effective way. Further, local governments are best equipped to coordinate these several programs because only local governments can be sensitive to the full impact of these programs on the community and to the waste and duplication of effort resulting from failure to coordinate.

The comprehensive planning program is the only means through which the various activities concerned with urban development and renewal can be coordinated to produce the maximum benefit to a local area at minimum costs. It is for this reason that the program of grants under section 701 has proved to be so valuable to American communities. Last year the Congress authorized an extension of the program to include similar grants-in-aid to State planning. This program has scarcely gotten underway, although the prospective demands of State governments under it do not appear to have been taken into consideration in pending budget requests.

We have an immediate concern with the 701 program: the size of the authorization. At the present time there appears to be a total of less than \$5 million available as a result of the recent appropriation of funds and carryovers from previous appropriations. We believe that American local governments are prepared to match Federal grants up to an amount of approximately \$10 million per year. This is a tiny amount when compared with the hundreds of millions involved in aids for urban renewal and the billions involved in mortgage insurance and guarantee programs and in Federal aids for highway development. We therefore believe that, as a minimum, the 701 program should be authorized at the rate of \$10 million per year for a 10-year period, so as to assure a continuing, long-range program of advanced planning on the part of local governments. During the next few years we expect that the development of State programs of planning and particularly the development of metropolitan plans should receive considerable emphasis as local, municipal, and county programs continue. Probably the development of metropolitan plans is the most urgent single task before local governments. Since metropolitan agencies for planning do not exist yet in most metropolitan areas it is particularly important that Federal assistance be available in ample amount as a stimulus to the establishment of such agencies and to the development of metropolitan plans. Other incentives toward local metropolitan planning should be built into programs of aid, particularly to housing and highway development.

Any Federal program which supports the development of housing through the guarantee of site development loans should include provisions to insure that the local community's appropriate planning objectives will be met by the design of the mortgaged facilities.

A second area of interest is in the urban renewal program. This program, too, has launched nationwide efforts by local communities to rebuild, rehabilitate,

and conserve existing urban areas, to eliminate slums, and to facilitate the changes in land use necessary in a rapidly developing, healthy economy. We call attention to the fact that from two-thirds to three-quarters of the American people live in urban areas which are the primary sources of our wealth and national strength. Unless these areas can be modernized and made to serve the expanding and changing needs of the American economy we are likely to find our economy progressively afflicted with inefficiencies and high costs resulting from archaic city structures. The recent extensions of the urban renewal program to include the redevelopment of industrial districts are particularly vital to this economy.

At the present time we are advised that local governments are submitting applications for Federal aid at the rate of approximately \$500 million to \$600 million a year. In numerous instances local renewal efforts are being held up because of limitations in the Federal grant authorizations. These limitations have forced the urban renewal administration to impose rationing under various guises with the result that those cities which are best prepared and most eager to proceed with renewal find themselves up against fund limits which are now seriously hampering their programs.

We should recognize that local governments face major problems in carrying out urban renewal programs. Limited fiscal resources and intense competing demands for funds require that difficult choices be made locally. Under these circumstances we believe it essential that the Federal aid for renewal be made available on a continuing basis and in adequate amounts to meet local needs.

Finally, we call attention to the very long time necessary for the adequate planning of urban renewal projects. Under normal circumstances, after local organization has been achieved and necessary statutes tested in the courts, 3 to 5 years more are involved from the beginning of the planning effort to the point at which land is cleared and reconstruction is begun. These long planning and development periods cannot and should not be shortened. They are necessary to assure adequate planning, to provide adequate time for consultation with affected business and citizen groups, and to assure that the renewal plan is economically sound. Furthermore, local governments must arrange their capital budgets to coincide with urban renewal project development. Often this involves the passage of bond issues or other measures to provide local matching funds and these are obviously not adopted overnight. Because of the long time periods involved in renewal planning, it is essential that the Congress adopt a long-range program which can give local governments assurance that projects begun this year can be financed when they reach the development stage 3 to 5 years hence. Furthermore, communitywide renewal plans are now under preparation in many communities pursuant to the authorization granted in the 1959 act. These programs will enable local governments to schedule their renewal requirements through the next decade and to look to the day when American cities can be rid of slums and blighted areas. Again the accomplishment of these worthy objectives will require assurance that Federal funds will be available for at least a decade to permit communities to launch long-range planning and long-range programming.

For all of these reasons we urge that the Congress authorize a 10-year program of grants for urban renewal at the rate of \$600 million per year. These funds will not become actual Federal obligations for many years, but an authorization at the present time is necessary in order to permit communities to embark on long-range programs for the elimination of blighted areas. We believe that a 10-year authorization is entirely consistent with the spirit of the original act, and that an authorization at the rate of \$600 million per year corresponds to the present capacity of local governments to plan and undertake urban renewal projects.

We also support changes in the present language of the title to facilitate the planning of renewal projects in the areas of universities and other institutions which generate markets for urban renewal efforts.

As we have noted above, the coordination of Federal aids to urban areas is one of the most pressing problems of our time. For this reason we urge the establishment of a Federal Department of Urban Development and Housing as a major means for securing, first, the coordination of Federal programs of aid to local government, and, second, a Federal agency to which urban areas can look for assistance in securing the maximum benefit from aid programs. As we have already noted, our cities and urban areas now account for two-thirds or more of our national population and most of our productive enterprise. Farm areas, the West, business, and labor have long since been represented in the

National Cabinet by agencies which serve to coordinate the various interests of the Federal Government as they affect these special areas and subjects. Our cities urgently need a similar coordinating and representing department in the Federal Government for the most important of our national interests, those which are vested in cities. We understand that this question may properly be the concern of other committees of Congress, but because of the intimate relationship between other programs and programs of housing and urban renewal we believe it essential that the need for a Federal Department of Urban Development and Housing be stressed in any consideration of housing and renewal legislation.

Closely related to these coordinating efforts is the need for a substantial increase in Federal expenditures for research on housing and other urban problems and the adoption of a program of scholarships and fellowships to train professional technicians in these fields. Our Nation has been spending over \$200 million a year on agricultural research. This investment has been so productive that the Nation is temporarily embarrassed with agricultural surpluses. There has been no comparable investment in research on urban problems despite the fact that it is clear that research and technological development have been the primary sources of our national progress and national wealth. We believe that a broad program to encourage research in housing, urban land use, the problems of industrial development in cities, and the problems of transportation as they affect urban growth and structure are so vital that they should take priority over grant-in-aid programs. Are we well advised to invest hundreds of millions of dollars in housing unless at the same time we invest a few millions in trying to improve the technology and marketing of housing through research? Local governments are unable to carry out the kind of broad research effort, utilizing the resources of colleges and universities, which the Federal Government has conducted for nearly a hundred years in agriculture. Federal aid has proven to be an efficient and essential means for the undertaking of such a program.

We call attention to the fact that there is an acute shortage of trained specialists in housing and city planning. More than 25 colleges and universities now offer graduate programs in these fields. The number of students which they attract is far short of the number which are needed to fill positions open in local government and private consulting offices. In part this shortage arises from the newness of the field, but in part it also results from the competitive advantages which other, older disciplines have in the academic marketplace. Federal aids, for instance, are available to provide scholarships for graduate training in medicine, public health, physics, chemistry, and other older disciplines. These, and private funds in older fields naturally attract able students and help those who lack financial resources to obtain graduate education. Comparable aids should be available for graduate training in city planning and housing. We believe that a comparatively modest program of scholarships and fellowships of the order of half a million dollars per year could rectify this need within a few years and could overcome one of the major impediments to local housing, renewal, and urban development planning.

