

one or more of such trusts or arrangements, be considered not to be entitled to any tax treatment under the Internal Revenue Code of 1954 or any tax statute of the United States now or hereafter in effect to which it would be entitled in the absence of such service or business. For the purposes of the last sentence of paragraph (1) of section 401(d) of the Internal Revenue Code of 1954, the term 'domestic building and loan association' as used in section 581 of said code shall have the meaning which it would have if paragraph (19) of section 7701(a) of said code did not contain the provisions following subparagraph (A) thereof."

SEC. 8. Section 5(A) of the Federal Home Loan Bank Act is hereby amended by inserting the words "or of any agency of the United States" immediately following the words "United States".

THE AMERICAN BANKERS ASSOCIATION,
Washington, D.C., April 7, 1966.

HON. WILLIAM A. BARRETT,
Chairman, Subcommittee on Housing,
Rayburn House Office Building,
Washington, D.C.

DEAR MR. BARRETT: You will find enclosed a copy of a statement setting forth the views of the American Bankers Association with regard to the housing bills on which your committee has been holding hearings.

It would be appreciated if you would make this statement a part of the hearing record.

Sincerely yours,

CHARLES R. MCNEILL,
Director, Washington Office.

STATEMENT OF THE AMERICAN BANKERS ASSOCIATION ON HOUSING LEGISLATION

INTEREST RATE—FHA INSURED MULTIFAMILY PROJECTS

Under present law the Secretary of HUD has authority to increase the maximum interest rate that can be charged on single family homes insured through FHA to 6 percent. In our opinion, the Secretary should be given comparable discretionary authority to adjust the interest rate on FHA-insured multifamily mortgages. If FHA-insured mortgages are to remain competitive and avoid the stigma of heavy discounts, and if an even flow of money into FHA mortgages is to be maintained, the Secretary must have authority to adjust interest rates on all future FHA mortgages so as to reflect the true cost of money.

In today's market, it is important that decisions as to rate be made quickly and that the public not have to wait for legislation.

INSURED AND DIRECT LOANS FOR MEDICAL AND DENTAL FACILITIES

H.R. 9256 authorizes FHA to insure and HUD to make loans to help finance the cost of constructing and equipping facilities for the group practice of medicine and dentistry. FHA would insure 90 percent of the value of the facilities upon completion. The term of these loans could not exceed 25 years. If an insured loan is not available to an applicant, the Government would make a direct loan upon terms and conditions as favorable as those provided for insured loans.

Our members advise us that they are willing and able to finance facilities for physicians and dentists, and we find no evidence of any lack of credit through conventional loans for the type of facilities covered in this legislation. The American Bankers Association is opposed to this legislation. It is well recognized that medical doctors are among the highest paid profession in America today with average incomes approaching \$25,000 per year. Evidence at these hearings indicates that the type of facilities provided for in this legislation have grown without Federal assistance from 400 in 1946 to more than 5,000 today. This would indicate that conventional credit is available for this type financing. FHA is primarily geared to insuring loans on residential housing and development projects. It has performed a very fine service in this field. Although it does provide insurance of nursing homes under an existing specified program, we feel it would be inadvisable for FHA to further extend its facilities into the commercial field. We believe this field is being amply served by other sources. This legislation provides financing for equipment as well as more permanent facilities. Possibly long before 25 years the equipment would be obsolete or destroyed and of course undesirable as security.