priate," so that the management fund will reflect the full strength of the co-op program right from the start. This need not be done in terms of dollars and cents, but I believe that the formula—premiums minus losses and administrative expenses—should be written into the law. To illustrate, I might point out that as of August 31, 1965, premiums of this class amounted to $27,430,000; administrative expenses were $9,687,000 and losses were $693,000. Thus, the "appropriate" amount to be placed in the management fund at that time would have been $17,050,000. Unless the full amount is placed in the mutual fund, the provision for periodic disbursements based on the strength of the fund is of very little value.

Finally, Mr. Chairman, sections 3 and 4 of my bill are identical in design to section 102 of your bill, H.R. 13065. While our provisions may differ somewhat in language, they are addressed to the same difficulty and would accomplish the same end.

I believe that these provisions are fair to both mortgagors and mortgagees, and I believe that they are necessary to get the new mutual fund underway. Last year, we amended section 213(m) of the National Housing Act to authorize the transfer of funds from the general insurance fund to the management fund, and we provided that, before this transfer could be effected, the mortgagee or lender would have to consent to this transfer. There is no legal basis for requiring this consent, for it was not required in the case of other funds which were consolidated into the general insurance fund. In any event, mortgagees have declined to consent to the transfer of 78 mortgages with a face amount of over $141 million. And the number of mortgages with respect to which no decision has yet been made is 109, with a face amount of over $202 million. Thus, about half the mortgages which might have been transferred to the new mutual fund still languish in the general fund, and our primary aim in providing mutuality has been thwarted.

The reason which promotes mortgagees to decline consent to transfer has to do with a restriction on the use of FHA debentures which appears to me to have been unintended by the drafters of that provision. At present, when a default occurs, the FHA pays the mortgagee in debentures with varying maturities. These debentures, in turn, may be used by the mortgagee in paying premiums on any FHA insurance, whereas should defaults occur on mortgages insured under the general fund, the resulting debentures cannot be used to pay premiums on 213 management type co-op accounts. What we have, in effect, is a one-way street, so that large lending institutions, which carry a good deal of FHA paper, elect to withhold consent, so that all their accounts are in the same—general insurance fund, and thus all debentures can be used to pay all premiums.

Both the chairman's bill and my bill seek to rectify this anomalous situation, by removing the onerous restriction. With this restriction removed, the requirement of mortgagee consent is no longer appropriate, and accordingly, is also removed. Thus, all accounts of management type co-ops will be transferred into the management fund, which we established for this purpose.

Mr. Chairman, the sole objective of the legislation I have discussed this afternoon is to provide equitable treatment for owners of management type co-ops. Where a class of property holders has demon-