and seems to have the cooperation of private lenders. In view of this, and in view of the fact that FHA-insured loans are eligble for FNMA's secondary market operation, what would you think if the subcommittee reported a bill which would confine the new program to FHA-insured loans? In that way we can get the job done at no cost or burden to the Treasury.

Mr. BRINDLE. I am sure that the provision to insure loans would be most helpful. The Kaiser plan representative has indicated this would meet a great need. I think there are instances, however, where actually making the loan would move some of these programs forward, although I would certainly indicate that it would be a great advantage to have loan guarantees.

Mr. BARRETT. Mr. Doherty?

Mr. DOHERTY. We in the AFL–CIO would have some reservations about removing the direct loan feature of the program. These reservations would be based up predicating group practice upon the vicissitudes of the mortgage market. It is our understanding that these group loans or the direct loans are made available in the event that the regular FHA financing is not available. We think that it is a very worthwhile supplement to have in the bill.

Mr. BARRETT. Any other comments?

Mr. VOORHIS. I would like to add a word, Mr. Chairman.

I would agree that the most important—probably the most important provision is the loan guarantee provision because I am certain most of this will be done that way. I will be very honest with you and say that if, in the judgment of this committee this change would make a difference between getting the bill passed or not, I would want to trust to your judgment and pass it with the loan guarantee, but I agree with Mr. Doherty very much, that there are going to be cases where the possibility of the direct loan is going to make a lot of difference. They may not have to be made, but the fact that they could be made will, I think, have an effect that will be very important, especially to small places. I hope that it would stay in the bill, Mr. Chairman, for that reason, and I think our experience shows that where we got these two things coupled together, the amount of direct lending is usually comparatively small. In order to meet the direct loan people have to show it is impossible for them to get even a guaranteed loan from and source. This isn't going to be easy to do and if this is available it is reasonable that there should be.

Mr. BARRETT. Any more comments?

Mr. KINGREN. The Kaiser Foundation Health Plan believes the suggestion you made to be a very constructive one. This as I understood your statement would make FNMA loans available for group practice facilities in case local lending agencies were unable or unwilling to make loans to qualified borrowers. However, we have one other point. We think that perhaps there ought to be a provision in the commitment for two separate loans, one for equipment, which has a more rapid amortization rate, and the other for land and buildings. We suggest that a 25-year amortization period for construction and a 7- to 10-year amortization schedule for the equipment. The obsolescence rate for certain pieces of equipment is extremely rapid and for others it may as long as 15 years. But the average, probably, would be from 7 to 10 years.