Here are the facts.

In the case of cooperative-owned housing which is built not for profit but solely because people need housing at costs they can afford, the monthly charges to the cooperative homeowners must go up by between $3 and $4 per room per month forever; 1-percent rise in the rate of interest.

Even at 6¾ percent—the rate only a short time ago on FHA-guaranteed loans—a family attempting to buy a $25,000 home on a 25-year mortgage had to pay almost $27,000 in interest alone—$25,000 for the home; $27,000 to the moneylender.

But at the present 7½-percent rate—disregarding the ½-percent additional insurance fee—a $20,000 home bought on a 35-year FHA-guaranteed mortgage obligates a family to pay more than $60,000. Twenty thousand dollars for the home—all the brick, wood, plumbing, fixtures, labor, every other cost—but $40,000-plus just for interest on the money.

Such a situation is manifestly unjust to every American family except the richest ones. It is indefensible from any decent economic point of view. It means in simple terms that well over half the American people are priced clear out of the market for homes. *And it is utterly unnecessary.*

The first reason why it is unnecessary is because Congress could correct it by implementing with adequate appropriations its own Housing Act of 1968.

Under that act provision is made for Government subsidies to home buyers such as would reduce their effective interest payments to 3 percent, or even 1 percent. And it is a fact that for moderate-income families a 3-percent rate is all that can be afforded, and for low-income families even 1 percent may be hard to meet. But very substantial appropriations will be required if this implementation is to be at all meaningful or to have any real impact on the need for homes of the entire lower income half of our population.

And, obviously, the higher the interest rate, the greater the cost of such a subsidy program.

Again, if it is desired to bring more private funds into participation in the housing program, the Congress could provide funds to subsidize the difference between a lending rate that average families could afford to meet and the going rates of interest. Here again the cost to the Government—and hence to the taxpayers—will be multiplied by every ½-percent increase in the going interest rate.

A third method that has been used in other very worthwhile programs of our Government and which is indeed appropriate in the present situation is direct lending by a Government agency.

Such direct lending could have the competitive result of bringing down the usurious rates now in effect in the private money markets. Furthermore, if the funds to be lent were not borrowed by the Government lending agency but were derived from tax revenues, as they should be, then it would be entirely sound economically to make the loans at a rate simply sufficient to cover administrative costs and to provide a reserve against possible losses. Experience with other similar direct lending programs clearly indicates that the Government could "make money" at a 3-percent or even perhaps a 2-percent lending rate through such a direct lending program.