Finally, we should note the need for a decisive expansion of Federal aids to housing. This need is most acute in the fields of housing of middle- and low-income families. Our present urban renewal programs and especially the urban highway program are displacing tens of thousands of families of moderate and low income who cannot afford the purchase or rental of new private housing. The total level of private housing construction is inadequate to meet both the needs of an expanding population and the additional need of providing replacement housing for those now located in areas subject to clearance programs for various public purposes. We will be unable to replace substandard housing, to accommodate the relocation of families, and to improve our housing stock until much larger programs of housing for middle- and low-income families have been developed and made effective. For these reasons we strenuously urge the adoption of a new program of aid to private middle-income housing. At different times during the last decade several proposals have been introduced; notably those by Senator Sparkman in S. 2246 which the Senate considered in 1950, and more recently the proposals of Senators Clark and Javits. In between, numerous bills have been introduced by others. The principles are clear; what is needed is a program of loans at interest rates substantially below market rates for families who cannot afford private housing at conventional market rates. We believe that such a program could be launched in a manner so as to assure maximum participation by private build-

ing organizations, so as to prevent competition with the private mortgage market, and so as to permit families who are now priced out of the market to participate in it more fully. Closely related is the need for an expansion of the program of low-rent public housing. In every community there are thousands of families whose income is far too low to be accommodated in decent housing under private auspices even with the type of aids discussed above for middle-income housing. The public housing program has proven to be an effective means for meeting some of these needs and appears to be in the process of modification to serve a broader range of needs. It must be continued and expanded if urban objectives in housing and renewal are to be fulfilled. We also note that comparable aids, public and private, are needed to take care of the special needs of the aged and of our rapidly expanding population of college students.

Finally, pending bills provide for a continuation and modification of our systems of insurance and secondary market support for private housing. As we have noted, every effort must be made to expand private production of sales and rental housing to meet the needs of an expanding population and to replace presently substandard residential areas. While Federal aid programs have worked most successfully in the field of single, detached suburban homes for sale to higher income families, they have been less successful in the production of rental housing in central cities and cooperative housing in both central and suburban areas, relocation housing, and housing in renewal areas. We hope that these programs can be made more effective since they are especially important in the reuse of urban renewal sites and especially important in the reconstruction of central city areas.

Very truly yours,

CHARLES A. BLESSING, *President*.

STATEMENT OF THE CHAMBER OF COMMERCE OF THE UNITED STATES

The Chamber of Commerce of the United States believes that the best solution to community development problems lies in the exercise of local responsibility and that the Federal Government should withdraw, at the earliest practical time, all Federal authorizations, appropriations, and contributions for urban renewal, community facilities, and community planning.

This action should be taken to remove the Federal Government from the position of intervention in local development activities in the interest of reduced Federal spending, efficiency in solving community development problems, and for the preservation of our dual system of government.

Local responsibility for community development is a principle which should be encouraged and developed, not destroyed. The principle of local responsibility is central to the idea that government should be limited, not all powerful.

The National Chamber is using its resources to encourage continued public acceptance of the concept of local responsibility.

To advance this concept, the combined talents of three committees of National Chamber have been applied to the preparation of guidelines for community development.

Seven booklets—the community development series—present the recommendations of the National Chamber committees. The titles of the booklets are:

1. "Balanced Community Development."
2. "Community Analysis—Foundation for Decision Making."
3. "Comprehensive Planning—Guide for Community Growth and Change."
4. "Planning Urban Renewal Projects."
5. "Modernizing Local Government."
6. "Financing Community Development."
7. "Community Leadership—Key to Local Development."

These publications are now being given nationwide distribution among community leaders.

We are expanding our efforts among our 2,800 member chambers of commerce, and with other groups, to make local responsibility for community development effective.

Several national trade and professional associations and service organizations are urging their members to join local efforts to work toward balanced community development.

A number of multicompany business firms are arranging for increased participation by company executives in local programs of community development.

The National Chamber program will include demonstrations by selected cities of the recommendations in the community development booklets.

We believe that the capacity of communities for providing the needed resources of leadership and financing for community development is adequate and that Federal intervention in community development is not only unnecessary but also is less imaginative, more costly, and slower than the problem solving by communities.

Among the bills now before this committee are proposals dealing with (among other subjects) public facility loans, college housing, secondary mortgage operations, middle-income housing and housing for the elderly, housing goals, and urban renewal grants and relocation payments. Many provisions of these bills move toward the centralization, at the Federal level of government, of responsibility for the growth, development, and renewal of the cities of our Nation.

Our objections to these bills (grouped by subject areas) follow:

URBAN RENEWAL GRANTS

Amendments to urban renewal statutes are contained in S. 1680, S. 3042, and S. 3458.

S. 1680: Would provide for the payment, out of Federal renewal funds, of the entire cost of constructing civil defense shelters in urban renewal areas.

Under current law, the costs of construction of such shelters are borne two-thirds by the Federal Government and one-third by the State government. The National Chamber believes that the responsibility for civil defense must be shared by Federal, State and local governments—with the Federal Government assuming primary responsibility for the development of policies and overall planning and direction, and with program costs and expenses shared by Federal, State and local governments. Further, until such time as the need for shelters can be conclusively established, no such 100 percent federally financed programs should be made a part of Federal renewal operations.

This proposal for Federal assumption of the full costs of shelters in urban renewal projects seems to discriminate against localities not in need of shelters and localities not contemplating urban renewal operations.

S. 3042: The provisions of section 3 of this bill would increase relocation payments to \$500 for families and for individuals (under current law, the maximum is \$200) and to \$5,000 for businesses (under current law, the maximum is \$3,000), and would provide that amount in excess of the limit contained in current law would be paid two-thirds by the Federal Government and one-third by the local government.

The chamber takes the position that the solution of urban renewal problems (of which relocation problems are a part) is the responsibility of local governments, and that the Federal Government should be removed from its position of intervention in these local development affairs.

S. 3458: Would provide that expenditures made by hospitals in or near urban renewal projects would be counted to the credit of local governments in computing Federal and local shares of the costs of urban renewal projects.

Reducing local contributions and increasing Federal contributions to urban renewal operations, as would occur if expenditures by hospitals were credited to local accounts in computing shares of project costs, would result in further Federal control over the development of our cities.

The urban renewal program of the Federal Government involves large public debt transactions which result in use of Federal financial resources without review by appropriations committees. The advance and loan systems, coupled with Federal control, reduces local initiative, and weakens local government.

For this reason, the National Chamber opposes S. 1650, S. 3042, and S. 3458.

PUBLIC FACILITY LOANS

Amendments to the public facility loan program are contained in S. 1955 and S. 3471.

