

is a tendency to put aside such unfamiliar matters and work on other cases, particularly since the offices have more than enough to do. In 1955, Congress recognized the need for a special assistant and staff on cooperative housing to provide necessary assistance, guidance, and expediting in order to carry out the laws and mandates of the Congress relating to the encouragement of the cooperative housing program. The law wisely provide that the person appointed special assistant for cooperative housing should be fully sympathetic with the purposes of the cooperative program.

(e) Through the years Congress has recognized the great benefits and advantages of cooperative housing to the consumer. This is a program which enables people to help themselves through downpayments toward the financing of the program; through sharing responsibility for the maintenance and upkeep of the property; and through democratic control over their community and its activities. Cooperative housing has resulted in producing better housing at lower monthly cost for the consumer. At the same time, the people in cooperatives work together in providing education, recreational, and other community services.

(f) As to the law enacted by the Congress in 1955, there is an even greater need and urgency for it today. New programs have been enacted by the Congress, such as the rent supplement program and the below-market-interest rate program, which include projects undertaken by housing cooperatives. To implement and effectuate these programs, it is necessary to have the skills and experience of those who have specialized in cooperative housing. Otherwise, we will lose the benefits that cooperative can bring to these programs. As quoted elsewhere in my testimony, an independent survey of 221(d)(3) projects concluded that cooperative projects produced housing at lower monthly charges than rental projects similarly financed; also, that cooperative housing developments produced communities which had a better upkeep and a better atmosphere of mutual respect.

(g) Since new legislation has been enacted since this law was passed in 1955, it is necessary to update the provision to 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. Accordingly, we propose that instead of repealing section 102(h) of the Housing Amendments of 1955, this provision should be retained in the law and should be amended and strengthened by the following amendments which would update it to refer to other sections subsequently enacted by the Congress relating to cooperative housing:

H.R. 13064 is amended by deleting subsection (b) of section 212 (at p. 23, lines 3 and 4) and inserting in lieu thereof:

"Section 102(h) of such amendments is amended—

"(1) by inserting after the words 'section 213': and section 221(d)(3);

"(2) by inserting after the words 'as amended': 'and by section 101 of the Housing and Urban Development Act of 1965, insofar as such sections relate to cooperative housing'; and

"(3) by striking out the words 'such section' wherever they appear and inserting in lieu thereof 'such provisions relating to cooperative housing.'"

4. With the recent increases 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), we recommend an amendment which would provide that FNMA can also make FHA-insured advances during construction pursuant to such a commitment. Since FNMA will ultimately purchase the FHA-insured mortgage on the completed project and there is an urgent need to meet the problem of construction financing, FNMA should be authorized to make advances prior to the completion of the project, so long as each advance is insured by FHA.

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 during construction.