To reach this average amount many of the loans would have to involve substantially higher principal amounts.

The members of the committee recognize that assistance made available to people with FHA-insured mortgages does not cost the Government a penny. With all the demands on the Treasury, private enterprise should not be precluded from helping where we want to, and can, by the retention of an artifically low maximum mortgage amount on this program. We urge you to increase it.

Second, we recommend that the Secretary of the Department of Housing and Urban Development be given permissive authority to increase the maximum interest rate on FHA-insured multifamily mortgages to meet market conditions equal to the authority he has for single-family homes.

The mortgage market today is considerably different from that it was in the days when Congress first established the precedent of establishing maximum interest rates by legislation. Yield spreads between mortgages, Government bonds and corporate securities have narrowed. Insured and guaranteed mortgages are much more widely accepted and understood by investors. The result is that mortgage interest rates are today far more responsive to general money market conditions, whereas in the past they frequently lagged far enough behind to permit legislation to be passed to avoid maladjustments in supply. Under today's conditions serious disruptions can occur in the flow of mortgage money if interest rates are not adjusted promptly in response to market conditions. There are various examples, of course, since the first of the year.

Congress has this year voted such authority for the Administrator of Veterans' Affairs and should do so for FHA multifamily programs.

The third amendment would establish a section 203(1) mortgage insurance program in FHA authorizing the Commissioner to insure homes constructed other than for year-round occupancy. A number of Federal programs in the Department of the Interior and the Department of Agriculture concern themselves with the stimulation of economic activity in rural areas where economies have suffered as a result of changing farm production methods. Many people with increased leisure time could utilize these recreation facilities if some moderately priced financing were available for inexpensive second homes. At present many of these areas are practically without financing while in others the only financing we know of involves discount, or time price loans, with the high interest rates normally associated with consumer finance. Under these circumstances progress in developing the recreation potential in these areas has been seriously impeded.

The amendment which we propose would authorize the Secretary, through FHA, to establish a mortgage insurance program with modified construction requirements, recognizing that the properties are not intended for year-round occupancy. Many individual investors with whom we have talked have expressed the desire and willingness to participate in this program. We feel we can assure the Congress that if this amendment is adopted our industry can make a substantial