S. 1955: Would increase public facility loan operations of the Federal Government to a \$1 billion level (financed by public debt transactions). This bill would broaden the program to include all types of public facilities—streets, sidewalks, highways, parkways, bridges, parking lots, airports, hospitals, police and fire

facilities, schools, libraries, offices and public buildings, and many others. S. 1955 would also change the terms under which financing is available—providing that financing could be given if not otherwise available on “equally favorable terms and conditions” (rather than on reasonable terms) and would set interest rates at not more than the rate paid by the Administrator on funds obtained from the Treasury plus one-fourth of 1 percent, and with loan maturities of up to 50 years.

S. 3471: The “Standby Anti-Recession Act of 1960”—which would go into operation upon a declaration by the President following a determination that unemployment is both more than 5 percent of the labor force and has increased during each of 6 consecutive months—would set up a \$1 billion Federal program for the purchase of securities and obligations of, or for loans to, States and municipalities for public works construction. This bill would also substitute the determination of “equally favorable” terms and conditions in the place of “reasonable” terms and conditions, and would provide that the loans would bear interest rates of 2 percent, and have maturities of up to 50 years. Specific public facilities in this bill include public streets, sidewalks, highways, parkways, bridges, parking lots, airports, public hospitals, water facilities, sewage facilities, police and fire protection facilities, and many others.

In summary, these bills call for increased dollar authorizations for public facility loans, additional types of projects for which loans may be made or for changes in the conditions under which securities and obligations will be purchased, or loans will be granted.

Increases in authorizations to make public debt transactions (to the amount of \$1 billion in the case of S. 1955 and, potentially, in the case of S. 3471) would increase the back-door spending operations of the Government (since these operations would not be subject to the normal control, review, and modification procedures of the Congress) and would also generate added inflationary pressures.

Changes in the terms under which the Federal Government purchases securities or make loans would further involve the Federal Government in direct lending operations in unfair competition with private sources of funds. The decrease of the interest rate to the Federal rate plus one-fourth of 1 percent (as contained in S. 3278 and as contained in S. 1955, which also provides for maturities of up to 50 years) or to the interest rate of 2 percent as specified in S. 3471, would result in much substitution of Government financing for private financing. Consequently, without substantially increasing actual public facility construction, these bills would menace private financing markets, while at the same time, they would increase the complexity and difficulty of Federal finance and would contribute to budget imbalance and inflationary pressures.

For these reasons, the national chamber opposes S. 1955 and S. 3471.

COLLEGE HOUSING

S. 2911 and S. 2950 contain amendments to the college housing program.

S. 2911 provides for an increase in the total authorization for the program from the current level of \$1,175 million to \$1,425 million—and increases the maximum amounts for related facilities and for housing and nursing schools to \$150 million and to \$75 million, respectively.

S. 2950 provides for the increase of the authorizations for financing the college housing program to \$1,425 million and for the further increase to (on July 1, 1960) \$1,675 million.

These bills, if enacted, would result in increased Federal back-door spending, would increase problems of Treasury finance and debt management and would generate inflationary pressures. Further, enactment of these bills would produce increased Government intervention in private finance markets.

For these reasons, the national chamber opposes S. 2911 and S. 2950.

HOUSING FOR MODERATE-INCOME FAMILIES AND THE ELDERLY

An additional Federal housing program is the subject of S. 1342.

A Federal Limited-Profit Mortgage Corporation would be created under the provisions of S. 1342. This Corporation—financed through issuance to the Secretary of the Treasury of as much as \$100 million of capital stock and

through issuance of notes and obligations in an amount of \$500 million and under certain circumstances, in amounts of as much as \$2 billion—would provide financial assistance for the construction of housing for families of moderate income and for the elderly. Mortgage loans would be made to public nonprofit and to private nonprofit or profit corporations for the erection of such housing (provided that dividends of profitmaking organizations should not exceed 6 percent per year). These loans would involve principal obligations of as much as 90 percent of total development costs, would be made for terms as much as 50 years (also subject to certain extensions up to a maximum of 60 years), and would carry interest rates of one-half of 1 percent plus the costs of funds to the corporation. Occupants for whom these moderate-income units are to be built are to be predominantly families who, using not more than 20 percent of their normal stable income, cannot purchase or rent conventionally financed new housing.

The proposals contained in S. 1342 are an additional step along the way toward Federal Government control of construction and construction finance in our Nation. Significant in this progression have been the entry of the Federal Government into low-rent public housing, into mortgage financing, into college housing, into housing in urban renewal areas, into public facilities construction and into many other areas of the construction and construction finance fields.

The proposals contained in S. 1342 would set up yet another program removed from regular congressional controls and would increase Government operations in areas which are not its basic constitutional functions.

For these reasons, the national chamber opposes S. 1342.

NATIONAL HOUSING GOALS

The chamber believes that the homebuilding industry has been, and can continue to be, a major factor in the economic expansion of the United States. The chamber takes the position that private ownership of housing is a basic principle in our economy, and that free private enterprise operations are fundamental to the long-run well-being of our Nation.

Under the provisions of section 1 of S. 3379, the President of the United States would be required to state, annually, his recommendations concerning a residential construction goal and to indicate, annually, ways in which and legislation by which this stated goal could be reached.

This provision, if enacted, would interfere with the orderly workings of the housing market and might well result (because of the impossibility of precise predictions of the future) in uneconomic encouragement to the construction of certain types of homes in certain areas for which a market could not be found. Housing markets are extremely diverse, varying from locality to locality according to the multitudes of different preferences of different individuals. Problems of prediction, alone, are staggering. Each family in our free Nation is faced with many alternate ways in which it can spend its money. Consequently, the degree to which alternate investments and alternate outlays are attractive to the family will determine, in part, the family's preference for housing. Moreover, additional complexities are introduced by variations in income of families, and by variations in the available stock of housing (which may be affected to a greater or lesser degree by such things as for example, demolition).

The market mechanisms of our economy work admirably to provide the right housing in the right place at the right time. Indeed, fluctuations in housing, in recent years, have been pronounced in the FHA and VA sectors, while strong and steady growth has been evidenced in noncontrolled sectors of the market.

The national chamber urges that Government intervention into the affairs of private families and Government interference with markets be avoided, and for these reasons, opposes the national housing goals provisions of S. 3379.

DEPARTMENT OF HOUSING AND METROPOLITAN AFFAIRS

A Department of Housing and Metropolitan Affairs is proposed in S. 3292. This bill would transfer all functions of the Housing and Home Finance Agency to the new Department and would provide for the conduct of studies of problems peculiar to urban and metropolitan areas, as well as providing technical assistance for State and local governmental bodies.

The bill would place at Cabinet level Federal activities which have extended into fields which are traditionally individual and local affairs. Problems of housing and of local governmental affairs are better and more rapidly solved at the local level than at the Federal level, and, consequently, the Federal Government should not initiate activities which would add to Federal intervention in local matters.

For these reasons, the national chamber opposes S. 3292.

FEDERAL NATIONAL MORTGAGE ASSOCIATION

Special assistance functions

Among the bills dealing with Federal National Mortgage Association special assistance functions are S. 3471, S. 3499, and H.R. 10213.

S. 3471: This bill, which is called the "Stand-by Antirecession Act of 1960," provides that upon presidential declaration (in a period in which unemployment is 5 percent of the labor force and has increased each month for 6 consecutive months) an additional \$1 billion is authorized for commitments and purchases of mortgages for low and moderate-priced housing which is not already under construction at that time.

