

miums already paid by the co-ops, minus the administrative expenses theretofore incurred. Under present law, section 213(k) the Commissioner is directed to transfer to the new fund, only what he "determines to be necessary and appropriate." We think it important that the Congress spell out when it considers to be appropriate, so that the management fund will reflect the full strength of the co-op program right from the start. This can be done with the formula premiums minus losses and administrative expenses. As I previously stated, as of August 31, 1965, premiums of our co-ops 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 be \$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. We urge the committee to include sections 1 and 2 of H.R. 12766 in its bill to make certain that all loopholes are closed and that the mutual fund can properly function.

Finally, gentlemen, I ask this committee to mandate the reduction of the mortgage insurance premium paid by the management-type housing cooperatives. In 1961, legislation was introduced to mandate the reduction of the mortgage insurance premium, from one-half of 1 percent to one-fourth of 1 percent. Instead, on the urging of the House and Home Finance Agency and the FHA, the Congress passed the legislation permitting a reduction in the premium in the discretion of the FHA. Unfortunately, the FHA has not exercised that discretion.

In 1963 legislation was again introduced in the House to require the FHA to reduce the insurance premium. After a meeting in June 1963 of Congressmen Abraham Multer, James J. Delaney, Seymour Halpern, Benjamin Rosenthal, Joseph P. Addabbo, and John M. Murphy, with the Administrator of the HFFA, Robert Weaver and FHA Commissioner Philip Brownstein, and with Mr. Irving Sherman, then President of the Federation in attendance, it was agreed that the Congressmen would introduce legislation to mutualize the management-type cooperative funds. On July 5, 1963, FHA Commissioner Brownstein confirmed in a letter that stated at the June meeting that " * * * the insurance fund in which section 213 losses are included is entirely adequate to meet our estimate of losses." It wasn't until 1965 that mutuality was enacted. And still, as I have related, because of certain problems, it hasn't been implemented. The perfecting of the mutuality legislation will not completely solve the injustice done to the co-op owners.

Their excellent record cries out for a reduction in the mortgage insurance premium. In fiscal year 1965, for example, management-type co-ops paid premiums to the FHA of \$4,301,000. After deducting losses, and administrative expenses attributable to operating this program, and after making provision for necessary reserves, the net income to the FHA from this program was \$3,371,000—and this was for fiscal year 1965 alone. Had the management-type co-ops paid the reduced premium of one-fourth percent during fiscal year 1965, the net income to the FHA would still have been \$1,218,000. There is no better evidence to support the position that the time has come to make