

in a cooperative housing project and the Commissioner determines that any amounts saved thereby are fully credited to the cooperative undertaking the construction."''

10. The urban development bill should be amended to provide that the FHA-insured loans under the new communities program should be for a 40-year term. Loans for 15 years are inadequate, particularly under a program where the land would be leased for redevelopment and the rentals would be utilized to repay the loans.

11. In the rural housing legislation of the Department of Agriculture, amendments are required to expand the purposes of direct loans to private nonprofit organizations and consumer cooperatives to include rental or cooperative housing for moderate-income families who are not elderly. These loans should be at the same rate of interest as is now provided on loans by the Department of Agriculture to provide housing for the elderly. The law now permits such loans only for the elderly. In addition, a rent supplement program should be made available for the low-income families who will live in such housing developments of nonprofit and cooperative organizations financed under this program for rural areas. There are other amendments required in the housing legislation of the Department of Agriculture (which others are submitting) which would enable cooperatives and nonprofit corporations to provide housing for low and moderate-income rural residents who lack sufficient income and resources to obtain such housing.

12. Since management-type cooperatives have the best repayment record on FHA-insured mortgages, we approve the proposal in H.R. 12766 to reduce the FHA mortgage insurance premium on such cooperative mortgages.

13. When funds are not available in the private mortgage market to purchase cooperative mortgages or urban renewal mortgages at par plus a reasonable commitment and purchasing fee, there are special assistance funds available in FNMA, pursuant to congressional authorizations for the purchase of these mortgages on such terms in order to protect the consumer and public interests involved in these programs. To the extent that additional authorizations are required, they should be provided in order to assure that adequate special assistance funds are made available to FNMA for its purchase of such mortgages on cooperative projects or housing projects located in urban renewal areas when the mortgages are insured by FHA.

SUPPLEMENTARY STATEMENT OF COOPERATIVE LEAGUE OF U.S.A. ON ADVANTAGES OF COOPERATIVES UNDER SECTION 221(d)(3)

A. Summary of cooperative experience

A growing number of cooperatives are utilizing the financing available under section 221(d)(3) in order to provide housing for persons of moderate income. The cooperatives built with such financing had been outstandingly successful. They have demonstrated that cooperatives are often better suited to meet the needs of moderate-income families than nonprofit rental projects or limited dividend projects. Moreover, cooperatives have been able to operate effectively under the income limitations and special restrictions of section 221(d)(3). Inspections confirmed that those who have moved into cooperative projects have incomes which conform to the limits established by FHA.

B. Special advantages and attributes of cooperative housing

Properly organized cooperatives under section 221(d)(3) have the following advantages over rental projects with the same financing:

1. Cooperative monthly charges average about 10 percent less than rents for comparable properties because of lower vacancy and collection losses and reserve requirements; lower administration and maintenance costs; and better care of the property by the resident owners.
2. Cooperative homeowners can exercise democratic control over their community and its activities, creating a more stable neighborhood and home environment.
3. Cooperative homeownership continues to exert pressure to keep costs down and achieve high standards for maintenance and for the character of the membership.
4. There are built-in protections in a cooperative, including operating reserves, in addition to the FHA requirements for vacancies and replacement reserves.