S. 3499: This bill would authorize increases, as may be specified, in appropriation acts, to the \$950 million mortgage purchase authority for special assistance functions which are subject to Presidential determination (housing in urban renewal areas, housing for the elderly, etc.)

H.R. 10213: This bill contains provisions (among others) for a \$1 billion special assistance fund for purchase of mortgages on low and moderate-priced housing, and for an additional \$50 million for the purchase of certain mortgages.

Each of these bills would shift mortgage financing from the private market to Federal Government, and to the extent to which these operations are financed by Treasury borrowings, (as in the case of S. 3471 and H.R. 10213) would generate strong inflationary pressures. Further, this use of public debt transactions would result in operations not subject to the normal review and control procedures of the Appropriations Committees of the Congress.

In general, the use of special assistance operations tends to make the strong and growing construction industry dependent on political determination rather than on market forces.

For these reasons, the national chamber opposes S. 3471, S. 3499 and H.R. 10213.

STATEMENT OF INVESTMENT BANKERS ASSOCIATION OF AMERICA RE PROPOSED AMENDMENTS TO THE PUBLIC FACILITY LOAN PROGRAM IN CONNECTION WITH HEARINGS ON THE HOUSING BILLS

INTRODUCTORY COMMENTS

The Investment Bankers Association of America is a voluntary unincorporated trade association of investment banking firms and securities dealers who underwrite and deal in all types of securities. Our association has over 800 member firms engage in one phase or another of the securities business in the United States and Canada, including about 100 commercial banks. Our members have, in addition to their main offices, over 1,700 registered branch offices. The underwriting and distribution of States and municipal bonds in the United States are done by firms which, with a few exceptions, are members of our association.

Although the hearings by the Subcommittee on Housing cover numerous bills relating to housing and public facility loans, this statement is directed to only three of the bills, S. 1955, S. 3278 and S. 3471, which propose amendments to broaden the Federal public facility loan program. This statement presents information in opposition to S. 1955 and parts of S. 3278 and S. 3471.

(1) The volume of municipal financing for construction of public facilities reached a record high in 1959 and continues at a high level in 1960.

The sale of municipal bonds to provide long-term financing for the construction of public facilities has steadily increased over the past 10 years and reached a record high in 1959, as evidenced by the following list of sales of new issues of municipal bonds during each of those years:

1950.....	\$3, 693, 604, 000
1951.....	3, 278, 153, 000
1952.....	4, 401, 317, 000
1953.....	5, 557, 887, 000
1954.....	6, 968, 641, 000
1955.....	5, 976, 503, 000
1956.....	5, 446, 419, 000
1957.....	6, 958, 152, 000
1958.....	7, 400, 367, 000
1959.....	over 7, 600, 000, 000

Attached as appendix 1 is a list of the total amount of new issues of municipal bonds sold in each State in 1959.

A high level of financing for public facilities has continued this year when the sale of new issues of municipal bonds in the first 4 months (January-April 1960) aggregated over \$2,577 million.

These facts demonstrate that municipalities are obtaining the financing for growing programs of construction of public facilities without the Federal assistance proposed in the bills referred to above.

(2) The proposals in S. 1955, S. 3278, and S. 3471 for more Federal loans at lower rates for public facilities would not provide any appreciable amount of additional construction but would merely substitute Federal financing for private financing.

(A) S. 1955

S. 1955, to provide the "Community Facilities Act of 1959," would authorize Federal loans to States, municipalities, and other political subdivisions of States, including public agencies and instrumentalities, in an aggregate amount not to exceed \$1 billion to finance the construction, repair or improvement of public facilities (including streets, highways, bridges, parking lots, airports, parks and recreational facilities, refuse and garbage disposal facilities, water, sewage and sanitary facilities, police and fire protection facilities, civil defense facilities, public schools, libraries, offices and other public buildings, and public land, water, and timber conservation facilities) and nonprofit hospitals. The Federal loans, with maturities up to 50 years, could be made at an interest rate determined monthly under a formula in the bill if the loan "is not otherwise available on equally favorable terms and conditions." The rate on such Federal loans would not be more than the total of one-fourth of 1 percent per annum added to the interest rate "which shall not be more than the current average yields on all outstanding marketable obligations of the United States as of the last day of the month preceding the issuance of such notes or other obligations adjusted to the nearest one-eighth of 1 percent."

If this proposed program had been in effect in 1959, about 27.9 percent (or over \$2 billion) of the municipal bonds that were sold during that year without Federal assistance would have been eligible for purchase by the Federal Government under the proposed program, because they were sold at an interest rate above the rate which would have been applicable each month under the proposed Federal program.

This demonstrates that if S. 1955 had been in effect, the entire \$1 billion authorized in Federal loans might simply have been substituted for financing that was done without the proposed Federal program.

The bill proposes to include in the declaration of policy a statement that "the Congress finds that in many instances municipalities or other political subdivisions of States, which seek to provide essential public works or public facilities, are unable to raise the necessary funds." It appears that there is no factual basis for such a statement with regard to those municipalities which have attempted to obtain financial assistance of the type proposed in the bill through the sale of their bonds. In this connection, it should be observed that where municipalities are barred from incurring additional indebtedness to finance public facilities by a constitutional or statutory debt limitation or by legal proceedings, the proposed Federal loans would not provide assistance because indebtedness to the Federal Government would also be subject to the debt limitations or legal proceedings. These situations require a reappraisal of the debt limitation provisions or a solution of the controversy in the legal proceedings.

(B) S. 3278

The title of S. 3278 and this section stating its purpose indicate that the bill would affect only mass transportation facilities and equipment in urban areas; but the bill would have a much broader effect on the entire public facility loan program.

The title of the bill is:

"A BILL To amend section 701 of the Housing Act of 1954 (relating to urban planning grants), and title II of the Housing Amendments of 1955 (relating to public facility loans), to assist State and local governments and their public instrumentalities in improving mass transportation services in metropolitan areas."

Similarly, section (1) of the bill states that the purpose of the act is "to broaden the public facility loan program to specifically authorize financial assistance to the States and local governments, and their public instrumentalities, to provide facilities and equipment for use in mass-transit or commuter service in urban areas, and to integrate and coordinate highway, bus, surface-rail, underground, and other mass-transportation systems in such areas."

Actually S. 3278 would change the interest rate at which Federal loans may be made for any public facilities under Federal public facility loan program. The present program (under sec. 202 of the Housing Amendments of 1955) authorizes the Administrator to make loans only if they are not otherwise available on "reasonable terms." Section 3 of S. 3278 would change this to provide that Federal loans may be made if the financial assistance is not otherwise available on "equally favorable" terms and to provide that the Federal loans shall be made at an interest rate which shall not be more than the total of one-fourth of 1 percent added to the rate which shall be not more than the average annual interest rate on all interest-bearing obligations of the United States then forming a part of the public debt as computed at the end of the fiscal year next preceding the issuance of the Administrator of notes or other obligations and adjusted to the nearest one-eighth of 1 percent. Thus, this section of S. 3278 would fix an arbitrary and unrealistic interest rate at which Federal loans could be made for all public facilities if financing was not otherwise available on equally favorable terms.

