

The American Bankers Association is particularly concerned with the direct loan provisions in this legislation. In other Government lending programs, direct loans have been reserved for those who are unable to secure credit from other sources and therefore have a real need for assistance. It seems inappropriate to expand the direct loan program to affluent groups. The direct loan program should not be extended in this manner as no professional group should expect to construct and equip its offices with Government money.

VETERANS BENEFITS UNDER FHA

H.R. 11857 and H.R. 11858 provide that FHA's mortgage financing program for veterans will be available to qualified veterans even if they have previously used their VA home-loan entitlement. These bills would correct an unfair provision in the Housing Act enacted last year and permit veterans who have used their GI home-loan benefits the same rights as other veterans under the FHA program for veterans. The ABA supports this legislation.

DEMONSTRATION CITIES ACT

H.R. 12341 and H.R. 12342 would establish the Demonstration Cities Act. Under the demonstration cities plan, entire sections of cities and neighborhoods of slums and blighted areas will be restored through comprehensive city demonstration programs. The Federal Government will contribute (1) 90 percent of the cost of planning and developing these programs and (2) 80 percent of the local or State share of the cost of all projects or activities which are a part of the demonstration program and which are financed under existing grant-in-aid programs. A Federal coordinator would be appointed. Cities will be selected to participate.

The American Bankers Association cannot support this program although it is aware that urban areas have problems which are in need of correction. This program will impose significant additional Federal controls over local activities and actions largely through the vaguely defined authority given to the Federal local coordinator who would be designated by the Secretary of HUD. The bill would not seem to encourage local governments to help themselves but on the contrary would encourage them to rely to an even greater extent on the Federal Government.

The bill contains no ceiling on authorized appropriations, and it is believed that the \$2.3 billion estimate of expenditure under the program over the next 5 years made by Secretary Weaver will not be adequate to cover the 60 or 70 cities mentioned for initial inclusion in the program. Since this is a demonstration program, presumably if it is successful, it will be expanded and may eventually absorb funds that would normally go to urban redevelopment programs now in existence. Some have estimated the program might eventually involve an expenditure of as much as \$20 billion. This will mean heavy taxes must be collected from the whole United States to give additional assistance to sections of various cities that are already heavily subsidized by the Federal Treasury.

URBAN DEVELOPMENT BILL: H.R. 12946 AND H.R. 12939

Title I would authorize the Secretary of HUD to make supplementary grants of up to 20 percent of a project's cost to the State and local public bodies carrying out federally assisted development projects for transportation facilities, water and sewer facilities, recreation purposes, and for acquisition and development of open space areas. These grants could not be made for a project unless it was demonstrated, to the satisfaction of the Secretary of HUD, that metropolitan comprehensive planning and programing are being carried on effectively in the area. For the first year the administration is recommending \$25 million to cover about 12 areas. The administration expects over 75 areas to qualify for these supplementary grants by the end of 5 years.

Title III would increase by \$95 million the authorization for grants under the Urban Mass Transportation Act of 1964 and would maintain a \$150 million program for 1968.

Title IV would establish a program of Federal grants to States and metropolitan area agencies to help finance demonstration programs for the assembly, correlation, and dissemination of information needed for utilizing governmental and other programs for the solution of local urban problems. Grants could be