those priorities, proper measures can and should be taken to insure an adequate supply of funds to finance the volume of housing required.

A variety of measures might be used to achieve that end. For example, ceilings on interest rates payable on commercial bank time deposits could be related to rates (fixed at reasonable levels) paid on deposits in savings and loan associations so as to assure an adequate flow of funds to the latter. Or, given whatever limits might be necessary on the total supply of credit, the government might channel an adequate flow of subsidized low-interest loans to mortgage lenders, using the mortgages as collateral, provided the lenders in turn made mortgage loans within a specified interest rate limit. Or the Government might act through the Federal Reserve Board to make more funds available. This was the intention of Congress in 1966 when it passed legislation authorizing the Federal Reserve Board to buy securities of the Federal home loan banks and the Federal National Mortgage Association. Unfortunately, the legislation left decisions whether to do so or not to the discretion of the Board, and its Chairman testified even before the legislation was enacted that he had not intention of doing so in any volume unless directed to. The legislation should be amended so as to require the FRB to take such action when directed to do so by the President.

Congress should not, however, adopt the remedy proposed in the budget message and supported by the Council of raising the statutory interest ceilings on FHA and VA loans, and on conventional loans in States now imposing a ceiling of 6 percent or less. Such action would open the way for market forces to play havoc with housing. Although it might temporarily attract more funds into the mortgage market, it would at the same time drive more borrowers out. And as Representative Wright Patman has pointed out, the competition of mortgage interest rates, which he predicted would go to at least 7 percent, would soon send other rates higher. On February 8, he told the House:

> As a result, rates on Treasury notes and PC's would skyrocket overnight to compete with the new 7 percent rate FHA paper backed by the government insurance. We would experience a quick leapfrogging of all government rates, thus costing the taxpayers billions of dollars in added costs on Treasury borrowings.
>
> After the Treasury notes and PC's have jumped, the FHA paper would again find itself in a disadvantageous competitive position. Once again, the lenders and the homebuilders would seek a new increase in the FHA rate.

We have serious doubts also about the proposal in the budget message for:

> An orderly transfer of ownership of the Government's activities in the secondary mortgage market to private hands, so that private capital can be raised and mortgages purchased as required by market conditions.

This proposal is so indefinite that it is difficult to know precisely what is contemplated. But surely the history of the past 20 years and more provides convincing evidence that if provision of funds to finance housing is left to the vagaries of the private money market, the funds will not be forthcoming at rates most families can afford, and the housing we need will not be built.

In his "Crisis in the Cities" message, the President proposes that 6 million homes be built in the next 10 years with Federal assistance, in addition to the 20 million he hopes private enterprise will build unaided. We believe the total goal is too low, and the expectation of what