If S. 3278 had been in effect during 1959, the interest rate at which Federal loans could have been made would have been 2 $\frac{7}{8}$ percent during the first 6 months and 3 $\frac{1}{8}$ percent during the last 6 months. If this bill had been in effect during 1959, 95.6 percent (or over \$7 billion) of the municipal bonds that were sold during that year without Federal assistance would have been eligible for purchase by the Federal Government, because they were sold at an interest cost above the rate which would have been applicable under S. 3278.

This demonstrates that if S. 3278 had been in effect, the entire amount authorized, up to an amount in excess of \$7 billion (the bill as introduced left blank the amount of total authorization for loans), could simply have been substituted for financing that was done without the proposed Federal program.

(C) S. 3471

S. 3471 would provide "The Staudby Antirecession Act of 1960," which would become operative on declaration by the President whenever unemployment, seasonally adjusted, (1) is more than 5 percent of the labor force and (2) has increased during each of 6 consecutive months. Section 4 would authorize \$1 billion for Federal community facility loans at 2 percent with a maximum maturity of 50 years for any type of public works construction if the Administrator finds, among other conditions, that the financing is not otherwise available on equally favorable terms and the project will represent a net increase above the current level of capital expenditures of the applicant and would not be undertaken without such assistance within a reasonable period of time. Section 5 would also authorize a \$1 billion emergency housing program through Federal purchase of additional mortgages and section 6 would authorize the transfer of unobligated balances of appropriations made to departments and agencies of the executive branch in an aggregate amount up to \$1 billion to other departments or agencies to accelerate the construction of any project to be undertaken or assisted by such department or agency on which construction can be commenced within a reasonably short time or on which construction has commenced but can be accelerated to increase employment.

When the bill was introduced the statement was made that economists argue that business cycles could be leveled out if public works were used as a countercyclical device, compensating with public spending when private investment dips and reducing public spending when private spending revives. However, it is apparent from other bills before the subcommittee (S. 1955 and S. 3278) that advocates of those bills support Federal financing for public facilities of States and municipalities at all times and not as only a countercyclical device.

The evidence indicates that Federal assistance is not necessary as a countercyclical device to support public spending by States and municipalities. In the two most recent so-called "recessions" in 1954 and 1958 the sales of municipal bonds to finance public facilities reached new peaks without Federal assistance. The record shows that the high volume of public construction for public facilities was one of the strong points of the economy during both of those periods.

The evidence also demonstrates that interest rates are not usually the critical factor in financing public facilities. For example, during the period of relatively high interest rates in 1959 the volume of sales of new issues of municipal bonds reached an alltime high (aggregating over \$7,600 million). Issuers may postpone financing for nonessential facilities with the expectation of obtaining a lower rate, but the interest rate is seldom the critical factor in concluding that a project is not feasible. Therefore, the low interest rate proposed for Federal loans would not stimulate financing for many projects that would not have been undertaken without such assistance.

The Federal loan program authorized by section 4 of S. 3471, at 2 percent, would probably provide little or no additional construction of public facilities. Practically all of the financing that would be provided without such assistance would be eligible under the program (terms equally favorable with the arbitrary 2 percent rate would not be otherwise available; most projects would represent a net increase above the current level of expenditures; and applicants would represent that they would not undertake the project without such assistance). The result would simply be the substitution of Federal financing for projects that would otherwise have been financed without Federal assistance.

The proposed loan program would probably actually deter construction of public facilities because many issuers planning public facilities (particularly nonessential facilities), who without such a program would proceed with their financing and construction, would simply wait in the hope of obtaining a 2 percent Federal loan.

Finally, since S. 3471 is designed as an "antirecession" proposal, it might also be pertinent to suggest that, when a recession threatens because of a lack of private spending, a reduction in Federal taxes might be the most rapid and effective way to stimulate private spending.

(3) The proposed programs would be contrary to the basic economic and political concepts of our system of government.

Our system of government is based on the belief that the Federal Government should not take over functions of private business that can be performed at reasonable rates by private business; and the facts summarized above demonstrate that the desired financing for public facilities is being provided at reasonable rates without the proposed programs.

Equally important is the fact that the proposed Federal financial assistance to local governmental units would necessarily create a dependence on the Federal Government, with a resulting lessening of responsibility of the local governmental units, which would effect a gradual erosion of the independence of the local government. We strongly believe that the need is to encourage local governmental units to finance needed public facilities without reliance on the Federal Government for assistance in the forms of grants or loans, in order to assure the preservation of the responsibility and independence of the local governmental units.

CONCLUSIONS

1. Municipalities are obtaining the financing for growing programs of construction of public facilities without the Federal loans proposed in S. 1955, section 3 of S. 3278, and section 4 of S. 3471.

2. The proposed Federal loan programs under S. 1955, section 3 of S. 3278, and section 4 of S. 3471 would not provide any appreciable amount of additional construction of public facilities but would merely substitute Federal financing for private financing.

3. The proposed Federal loan programs under S. 1955, section 3 of S. 3278, and section 4 of S. 3471 would be contrary to the basic economic and political concepts of our system of government.

Consequently, we submit that it is unnecessary and would be undesirable to adopt S. 1955, section 3 of S. 3278, or section 4 of S. 3471.

APPENDIX I.—*New issues of municipal bonds sold in 1959*

[By States]

State:	Amount	State—Continued	Amount
Alabama.....	\$127, 160, 000	Nebraska.....	\$44, 392, 000
Alaska.....	15, 662, 000	Nevada.....	6, 206, 000
Arizona.....	65, 369, 000	North Carolina.....	66, 019, 000
Arkansas.....	18, 517, 000	North Dakota.....	5, 537, 000
California.....	940, 386, 000	New Hampshire.....	27, 869, 000
Colorado.....	40, 745, 000	New Jersey.....	219, 464, 000
Connecticut.....	209, 109, 000	New Mexico.....	16, 805, 000
District of Columbia.....	109, 968, 000	New York.....	1, 163, 906, 000
Delaware.....	41, 667, 000	Ohio.....	305, 654, 000
Florida.....	157, 762, 000	Oklahoma.....	42, 496, 000
Georgia.....	55, 814, 000	Oregon.....	95, 804, 000
Hawaii.....	65, 400, 000	Pennsylvania.....	471, 984, 000
Idaho.....	9, 592, 000	Puerto Rico.....	102, 395, 000
Illinois.....	424, 912, 000	Rhode Island.....	13, 770, 000
Indiana.....	133, 233, 000	South Carolina.....	39, 669, 000
Iowa.....	48, 868, 000	South Dakota.....	8, 292, 000
Kansas.....	41, 971, 000	Tennessee.....	91, 156, 000
Kentucky.....	46, 147, 000	Texas.....	339, 275, 000
Louisiana.....	121, 153, 000	Utah.....	16, 077, 000
Maine.....	20, 073, 000	Vermont.....	15, 203, 000
Maryland.....	137, 218, 000	Virginia.....	75, 319, 000
Massachusetts.....	323, 037, 000	Washington.....	320, 611, 000
Michigan.....	363, 188, 000	West Virginia.....	54, 292, 000
Minnesota.....	163, 687, 000	Wisconsin.....	91, 270, 000
Mississippi.....	102, 989, 000	Wyoming.....	17, 310, 000
Missouri.....	72, 514, 000		
Montana.....	11, 341, 000	Total.....	7, 518, 262, 000

STATEMENT OF JOHN H. ELSE, NATIONAL RETAIL LUMBER DEALERS ASSOCIATION

Mr. Chairman, my name is John H. Else and this statement is submitted on behalf of the National Retail Lumber Dealers Association.

