

amount which can be carried by its income when the property is operated on a nonprofit basis. Present FHA appraisal formulas which capitalize income are appropriate for property operated on a profit basis. 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.

The proposed amendment is as follows:

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

"SEC. . Section 213 (i) of the National Housing Act is amended by inserting after the second sentence thereof:

" 'As used in this subsection, 'appraised value of the property for continued use as a cooperative' means a value which, when established for purposes of determining the insurable mortgage of a cooperative, will result in a mortgage amount on which the debt service can be met from the income from the property, after the payment of all operating expenses, when it is operated by a cooperative on a nonprofit basis.' "

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. In 1961, by adding subsection (j) to section 213, Congress wisely amended the cooperative housing provisions to permit supplementary financing in order to provide for necessary improvements in cooperative housing so that it can keep pace with requirements of modernization; also to permit the addition of community facilities when experience demonstrated their need. However, that legislation included a limitation that the supplementary financing could only be provided to the extent that the original loan had been reduced through principal amortization. We have found this legislation unworkable. To make necessary improvements and community facilities, financing is required in a larger amount than would be available under the present ceiling. A supplementary loan cannot now be made in an amount which, when added to the present mortgage balance, would increase the indebtedness above the original mortgage debt. Since these additional facilities will add to the value of the property beyond what was covered by the original mortgage, it is reasonable and proper that the mortgage be increased to recognize the increased cost and value involved in the new improvements and betterments. Accordingly, we recommend the removal of the present unworkable ceiling as a statutory limitation on the amount of a supplementary loan.

The proposed amendment is as follows:

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

"SEC. . Section 213 (j) of the National Housing Act is amended by inserting at the end of subparagraph (2) (A) thereof: "Provided, That in the case of improvements or additional community facilities, the total outstanding indebtedness may exceed the original principal obligation of the mortgage by an amount equal to 97 per centum of the amount which the Commissioner estimates will be the cost of such improvements and community facilities; "

9. To help provide adequate housing for lower income families under the below market program of section 221 (d) (3) and the rent supplement program, amendments are necessary to enable self-help programs in certain areas. This would apply to projects where the payment for services is not in cash wages, but in reduction of housing charges for those who participate in the self-help. As provided on elderly housing under section 202 (c) (B) of the National Housing Act, there should be an amendment to section 221 (d) (3) which provides that the FHA may waive the prevailing wage requirement in cases where laborers or mechanics (not otherwise employed in the construction of such housing), voluntarily donate their services without compensation for the purpose of lowering the cost of construction and the FHA determines that any amounts saved thereby are fully credited to the cooperative or other nonprofit corporations undertaking the construction.

The proposed amendment is as follows:

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

"SEC. . Section 212 (a) of the National Housing Act is amended by deleting the period after the third sentence thereof and inserting the following:

"but the Commissioner may waive the application of this section in cases or classes of cases where laborers or mechanics (not otherwise employed at any time in the construction of such housing) voluntarily donate their services without compensation for the purpose of lowering their housing costs