

The declining use of FHA, title I insurance restricts the consumer's alternative for home improvement financing. He must resort to noninsured financing sources, which in some cases do not proffer protections balanced to the best interests of either the borrower or the lender. Frequently, the borrower is encouraged to refinance automobile loans or other obligations as part of a home improvement loan. Periodically, shady or deceptive practices are used to induce the borrower to engage in an ill-conceived and improperly planned improvement. Finally, under a limited number of lending concepts, excessive interest rates, hidden costs, and subtle innovations can consume a disproportionate share of the financing. Although the aforementioned practices are not indicative of all the members of the money market, they occasionally appear.

Since the inception of title I the costs for labor and material have increased to a point where the FHA limitation of \$3,000 is inadequate when the loan is considered by the homeowner. In addition, the 60-month maturity may require payments in excess of the homeowner's ability to pay. If the borrower is unable to program his improvement plan within the scope of FHA title I, he must resort to other forms of financing which do not include the protective provisions required by the FHA, such as contractor's completion certificates prior to payment and statements indicating that materialmen were paid.

Keeping in mind the declining use of title I, recognizing the everchanging economic conditions, appreciating the need for home improvements, and acknowledging the consumer's need for financing alternatives should prompt congressional interest in revitalizing the title I program.

Therefore, we urge the committee to seriously consider amending FHA Title I, Home Improvement Provisions, Class I-A, by establishing a \$5,000 loan limitation and a 7-year maturity. We believe such changes will convert title I to a more realistic program for the benefit of all parties to a home improvement endeavor.

Mr. BUTLER. Thank you.

Mr. BARRETT. Yes, sir.

Mr. BUTLER. Congressman Weltner was to be here with me. I thought I was going to be on after lunch.

Mr. BARRETT. We moved more rapidly than expected so we decided to hear you before lunch.

Mr. BUTLER. Thank you, sir, I appreciate the committee's hearing me. Thank you.

Mr. BARRETT. All time has expired.

The committee will stand in recess until 2 o'clock.

(Whereupon, at 12:35 p.m., the subcommittee recessed to reconvene at 2 p.m. the same day.)

AFTERNOON SESSION

Present: Representatives Barrett (presiding), Moorhead, Reuss, and Harvey.

Mr. BARRETT. The committee will come to order.

Our first witness this afternoon is the Honorable Charles L. Weltner, one of our distinguished colleagues and one who is loved and respected by all the Members of Congress, regardless of what part of the country from which they come. He is also a member of the full Banking and Currency Committee and certainly has proved himself to be very knowledgeable and very capable.

Congressman, it is an honor to have you testify before our committee this afternoon, and if you desire to make your statement in full, you may do so.