

Washington that called us all Socialists who voted for the rent supplement.

Mr. BLACKMON. Congressman, I do know the statement that you made, and I know how strongly you feel about your position. You also know that the people who made that statement have since changed their position and are supporting this legislation. They have stated so publicly and I think that maybe they have seen the merits in the private enterprise approach of it.

But they are not homebuilders. You said real estate people and that is the group I referred to that made the public statements here in Washington. They are now supporting the rent-supplement program.

Mr. STEPHENS. I had a telegram from the Augusta Home Builders Association endorsing the rent supplement.

Thank you.

Mr. BARRETT. Mr. Gonzalez?

Mr. GONZALEZ. Thank you, Mr. Chairman, and thank you, Mr. Blackmon.

I appreciate very much your very valuable contribution to the consideration of this proposed bill. I was going to try to comfort in some small way my colleague from Georgia. As you know, I have been called more than just a Socialist. I have been called a beatnik.

But in any event, I am intensely interested in your statement, page 5 of your statement, on the economic picture in which you state that working with the Government programs, they have no choice but to either absorb the cost of points or stop using these programs.

This has been a source of concern to me and others, particularly in light of the testimony that was recently given to the subcommittee by Mr. Brownstein who recently was a Commissioner. I asked him a question and he admitted that FHA today represents about—or a little less than 16 percent of the mortgages and I asked him why. He said at one time it had been as high as 49 or perhaps even 50 percent. Especially in view of the fact that FHA has been intended by Congress to provide the American family a chance to buy a home, but since this great program has degenerated to the point where the average family wishing to purchase a home has to go to the conventional mortgage market which apparently is more attractive than FHA—can you tell me if there is anything that can be done to counter or arrest this trend and restore to this program its original objectives?

Mr. BLACKMON. We have a real problem, Congressman Gonzalez, today with the FHA program, especially from my part of the country and in California and the Southeast, because of the money market and the way FHA arrives at the cost of money. In one particular office, and I won't single out the office, the one that I am familiar with, they allow 13 percent for overhead and profit on a mortgage. Let's say it is a \$15,000 house—they allow this 13 percent to be placed at around \$10,000 or two-thirds of the sales price of the unit, so this gives you a total of some \$1,300 for overhead and profit.

Now, if you have any kind of operation and you are conducting it in a businesslike manner, you would have, say, 4-percent overhead of cost of doing business in your office. Four percent of \$15,000 gives you \$600 that you have to charge as overhead, so you really only have \$700 left out of the \$1,300.

With the discount picture in our part of the country at 4 percent or more, you can readily see that a discount which the FHA does not allow