

and documents which are prepared by those who have a special knowledge and experience with this program.

(d) It is necessary to update section 102(h) of the housing amendments so that it will refer not only to cooperative housing which is to be insured by FHA under section 213, but also cooperative housing to be insured under section 221(d)(3) or under the rent supplement provisions contained in section 101 of the Housing and Urban Development Act of 1965. Instead of repealing section 102(h) of the Housing Amendments of 1965, we urge that this provision be retained in the law and amended and strengthened by referring to other laws subsequently enacted by the Congress relating to cooperative housing.

4. With the recent increase in interest rates in the private financial market, it is becoming increasingly difficult to obtain construction financing at reasonable interest rates and reasonable service charges. This poses a serious threat to the housing programs under section 221(d)(3), including the below-market-interest-rate program to serve moderate-income families and the rent supplement program to serve low-income families.

It is necessary that affirmative measures be taken which will assure the availability of construction financing for such projects at reasonable interest rates and reasonable servicing charges. In those cases where FNMA is issuing a commitment for the purchase of an FHA-insured mortgage under section 221(d)(3), the law should be amended to provide that FNMA can also make FHA-insured advances during construction pursuant to such a commitment. We propose that FNMA's advances be limited to a participation of not more than 95 percent in the construction financing, so that there will be a mortgagee which would participate in the advances for the balance and which will have the responsibility of providing the necessary servicing and processing of advances during construction.

5. In the rent supplement program, overcrowding should be recognized as a substandard housing condition which would qualify a low-income family for housing. This is done in public housing. It should also be done in the rent-supplement program.

6. In the below-market interest rate program under section 221(d)(3), we recommend an amendment to permit occupancy by individuals who qualify as to income. Under the 1964 amendment, such eligibility of individuals was limited to those who were elderly or handicapped.

7. In the section 213 program under FHA, we recommend an amendment which would remove an obstacle to the conversion of existing rental housing to cooperative ownership. Present FHA appraisal formulas are appropriate for rental property operated on a profit basis, but they are not workable for property operated on a nonprofit basis by a cooperative which seeks to produce only enough income to cover its costs.

8. Another amendment required in section 213 is to increase the supplementary financing to enable necessary improvements to be made in existing cooperative housing so it can keep pace with the requirements of modernization; also, to permit the addition of community facilities when experience has demonstrated their need.

9. To help provide adequate housing for lower income families under the below-market program of section 221(d)(3) and the rent