NAHB is generally opposed to higher interest rates which increase the costs of homeownership. However, retaining the FHA rate at its present level merely results in increasingly higher discounts.

Incorporating discounts, on the other hand, would not only increase yields to lenders, but would be less costly to home buyers. According to NAHB economists, a home buyer will pay less over the term of the mortgage if the discount is included than if the interest rate is increased. In addition, including discounts would recognize that the cost of money to the borrower would be considered in the same manner as the cost of bricks or mortar. Discounts are already allowed by FHA in mutlifamily mortgages.

2. ATTRACTING PARTICIPATION IN THE PROGRAM

The FHA has come to a point where we believe it needs to make a fundamental examination of the way in which it does business. We would like to point out that Assistant Secretary Brownstein has made some laudable improvements by greatly reducing the time in which it takes to get a conditional and firm commitment on an FHA mortgage. He also has shown an appreciation of the difficulties imposed by enormously complicated and time-consuming processing of multifamily cases and is cooperating with the NAHB to help relieve that situation. However, it is still usually very difficult for either a multifamily or single-family home developer to get his case processed in FHA. In addition, the agency has been very slow in accepting new materials or innovations.

Where once the agency led the homebuilding industry, it now often lags far behind and often forces the builder-participant in the program to be punished for wanting to include items or materials in his project that may be very well accepted and widely used in conventional building in the same area.

The agency tends to act as if it were the sole reliable source of knowledge of housing in some respects where it is by no means the sole source. At the same time, it has sole nationwide access to certain types of knowledge of which it takes little advantage. For instance, the agency still insists upon imposition of specific technical standards and a ritualistic inspection system during construction. The FHA standards may not always be appropriate to given areas. Local codes and local building inspections may be fully adequate to insure that the houses will be safe, sanitary, and soundly constructed and the only FHA judgment needed may be that the home is an economically insurable risk. In some areas, of course, local requirements may not be sufficient. But the FHA is inflexible in its requirements and inspections regardless of the adequacy of the local requirements. This simply adds as needless burden to the builder, and ultimately is reflected in higher costs to the consumer.

On the other hand, the agency is engaged in doing business in all types of housing throughout the country. It has, at its command, a tremendous fund of raw information on costs, operating experience—both physical and financial—credit data, and so on, on the thousands of housing units that are processed each year. This data, however, in spite of its tremendous, potential usefulness to the agency and to the industry, has never been organized. We know they now have initiated efforts to organize this vast fund of knowledge and propose to use modern computer techniques to rapidly assemble it. We support this effort and believe that the work must be expedited in all possible ways.

The policy of publication of market analyses was a step in the right direction. We also believe that if this data were improved and made more comprehensive, the process of getting a "yes" or a "no" on an insurance commitment could be made much simpler and much faster.

Many builders who do business in different offices also complain that there is great variation in field office interpretation of central office instructions. This is partly because of the extraordinarily complicated instruction system in the agency. It reflects a need for greatly improved supervision of the field officers as well as improved communication systems. Often the best intention of the Washington headquarters fails to be reflected in field office performance.

In closing and in fairness, we would like to give due credit to Mr. Brownstein for continued efforts to simplify and improve the agency's performance and to extend the benefits of mortgage insurance into outlying areas and areas within the city that may be salvaged from deterioration by the attraction of mortgage funds.

The agency also has developed a better working relationship with the Urban Renewal Administration and has taken risks in programs in which there was little or no experience.