

Contingencies for unforeseen eligible costs related to loan (3 percent of line 1). Refinancing costs, if applicable—termination fee, prepayment penalty, et cetera.

Worse yet, when the householder signs his application, he agrees, under penalty of a fine up to \$10,000 or 5 years in prison, that he will abide by a five-page set of terms and conditions.

These terms require that he do such things as these—keep invoices, lists of materials, payrolls, conditions of employment and other data and records. Put the fix-up job out for bids by advertising and solicitation if the job runs over \$3,500.

In addition to that, all of the Federal regulations applicable to construction have been incorporated into these regulations, including compliance with the nondiscriminatory provisions and the Davis-Bacon Act.

Frankly, a lawyer in his right mind would be a little bit hesitant permitting anyone who came for his advice to sign this application. It is a direct road to Leavenworth the way this thing is phrased and the way it threatens the prospective borrower.

I think that these forms must be simplified. I think that it is incumbent upon our draftsmanship in the Demonstration Cities bill to simplify the burden on people as well as the city officials who are charged with assisting in the program. If participation is too difficult the scope of the program will be limited to the select few.

Several weeks ago I saw this tremendous ad in the Washington Post about a 221(d)(3) project called Park Southern. Here is an elaborate, beautiful apartment building, complete with swimming pools, air conditioning, disposals and everything else. You can qualify for a one-bedroom apartment if you have an income of \$6,950; you can get two bedrooms if you have an income of \$8,150; and you can get a three-bedroom apartment if you have income within \$9,350.

I do not think that this committee, when it sat here and deliberated on the provisions of 221(d)(3), was thinking about something like this.

In my district we are trying to find housing for people who have family incomes of \$3,000 or \$3,500 or perhaps \$4,000. We have the same construction and living costs in Cleveland as we do in Washington, Philadelphia, and New York.

Was it your intention, Mr. Chairman, that the resources that you created in 221(d)(3) should be designed to do this kind of thing, which is very attractive for those within the income level? But I do not think that the case for subsidized interest is justified.

The need is in the lower income groups, below these advertised levels of family income. A few weeks ago I called the resident manager of the Park Southern and I inquired, "Can I get into one of these apartments? I am a single fellow; although the rules say this is a family rental." He said, "Come in and give us your application; I am sure we will take care of you." Right now they will take anybody into this 221(d)(3) subsidized project, which is financed with a 3-percent interest rate.

The people who build these apartments know how to fill out forms. They have the know-how. I think they designed the forms for the rest of the people because it seems to me they wanted to preclude anyone else from getting into a program which is a bonanza for them.