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Line 4: Strike out "X" and insert in lieu thereof "XI".

After line 5: Add two additional amendments as follows:

"(d) Section 212(a) of the National Housing Act is amended by adding at the end thereof the following new sentence: 'The provisions of this section shall also apply to the insurance of any mortgage under title XI.'

"(e) Section 227 of the National Housing Act is amended by inserting in the first sentence of the introductory text after 'or rehabilitated multifamily housing' the following: 'or a property or project under title XI.'"

Mr. BARRETT. Thank you, Mr. Brownstein.

I have a question that should be directed to you, Mr. Brownstein. A bill introduced by Mr. Patman, H.R. 9256, would authorize FHA insurance for the construction of facilities to be used for group medical practice. It also provides standby direct loans in the event that private lenders are unable or unwilling to make FHA-insured loans.

Direct loans, of course, are more controversial. And I wonder whether the subcommittee should not consider authorizing only insured loans by the FHA, and not authorize direct loans at all.

You already have a nursing home insured loan program, do you not, Mr. Brownstein?

Mr. BROWNSTEIN. Yes, we do, Mr. Chairman.

Mr. BARRETT. Which seems to be working well, and it seems to have the cooperation of private lenders.

In view of this, and in view of the fact that FHA-insured loans are eligible for Fannie Mae's secondary market operations, what would you think of the subcommittee reporting a bill which would confine the new program to FHA-insured loans? In that way we can get the job done, and, of course, at no cost or burden to the Treasury.

Mr. BROWNSTEIN. Well, Mr. Chairman, we certainly would want to have the maximum participation in this program by private investors. And we would hope that and expect that to a very large degree it would be financed in this manner.

As the chairman has suggested, we do have a successfully operating nursing home program which is being financed by the private market.

Also, as has been pointed out by the chairman, these mortgages would be eligible for sale to FNMA in the secondary market activity.

The purpose of the direct loan feature was to provide a backup in case the private market would not take these mortgages.

There are also, as the committee knows, geographical variances in the availability of mortgage funds, and in some of the smaller areas there may not be private funds available for these mortgages.

It was for these reasons that the proposal was made to include the direct loan feature.

Mr. BARRETT. Thank you.

Mr. Fino?

Mr. FINO. Thank you, Mr. Chairman.

Commissioner Brownstein, in looking at this legislation, none of what is proposed would cover facilities, even though they would be permanent fixtures; is that correct? In other words, you build a medical center, large or small, but a lot of the stuff that goes into it, medical equipment and apparatus which is very expensive, will not be included in this loan, would it?

Mr. BROWNSTEIN. Yes; that would be included in this facility, Mr. Fino.