4. The act gives much-needed emphasis to the needs of rural Americans.

Secretary of Agriculture Freeman has said that nearly half the poverty in the United States is in rural America. He has pointed out the relationship between the poverty of our cities and rural poverty, saying: "* * * the urban poor who are today overcrowding our cities are the rural poor of yesterday, or the children of the rural poor of a generation ago. And the rural poor of today, and their children, are the urban poor of tomorrow."

We know rural poverty through our seasonal farm labor programs and our work with American Indians. We see the related urban poverty in our programs designed to promote fair employment, in our school desegregation programs. It challenges us in our housing programs and in our work with urban youth. The problem needs no documentation here. We welcome the fact that the act provides for an attack on one of the main sources of poverty in the United States.

5. The act supports the principle of direct loans from the Government to the poor.

We have had experience in California with one Government program allowing for direct loans to the rural poor. Out of that experience we enthusiastically endorse the extension of this principle to other areas.

The Government program was made possible by the 1961 Housing Act allowing the Farmers Home Administration to make direct loans on good credit terms to people who wanted to build homes. The loans could go to citizens in communities of less than 2,500 population who could show their ability to repay the loan and who owned their land.

The AFSC community development program with seasonal farm laborers in Tulare County, Calif., had been at work 6 years or so when these loans became available. The work had involved patient exploration with people in shack towns to discover what their problems were and what could be done about them. Specific result had been achieved over the years. For example, one community had organized itself to get a water system. As important, leadership qualities in the people had been tapped and they were gaining confidence.

Jobs and housing were urgent problems. We tackled the job problem with a "farm labor co-op" to which we will refer later. To tackle the housing problem, we added to our community development staff a builder with a concern to experiment in ways of getting housing to people in an area where $2,600 was the median income per year.

It was decided to use the self-help technique which would reduce the cost of the housing since the farm laborers would themselves, especially in off seasons, share in the work of building their homes, thus reducing the construction loan needed. Families were eager to start, but our project was stymied for lack of building capital. Most sources of loans, private and governmental, found the families ineligible for loans because of their short workweek, their low wages, and the type of communities they lived in.

The new Government provision for direct loans ended the stalemate. We went ahead to organize a group of farmworkers. They studied with our staff the intricacies of mortgage financing, taxes, and insurance. Next they studied house design and layout, construction materials and methods. They were then ready to plan a home that matched their desires and their financial ability.

In January of 1963 the Farmers Home Administration deposited funds to the account of the first three families to meet the requirements. Construction started and 6 months later these families moved from their substandard shacks into standard 1,000-squarefoot, three- or four-bedroom houses. The value of each home is approximately $9,000. The monthly payments total $38—$26 on the loan amortization and another $12 for fire insurance and taxes.

Two factors are important here: (1) The direct loan from the Government had realistic credit terms—4 percent over a period of 33 years; and (2) the construction loans were reduced by $2,400 worth of construction work on the part of the families themselves.

On the subject of credit terms, recent research has shown that by extending the period of amortization from 30 to 40 years and lowering the interest rates from 5¼ to 2 percent nearly twice as many families could enter the housing market.

More houses are under construction in Tulare County now and a group of farm laborers in nearby Fresno County are planning a whole new subdivision—57 houses in a community to be known as El Porvenir, or The Hope of the Future.

We do not mean to suggest here that self-help housing techniques combined with realistic financing are the answer to the complex housing needs of the