

the way to 5½ percent. I attach as exhibits II-A and II-B two recent news stories which illustrate what is going on.

As in 1957—of unhappy and unlamented memory in our industry—savings are again being allowed (indeed, encouraged) to flow from mortgage lending institutions into other forms of credit. Without its fair share of available credit, the home building industry cannot rebuild American cities, cannot adequately provide for proper community growth, and, most important of all, it cannot continue to provide good homes for American families at reasonable prices.

As a result of our industry's difficulties in the recurrent "tight money" crises of the 1950's, we urged at that time that housing be given a voice in the councils of those who set national policies which determine the allocation of credit resources. We were among the early advocates of a Cabinet status for housing to provide that voice. Nothing in the recent actions which have so seriously affected mortgage credit affords any basis for confidence that the bitter lessons of the first two post war decades have been heeded or, for that matter, even thoroughly understood.

As I am sure the committee understands, our enthusiasms for the pending legislation—which can have little significant effect for at least several years—is somewhat tempered by our very real concern that, under current money conditions, the present productive capacity of our industry will be sharply curtailed. We may not even be able to continue to provide homes in the volume produced during the past 10 years much less increase our production to meet changing conditions in our society. Our comments on these bill are made, therefore, with the reservation that the problems of basic mortgage finance now confronting our industry are of immediate and vital importance. We are urgently concerned.

DEMONSTRATION CITIES ACT (H.R. 12341)

NAHB supports this bill because it recognizes the need for a start toward a coordinated approach which would rehabilitate people as well as structures. This seems to us entirely logical.

Certainly it is simple commonsense to attempt to demonstrate that focusing upon a blighted area, in coordinated fashion, the vast variety of available Federal aids—rather than scattering them in a shotgun approach—will accomplish more for slum areas than the people who live in them.

There is some reason to contend that success in this aspect of the program may very well substantially reduce the necessity for large public housing and urban renewal programs. A higher level of education, and consequent higher earning power and employment and other opportunities provided by the Federal programs coordinated under the bill, should inevitably be reflected in ability to obtain better living quarters and in increased pride in maintaining them in good condition.

With respect to the criteria established in the act for the type of housing program required to qualify for assistance under the bill, we particularly applaud those provisions which would give priority to good design, the maintenance of natural historical and cultural characteristics; use of new and improved technology and design; and use of cost reduction techniques (sec. 4(c) (2) and (3)). A substantial part of the budget and energies of our Association for some years has been directed toward cost reduction and the improvement of technology, design, and environment. We believe it highly desirable that all Federal housing efforts be required to work toward those ends.

In this connection, we note also that H.R. 13065 (the Housing and Urban Development Amendments of 1966) in section 106 also covers this same subject. As stated in the section-by-section summary of that bill, this section "would establish a program to encourage and assist the housing industry to reduce the cost and improve the quality of housing through the application to home construction and rehabilitation of advances in technology * * *."

The program suggested by this section, realistically conceived and effectively pursued, could, we submit, save the Federal Government and the American public many times its cost, but only if cast in the mold of Federal assistance to nongovernmental agencies and bodies of all types, including universities and non-profit and other private research groups.

We therefore recommend that section 106 of H.R. 13065 be amended to emphasize that research thereunder be conducted through nongovernmental bodies or agencies, and that a start on such program be made by setting aside for research one-half of 1 percent of funds appropriated pursuant to H.R. 12341.