

ties will be the enormous vigor that a diversified homebuilding industry is capable of producing.

The credit assistance of FHA mortgage insurance is needed if private enterprise is to fulfill its potential role in the development of new communities, and if new communities are to offer in full measure the benefits of economy and diversity and good living that are their promise.

One of the most persistent problems of the small builder (who may wish to build perhaps 10 or 20 houses a year) is the difficulty of securing a steady supply of reasonably priced improved building lots. They simply do not have the cash or credit facilities or even the time needed to undertake a land purchase and land improvement program to supply them with an even flow of good building sites in well-planned large subdivisions or in attractive new communities. The homebuilding industry as a whole is finding it increasingly important to market houses on the basis that the entire neighborhood or the entire new community will provide unusual attractions for the home buyer. This trend in the industry toward large scale planned development becomes increasingly apparent every building season.

The program of FHA mortgage insurance for land development for new communities can be helpful to small builders in a number of ways. For example, under this program the small builder can join with other small builders to acquire and jointly develop a site commensurate with their combined needs and capacities for several years of home construction. The ability to pool equity and the eligibility of fees for professional services under the land development mortgage enable the small builders to retain competent technical land development staff for the joint operation. Each builder, however, can retain his individual building and sales operation with respect to his own lots within the larger project, and all can share in the profits on land for commercial property within the project made valuable by the aggregation of new families.

Another way in which small builders may participate is by purchasing the desired number of contiguous lots from land developers who are not themselves homebuilders. Without the benefit of FHA credit assistance, such land developers are often forced to obtain credit backing or other participation from large- or medium-size homebuilders in order to enable the land developers to obtain the funds with which to prepare sites in a large development. In the case of large new communities, even more extensive backing or participation is required from large homebuilder organizations. In return for such backing or other participation, the land developer must normally make firm commitments to the participating homebuilders under which the latter will have first choice of the best blocks of improved lots, thus leaving random and inferior lots, if any, to smaller builders. The availability of FHA mortgage insurance will in very many cases make it unnecessary for land developers to make such advance commitments to large- and medium-size builders. Instead, the land developer can carry the site preparation stage with the insured FHA mortgage loan; sell lots on the free market; and thereby make additional improved lots available to smaller builders.

The increased availability of credit for rational and orderly development will result in an increased supply of improved building lots at cheaper prices for all builders. Thus, the benefit to smaller builders will not be at the expense of medium-size and larger builders, but rather will result from overall increased production of good building sites for the market as a whole.

Under existing law, the Secretary is directed to adopt requirements necessary to encourage broad participation by builders in the land development program. Title II contains a clarifying amendment to the effect that participation of small builders in the program is particularly to be encouraged.

The planning criteria for the existing land development program would also be applicable with respect to new communities. In all cases, the criteria established by the Secretary would have as their purpose reasonable assurance that the process of comprehensive planning for the area where the land is situated includes, as a basic part of that process, provisions for making the planning effective. This is important so that the proposed development assisted by the mortgage insurance will in actual fact be compatible with the present and projected development of the wider area where the land is situated.

In the case of a new community, the criteria would contemplate a comprehensive plan for a larger urban area to demonstrate the interacting relationship between the new development and other communities in the urban area, including major central cities, major employment centers, major open spaces and recreational areas, and intercity transportation facilities.