The members of this association have an important stake in home construction and the improvement and modernization of existing homes.

The chairman has introduced a bill, S. 3379, which would require the President to set a minimum number of housing units to be constructed each year and to report to the Congress any recommendation for legislation to accomplish this goal.

We are opposed to this proposal because the production of housing to meet the needs of our citizens goes far beyond the number of units needed and must take into consideration the size, price, and other factors to meet these needs. Furthermore, a national goal disregards the need and demand for certain types of housing in different areas of the country.

We do not believe it is wise to substitute the opinion of the Chief Executive for the law of supply and demand which must necessarily govern the construction of homes in any given area.

Section 2 of the bill, S. 3379, would authorize the Housing Administrator to undertake a research program in the construction of homes.

Under existing law the Housing Agency has authority for a research program but this program has not been used because of lack of funds.

This subcommittee has before it a bill, H.R. 10213, designated as the "Emergency Home Ownership" bill which provides for the authorization of \$1 billion, to be borrowed from the Treasury, for use by FNMA to buy mortgages up to \$14,500 under its special assistance function.

This bill would also require FNMA, for 1 year, to buy any offered mortgage unless in default or the title of the property defective.

It would also reduce to 1 percent the required subscription of stock by the users of FNMA.

It would also require FNMA, for 1 year, to pay par for mortgages under its special assistance function.

We oppose this bill because we believe it to be unnecessary and contrary to the best interests of home buyers and the economy in general.

Perhaps a stronger argument could be made for this bill if conditions similar to those in 1958 existed today, but they do not.

Nineteen hundred and sixty should be a reasonably good year for homebuilding without any major changes in the housing laws.

S. 3292 provides for a Department of Housing and Metropolitan Affairs.

Although we have no position on this proposal at this time because of lack of time to properly study this bill we have some misgivings concerning the proposal because it would seem to place greater emphasis on further Federal intervention and contribution to municipalities than at present.

Over the years the Federal Government has been moving toward larger and larger expenditures for those improvements which should be supplied by the local community.

This subcommittee has before it a bill, S. 3500, which would make permanent the title I property improvement loan insurance program of FHA, and remove the dollar limit on its insurance authorization.

We urge the committee to approve this bill.

The home modernization business is very important to retail lumber and building material dealers.

The title I program has proven to be an excellent means of financing home improvements and has been an important factor in bringing about the upgrading of our older homes.

Over 23 million loans representing \$12.5 billion have been insured by FHA with a remarkably low loss experience.

This program terminates this year unless extended by Congress.

If the committee does not see fit to make this program permanent then we urge an extension for a minimum of 5 years.

S. 3504, pending before the committee, would remove the present limitations on the aggregate amount of FHA general mortgage insurance authorization and would permit FHA to insure all mortgages which meet the standards of FHA.

We urge the committee to approve this measure.

By removing the limitation many of the uncertainties concerning the availability of insuring authority would be eliminated and would aid builders to better plan their building program in advance.

S. 3042 would permit FHA to reduce its mortgage insurance premium to not less than one-fourth of 1 percent. We see no objection to this proposal as long as such reduction is discretionary and not mandatory.

S. 1955 would increase the funds for public facility loans from \$100 million to \$1 billion of which \$400 million would be a revolving fund, and increase the maturity to 50 years. This would greatly expand Government lending in this area and would, in our opinion substitute Government funds for private funds normally available for such loans.

The same objection is made to S. 3278 which would authorize \$100 million for loans to help finance construction of mass transportation facilities in metropolitan areas.

S. 2911 would increase the college housing loan authorization by \$250 million to a total of \$1.425 billion.

S. 2950 would increase this authorization by \$500 million.

The President has not requested this additional authorization and extension of the program and has suggested that the program be replaced by a new program calling for loan guarantees of bonds for this purpose.

We oppose any further expansion of this program as proposed in the above bills.

S. 1342 would create a Federal Limited Mortgage Corporation with stock of \$100 million subscribed by the Treasury. This Corporation would be authorized to make direct loans for housing for middle income families and for elderly persons.

The mortgage loan shall not exceed 90 percent of development cost and not exceeding 90 percent of such amount as the Corporation determines to be the maximum within which the project must be constructed in order that it may be made available for families of moderate income at reasonable rentals. This loan would be for a period of not over 50 years.

We are opposed to this measure because it places the Government in competition with private business without an adequate showing for a need of such a Government program.

Furthermore there is little evidence before this committee to show that the so-called middle-income families are not being provided homes by the industry.

BAILEY LUMBER Co.,
Jackson, Miss., May 21, 1960.

Senator JOHN SPARKMAN,
Senate Office Building,
Washington, D.C.

DEAR SIR: I have before me a copy of the statement by Mr. Lloyd A. Fry, chairman of the board, Lloyd A. Fry Roofing Co., before the Subcommittee on Housing of the Committee on Banking and Currency on May 17, 1960.

Mr. Fry was invited, apparently, to appear before you, to testify on the subject of the Federal Housing Administration's minimum property standards, as they relate to roofs, particularly asphalt shingles.

In his testimony he said "This FHA minimum property standard shingle has a maximum life expectancy of 10 years, and the average life in the South and Southwest is only 7 to 8 years."

It is true the manufacturers of asphalt shingles propose to guarantee their production of 167-pound hexagonal and 210/215 pound square butt asphalt shingles for a period of 10 years; however, we expect the shingle to last from 15 to 20 years, unless damaged by windstorm or otherwise and it isn't unusual for a 210/215 pound asphalt shingle roof to last more than 15 years. As a matter of fact, I have never known of a single roof failure within 10 years of its application and in this statement, I have reference to roofing that was made by old reliable manufacturers.

It is possible, of course, to apply a better roof than a 210/215 pound asphalt roof, but the cost is more and the increase in cost, however small, adds to the burden of buying the house by the average workingman.

There is one house here in Jackson on which we applied a light 167-pound hexagonal roof 21 years ago and it is still in service, with little if any repair needed over the years.

Yours very truly,

BAILEY LUMBER Co.,
J. G. KING,
Vice President and General Manager.

REPORT OF THE CITY PLANNING COMMITTEE OF THE FEDERATION OF CITIZENS ASSOCIATIONS OF THE DISTRICT OF COLUMBIA FOR ITS MEETING ON MAY 12, 1960

The City Planning Committee held a meeting on May 10, 1960, in room 527 of the District Building.

Present were: Mrs. John F. Snyder, Mr. Albert J. Headley, Mr. J. Courtney Suter Jr., Mr. George B. Furman, and Mr. Homer J. Smith. Also present as a visitor was Mr. Lester H. Steinem, President of the West End Citizens Association. Mr. Robert L. Banks was excused as he was out of the city.

