

Thus, FNMA would not be required to take on the additional administrative work of processing and approving advances during construction, since this work would be done by the mortgagee which will be participating in the construction loan.

At the present time FNMA charges a commitment fee equal to 1 percent of the mortgage to cover its commitment and purchase of the mortgage insured by FHA under section 221(d)(3). This same commitment fee should cover the advances during construction pursuant to its 95-percent participation in the construction loan, with each advance to be insured by FHA in accordance with the established procedures.

The interest rate on the construction-loan advances would be at the prevailing rate on FHA-insured loans during the construction period. Currently this rate is $5\frac{1}{4}$ percent. On commitments issued under the below market interest rate program, the rate is reduced to 3 percent after the completion of the project. Since the FHA-insured advances would be at the prevailing interest rate of $5\frac{1}{4}$ percent, FNMA would be called upon for a participation in the construction loan only when this is necessary because of the absence of adequate private financing at reasonable interest rates and reasonable service charges.

The amendment which we recommend is as follows:

Section 305(h) of the National Housing Act, as amended, is hereby amended by adding the following at the end thereof:

"In cases where the Association makes such a commitment to purchase a mortgage insured under the provisions of section 221(d)(3) of this Act, the commitment may provide for the participation by the Association, to the extent of not more than 95 per centum, in the making of FHA-insured loan advances under the mortgage at the interest rate prevailing during the construction period on the project involved (with the mortgagee participating for the balance of said loan and providing necessary servicing and processing of advances until the project is completed and there is a final FHA-insurance endorsement of the mortgage). In cases involving such a commitment and advances and purchases pursuant to this subsection, the Association shall collect a commitment fee of not to exceed 1 per centum of the principal amount of the mortgage."

5. The eligibility for rent supplements is too limited under the present law. Apart from families who are displaced and apart from the elderly and physically handicapped, the law limits rent supplements to those lower income families who are living in substandard housing. The law should be amended to make it clear that overcrowding is 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.

The proposed amendment is as follows:

"H.R. 13064 is amended by inserting the following new section:

"SEC. . Section 101(c)(2) of the Housing and Urban Development Act of 1965 is amended by deleting the period at the end of subparagraph (E) thereof and inserting a semicolon and the word "or"; and by adding the following after clause (E):

"(F) Living under overcrowded conditions." "

6. In the below market interest rate program under section 221(d)(3), an amendment is needed to permit occupancy by otherwise eligible individuals of all ages. The 1964 amendment limited this eligibility to elderly and handicapped individuals. We recommend an amendment to permit occupancy by individuals of all ages who qualify as to income.

The proposed amendment is as follows:

"H.R. 13064 is amended by inserting the following new section:

"SEC. . The last sentence of section 221(f) of the National Housing Act is amended by striking out: 'person who is sixty-two years of age or over, or who is a handicapped person within the meaning of section 202 of the Housing Act of 1959' and inserting in lieu thereof: 'single person'."

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. We are frankly disappointed with the progress in converting existing housing to cooperative ownership under amendments adopted by Congress over 6 years ago. While a few FHA offices have issued satisfactory insurance commitments under this legislation, most of them have failed to do so. We are convinced that this program will never operate on a national basis unless the law is amended to assure that the amount of the FHA-insured mortgage is adequate to finance the acquisition of an existing property by a consumer cooperative. FHA should insure the mortgage of a cooperative on such property in the