to be counted as a cost to that house, but must come from the builders' profit directly, another $600 comes out, then how in the world can you expect any private business operation to operate on $100 a unit? That has discouraged many of our people from using these programs.

I will be happy to submit to you a memorandum on this. We have made some proposals on other ways, besides increasing interest, and some other facts that would be helpful.

I will be happy to get this to the committee.

Mr. GONZALEZ. I would be most grateful. You are absolutely correct that when you say two of the hardest hit areas in this market have been and still are Texas and California, particularly Texas.

(The information referred to follows:)

NAHB RECOMMENDATIONS FOR INCREASED USE OF FHA MORTGAGE INSURANCE PROGRAMS

On June 27, 1966, FHA will celebrate its 32d anniversary. As a result of its activities in the housing market in these 32 years, the American people enjoy more and better housing, a basically sound home financing system, and an increasingly more efficient homebuilding industry. FHA programs have pioneered in the field of mortgage finance by providing uniform and dependable property standards, appraisal techniques, borrower credit ratings, and location analysis. These pioneering activities have benefited the Nation greatly through the device of providing for an easy flow of mortgage money through various parts of the country.

The NAHB believes it essential that the Nation's home buyers continue to receive the benefits of FHA's mortgage insurance programs.

However, against a national background of continuing strong demand for new housing, FHA's share of the housing market has been declining for several years. In 1965 FHA financing involved only 16.6 percent of the Nation's new single-family homebuilding, and only 6.8 percent of multifamily building. Since 1961, FHA's overall share of total new starts has declined from 26 percent to 13 percent.

One principal reason for this decline was a long period of plentiful supply of mortgage money. While conventional financing was available on comparatively easy terms, anyone who could avoid doing business wtih the FHA generally did.

The process of doing business with the agency is complicated, expensive and time consuming, even with recent improvements that have been made. Many builders simply decide that it is not worth it even for the advantage of terms better than even the best terms available under conventional financing.

Now, the irony is that in a sudden very tight money market situation, builders also are unable, in many places, to go FHA because of the tremendous discounts required. Builders and sellers must absorb these discounts. The agency generally is slow to raise its maximum interest rate, and in the latest situation has raised it too little and too late.

The problem of doing business with the agency and the interest rate matter lay the groundwork for specific recommendations and comments which follow:

1. MORTGAGE MONEY SUPPLY

As pointed out above, we are faced with the ironic situation that the FHA loses business in a period of plentiful mortgage money because people will avoid doing business with it; and it loses business in a tight money market because of the gouge of points.

A decrease in participation in FHA programs limits the market of builders and, of course, the persons carved out of that market lose an opportunity to own a better home. In addition, the supply of nationally tradable mortgages which helps to even the regional supply of mortgage money, is reduced.

The NAHB is of the opinion that some method must be adopted to enable the FHA mortgage to be competitive in all mortgage money market situations. Only two solutions seem feasible at this time:

(a) Incorporating discounts in FHA's final mortgage evaluation, or

(b) Permitting the FHA interest rate to reflect the market for long-term funds to make it competitive with conventional mortgage rates.