Although seven subjects were on the committee's agenda, the main purpose of the meeting was to consider H.R. 8697, a bill to amend the District of Columbia Redevelopment Act of 1945 which was introduced by Congressman Louis C. Rabaut of Michigan. On this subject your committee offers the following resolution:

"RESOLUTION

"Whereas the redevelopment project in the southwest section of the Capital City is now in its 8th year and is considered to be a pilot project for other cities in the United States, and

"Whereas approximately 34,000 persons were displaced from the area and only 1 luxury apartment of 400 units and approximately 1,000 units of low-cost housing have been erected under controlling laws and the policies and procedures of the responsible agencies, and

"Whereas the Housing and Home Finance Agency, Urban Renewal Administration, Federal Housing Administration, National Capital Planning Commission, District of Columbia Board of Commissioners, National Capital Housing Authority, and Redevelopment Land Agency as coordinating agencies all share the responsibility for this project, and

"Whereas the despite conflicting reports as to adequacy of the rehousing of displaced persons, we cannot but be aware of the increase in persons per dwelling unit and tenement house conditions which are evident in northwest, northeast and southeast since demolition of dwellings in the southwest, and

"Whereas consultants Rouse & Keith, approximately 5 years ago, made some 21 recommendations to implement redevelopment which they realized was only practical if real leadership was exercised by the District of Columbia Commissioners with almost utopian cooperation of all agencies concerned, and

"Whereas, the millennium has not occurred and the present situation impels the conclusion that redevelopment under the controlling laws and regulations as presently administered by the responsible agencies is woefully inadequate, and

"Whereas H.R. 8697 provides for the elimination of the National Capital Planning Commission from participation in redevelopment despite the large Federal interest in this city, and

"Whereas the increased burden of public works, urban redevelopment and renewal is an almost impossible burden and the Board of Commissioners has indicated that it does not desire the authority provided in H.R. 8697, and

"Whereas the Federation of Citizens Associations of the District of Columbia believes that the success of our urban renewal program depends upon a thorough overhaul of existing administrative machinery so as to centralize authority for the planning, direction and implementation of this program: Now be it

"*Resolved*, That the District of Columbia Federation of Citizens Associations in regular meeting assembled this 12th day of May 1960, support H.R. 8697 in principle, and respectfully request that the following proposed amendments be given consideration:

"1. That the National Capital Planning Commission exercise its advisory function in renewal planning to protect the Federal character of this city.

"2. That the House and Senate District Affairs Committees and the Commissioners of the District of Columbia initiate a study and legislation to reorganize the District of Columbia urban renewal machinery. It is suggested that the Redevelopment Land Agency and the National Capital Housing Authority be placed under direct control of the District of Columbia Commissioners.

"3. That no development plan for a project area should be adopted until the responsible agencies can offer a concrete plan to provide adequate housing for persons displaced in the southwest project and in all areas proposed for future projects.

"and be it further

"*Resolved*, That copies of this resolution be sent to:

- "1. Senate and House Committees on District of Columbia Affairs.
- "2. The Administrator, Housing and Home Finance Administration.
- "3. Commissioners of the District of Columbia.
- "4. Chairman, Redevelopment Land Agency.
- "5. Chairman, National Capital Housing Authority.
- "6. Senate Banking and Currency Committee."

I move the adoption of the foregoing resolution.

HOMER J. SMITH,
Chairman, City Planning Commission.

RESOLUTION OF FORT SUMNER ROTARY CLUB, FORT SUMNER, N. MEX.

RESOLUTION

Whereas the Fort Sumner Rotary Club has learned that President Eisenhower has recommended to Congress that authority given to the Veterans' Administration to make direct loans to veterans for home construction be allowed to expire on June 30, 1960; and

Whereas there has been in Fort Sumner no other regular source of loans for home construction other than direct loans from the Veterans' Administration, the town being too small for the securing of such loans from banks and insurance companies; and

Whereas in the State of New Mexico there are many other small communities facing the same problems as Fort Sumner with regard to financing home construction, which other communities would, with Fort Sumner, be adversely affected by the discontinuance of the direct loan program of the Veterans' Administration: Now, therefore, be it

Resolved, That the Fort Sumner Rotary Club by resolution goes on record as favoring the continuance of the direct loan program of the Veterans' Administration for the purchase and construction of homes for veterans; be it further

Resolved, That a copy of the resolution, be sent to each of the Representatives and Senators in the U.S. Congress representing the State of New Mexico.

V. J. ROGERS,
President.

B. C. WITHERS,
Secretary.

I, B. C. Withers, secretary of the Fort Sumner Rotary Club, do hereby certify that the foregoing is a true and correct copy of a resolution which was proposed, seconded and passed by the Fort Sumner Rotary Club at a regular meeting held in Fort Sumner on the 27th day of April 1960.

B. C. WITHERS,
Secretary.

(The following was subsequently received for the record:)

THE SECRETARY OF COMMERCE,
Washington, D.C., May 31, 1960.

HON. A. WILLIS ROBERTSON,
*Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: This is in reply to your letter of March 30, 1960, requesting the views of this Department on S. 3278, a bill to amend section 701 of the Housing Act of 1954 (relating to urban planning grants), and title II of the Housing Amendments of 1955 (relating to public facility loans), to assist State and local governments and their public instrumentalities in improving mass transportation services in metropolitan areas.

The congressional policy in the subject bill recognizes a responsibility in the Federal Government to assist States and political subdivisions in planning and establishing mass transport in connection with other land uses.

Section 2 authorizes assistance in solving planning problems, facilities comprehensive planning on a continuing basis, and encourage establishment of planning staffs. It also authorizes the Administrator of the Housing and Home Finance Agency to encourage (a) planning to determine mass transport needs (b) coordination of planning activities of agencies regulating or providing mass transport; and (c) studies concerning the interrelationship between transport and other land uses.

Section 3 authorizes grants to finance public projects, also facilities and equipment for mass transport with a limitation of \$100 million. It stipulates that interest on such grants shall be determined by the Administrator limited to an amount not to exceed one-quarter of 1 percent per annum added to the rate of interest paid by the Administrator on funds obtained from the Secretary of the Treasury. A priority for approving plans based on their workability and pressing need is established. Issuance of notes and other obligations to the Secretary of Treasury in an amount not to exceed \$100 million is authorized. Interest rates on notes at the average annual rates on all interest-bearing obligations to be determined by the Secretary of the Treasury.

This Department would not favor the enactment of S. 3278.

In the field of planning the subject bill attempts to cover a field already provided with more extensive financial resources than any provided in the Housing and Home Finance Agency. The bill at the same time would encourage concentration of that Agency in transportation planning to the possible neglect of more pressing planning needs for which it is responsible. The purpose of section 701 was to provide incentives for general land use and other general community plans. It would seem more appropriate for the section 701 grants to be adminis-

tered in such a way as to concentrate on the more general aspects of planning such as land use.

Transportation planning is now conducted under the planning grants to States in accordance with present Federal-aid highway legislation. Up to 1½ percent of highway apportionments to each State may be used for planning and this has provided considerable funds for many outstanding transportation plans in metropolitan areas. This Department would favor improved coordination with HIFA planning.

The "Federal Transportation Policy and Program" issued in March by this Department in enunciating the Federal role stated that "The Government should encourage local authorities to do more long-range land-use planning, in which transportation has a critical part." The Federal role is supported by the following recommendations:

"49. Encourage urban long-range community planning including total transportation planning to make full use of highway, transit, rail commutation, and all other capacity to minimize total transportation cost and congestion, in full coordination with activities under the Housing Act of 1949 as amended. * * *

"50. With local communities and the same coordination, investigate basic approaches to such plans and their financing. Methods might include amendment of existing highway legislation to allow charges on city highway gateways to help divert auto commuter travel to mass transport means, higher community parking fees to help similarly, diversion of such funds to pay for other transport facilities, etc. * * *"

The portions of the bill dealing with direct loans at subsidy rates of interest do not deal in any precise way with the specific rapid transit problems in the several major metropolitan areas where rapid transit is a relevant means of transportation. For example, the commuter losses of the railroads and their desire to discontinue such service is a basic cause of difficulty in several communities, particularly in New York and northern New Jersey, as well as Philadelphia. These communities have been engaged in a search for means of aiding their commuter railroads meet operating deficits.

In some of the publicly owned transit systems, operating deficits also pose as much a problem as the need for capital.

This Department takes the position that the mass transit problem is basically one for cooperation between the communities involved and the carriers, whether publicly or privately owned. The entire spectrum of costs, both capital and operating, is relevant, and the situations may vary significantly from area to area. Encouraging gains have been made in the processes of community carrier cooperation but no set pattern has evolved.

The bill would make more difficult the coordination of transportation planning. In any provisions for transportation planning, the integral connection between planning for mass transit and highways should be preserved. Under the highway planning grants there are successful examples of such coordinated plans, and the principle could be further extended. Furthermore, the bill would place a large transport loan function in an agency outside the transport complex of the executive branch without the means of coordination with the mass transportation potential of the railroad industry.

The Bureau of the Budget advises that it would not object to the submittal of this report to your committee. However, the Bureau suggests that the enclosed letter from the Bureau of the Budget to the Secretary of Commerce accompany this report.

Sincerely yours,

PHILIP A. RAY,
Under Secretary of Commerce.

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., May 27, 1960.

The Honorable the SECRETARY OF COMMERCE
(Attention of F. Bourne Upham, III).

MY DEAR MR. SECRETARY: This will acknowledge Under Secretary Ray's letter of May 20, 1960, transmitting copies of a proposed report to the Senate committee on Banking and Currency on S. 3278, a bill to amend section 701 of the Housing Act of 1954 (relating to urban planning grants), and title II of the

Housing Amendment of 1955 (relating to public facility loans), to assist State and local governments and their public instrumentalities in improving mass transportation services in metropolitan areas.

In its proposed report, the Department objects to section 2 of S. 3278 primarily on the ground that it would remove mass transit planning from its integral connection with highway planning by authorizing the use of urban planning grants by the Housing and Home Finance Agency for this purpose. The Department contends that these needs are already amply financed from planning grants to States under present Federal-aid highway legislation and, therefore, recommends that the more limited resources available to the Housing and Home Finance Agency be concentrated on preparation of basic land-use plans.

The Bureau of the Budget concurs with the view expressed to the committee by the Housing and Home Finance Agency and the National Capital Planning Commission that general transportation planning by local communities is a logical and essential part of comprehensive community planning. The responsibility for Federal assistance for such comprehensive community planning was vested in the Housing and Home Finance Agency in 1954 legislation and this role was strengthened by 1959 amendments supported by the administration. Preparation of urban arterial highway plans, which carry out features of the general transportation plan, however, can properly be assisted by funds available under the Federal-aid highway program. The very limited use thus far of such funds to help finance mass transit planning can perhaps be expanded.

While there is no objection to the submission to the committee of such report as you may deem appropriate, you may wish to reconsider the contents in the light of the foregoing considerations. In the circumstance, and particularly in view of the limited time available for further consideration, we would appreciate your transmitting a copy of this letter to the committee with your report.

Sincerely yours,

PHILLIP S. HUGHES,

Assistant Director for Legislative Reference.

(The following was subsequently received for the record:)

PUBLIC HOUSING ADMINISTRATION,
HOUSING AND HOME FINANCE AGENCY,
Washington, D.C., May 31, 1960.

Mr. JAMES B. CASH, Jr.,
*Staff Director, Subcommittee on Housing,
Senate Banking and Currency Committee,
Washington, D.C.*

DEAR MR. CASH: This is responsive to Mr. Carl Coan's telephone request that we furnish the committee with a statement of the agency's current policy regarding construction cost and the use of slum sites for low-rent housing. Mr. Coan made particular reference to an administrative ceiling of \$17,000 per unit for total development cost.

There is no ceiling for development cost in the low-rent program. The act as you know, in section 15(5) provides for certain room cost limitations, which are exclusive of the cost of land, demolition, and nondwelling facilities.

The act also in section 15(5) prohibits elaborate design and material for low-rent housing projects and requires that economy be promoted in their construction and, in section 10(b), requires that annual contributions be strictly limited. To give effect to these laws, the agency's current policy is that the design and material used for low-rent projects conform with what is being done by private builders in the locality for middle income housing, taking into consideration the economic use of the site.

We believe that if this policy is complied with construction costs will never reach \$17,000 per unit for any project. Recent bidding in various localities, including Chicago, where the policy has been complied with, confirms this belief. We also find strong support for our opinion in plans initiated at Philadelphia in recent years. Under one of these plans the local authority undertook to provide low-rent housing through the acquisition and rehabilitation of individual row houses. Total cost per unit under this plan would be approximately \$10,000. In another plan the local authority made arrangements to purchase new row housing from a local homebuilder at a cost of approximately \$12,000 per unit. Unfortunately, both of these plans have been temporarily stopped by litigation.

The agency also has no regulation against the use of slum sites for low-rent housing. The general policy of conforming with local practices with respect to middle income housing would preclude the use of slum sites for row housing or other low-rise type of construction where the cost of the site was prohibitive.

The answer to the problem of using expensive slum sites for low-rise construction in the low-rent program appears to be the utilization of urban renewal project land. The Housing Act of 1959, as you know, provides in section 411 that urban renewal land be made available for low-rent housing at a price equal to the fair value of land to a private redeveloper who wants to buy a site in the community for private rental housing with characteristics similar to those of low-rent projects. While this law, by its language, is applicable only to land acquired subsequent to the date of its enactment, Commissioner Walker of the Urban Renewal Administration agrees that the pricing of urban renewal land for low-rent housing should be equitable, whether it be acquired before or after the enactment of the Housing Act of 1959. However, neither the Urban Renewal Administration nor this agency may force a locality to utilize urban renewal land for low-rent housing purposes. To date there have been few cases where localities have been willing to locate low-rent housing projects on urban renewal project sites.

Please inform us if you require further information.

We suggest that a copy of this letter be placed in the record of the hearings.

Sincerely yours,

LAWRENCE DAVERN, *General Counsel.*

(See p. 399 for reference.)

Senator CLARK. If there are no further witnesses to be heard, the hearings will be closed. The record will remain open until noon on May 28, 1960.

Mr. ARRINGTON. Thank you, Mr. Chairman.

(Whereupon, at 12:25 p.m., the subcommittee recessed, subject to the call of the chairman.)

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