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told, however, that in the laboratory one female alewife produces 10,000 eggs and that 8,000 of them hatch.

The accumulation of dead fish along beaches creates a health hazard. The dead fish are a serious water pollutant and a threat to water-based recreation. Chicago park officials recently said that the number of dead alewives that they have removed from the beaches and buried would cover two football fields, 500 feet deep.

Several approaches to the problem have been attempted. One has been the introduction into the Great Lakes of predator species such as the Coho and Chinook salmon. Indications are that the plantings of Coho salmon last year were highly successful. We must expand plantings of predator species and at the same time continue to look for new species of fish which cannot only serve as predators but also as resources for the sport and commercial fisherman.

Another way to help control the alewife population is to expand commercial fishing and processing of them. In 1966, it was estimated that commercial fishermen and natural predators removed about 28.9 million pounds of alewives from Lake Michigan. At the same time, the Bureau of Commercial Fisheries said that there were between 3 and 5 billion pounds of alewives in Lake Michigan and that at least 200 million pounds could be profitably harvested each year.

The goal of our efforts is to establish a sound new ecology in the Great Lakes. The balance of nature that we are striving for will include alewives and a number of other species which will offer opportunities to both the sport fisherman and the commercial fisherman.

The bill has attracted widespread, bipartisan support. This problem is something that concerns all of the Great Lakes Senators and we intend to do something about it.

We are not going to solve this alewife problem overnight. It can only be resolved by a sustained effort over a period of years, but it is critical that we start now. This year's dieoff appears to be slowing down now but we must begin our new control programs as soon as possible or we will have an even worse mess next year.

Mr. President, I ask unanimous consent that the bill be printed in the RECORD at this point in my remarks.

The PRESIDING OFFICER. The bill will be received and appropriately referred; and, without objection, the bill will be printed in the RECORD.

The bill (S. 2123) to provide for the control of the alewife and other fish and aquatic animals in the waters of the Great Lakes which affect adversely the ecological balance of the Great Lakes, introduced by Mr. NELSON (for himself and other Senators), was received, read twice by its title, referred to the Committee on Commerce, and ordered to be printed in the RECORD, as follows:

S. 2123

A bill to provide for the control of the alewife and other fish and aquatic animals in the waters of the Great Lakes which affect adversely the ecological balance of the Great Lakes

Be it enacted by the Senate and House of Representatives of the United States of Amer-

ica in Congress assembled, That, because of the fact that the ecological balance of the Great Lakes has been disrupted, the Secretary of the Interior is authorized, for purposes of conserving and protecting the fish resources, combating water pollution, and promoting and safeguarding water-based recreation for present and future generations, in the waters of the Great Lakes, to cooperate with, and provide assistance to, the States in controlling the alewife (known biologically as "alosa pseudoharvengus"), and other fish or aquatic animals which affect adversely the ecological balance of the Great Lakes.

Sec. 2. In carrying out the purposes of this Act, the Secretary of the Interior, in cooperation with the States, is authorized (1) to conduct, directly or by contract, such studies, research, and investigations, as he deems desirable, to determine the abundance and distribution of the alewife and other fish or aquatic animals which affect adversely the ecological balance of the Great Lakes and their effects on other fish or aquatic animals, pollution, and water-based recreation within the Great Lakes; (2) to conduct, directly or by contract, studies of control measures of the alewife and other such fish and animals; (3) to establish and carry out, based on studies made pursuant to this Act, programs relating to controlling the alewife and other such fish and animals, stocking, and the development of industrial or other commercial uses of the alewife and other such fish and animals; and (4) to take such other actions as he deems desirable in carrying out the purposes of this Act. The costs of any study, research, investigation, program, or other action conducted or carried out in accordance with the provisions of this Act shall be borne equally by the Federal government and by the States, acting jointly or severally.

Sec. 3. The Congress hereby consents to any compact or agreement between any two or more States entered into for the purpose of carrying out a program of research, study, investigation, or other action relating to the control of the alewife and other fish and aquatic animals which affect adversely the ecological balance of the Great Lakes. The right to alter, amend, or repeal this section or the consent granted herein is expressly reserved.

Sec. 4. Nothing in this Act shall be construed to alter, amend, repeal, modify, or diminish the present general authority of the Secretary of the Interior to conduct studies, research, and investigations related to the mission of the Department of the Interior.

Sec. 5. There is authorized to be appropriated not to exceed \$5,000,000 for the Federal share of the costs involved in connection with any study, research, investigation, program, or action conducted or carried out in accordance with this Act.

#### INTRODUCTION OF THE HOME PURCHASE ASSISTANCE ACT AND THE HOUSING EXPERT AND LOAN PROGRAM

##### NEW DIRECTIONS IN HOUSING

Mr. MONDALE. Mr. President, millions of modest-income people in this country can no longer afford or obtain mortgage credit. "Redlined" residential areas, credit barriers for minority groups, and the constant threat of tight money are reducing home-buying opportunities even while our overall economy is expanding. The challenge of mortgage credit for lower income families has not been met by private lenders, and, regretfully, some have contributed to the problem we now face.

It is fitting at this time to remember that the Federal Housing Administration opened up home purchasing opportunities for millions of middle-income fami-

lies. FHA did this by encouraging the private sector and supplementing its efforts. Under a bill I am introducing today, FHA could do the same for millions of low- and moderate-income families. And under a second bill, the commendable effort by nonprofit organizations in the housing field would be assisted. FHA has played a key supporting role for nonprofit sponsors as well as for profit-minded developers of housing.

FHA, unfortunately, finds itself in a crossfire of conflicting criticisms. Both caution and derring-do are urged upon the agency at the same time. Nonconstructive criticism and contradictory mandates are a disservice to both FHA and the public interest.

Housing legislation has never been restricted to a single goal. An expansion of the total supply of housing, conservation and rehabilitation of the existing supply, increased economic activity and greater employment opportunities, revitalization of blighted areas, and special efforts to improve housing opportunities for persons of low- and moderate-income have all been major policy objectives.

There are times when the pursuit of multiple goals leads to difficulty. The Federal Housing Administration seems now to find itself in one of these periods. If so, we are at a juncture that permits no hesitation, no faltering, no reluctance to meet those needs that are so urgent. Clarification, and a call to appropriate action are in order.

##### GENERAL PERSPECTIVE

Since its establishment in 1934, the FHA has made homeownership possible for more than 8 million families. It has provided insurance for \$112 billion worth of loans and mortgages. In particular, insurance of mortgages with liberal terms has made possible large-scale construction and sales of homes, which, in turn, has enabled FHA to serve the moderate price market. In recent years, the FHA and similar VA programs have accounted for a majority of new homes costing under \$15,000.

In any system as large and complex as FHA, involving hundreds of thousands of decisions ranging from estimates of the likely market to the capability of the builder, there are bound to be mistakes. Some can be avoided through foresight; some become clear only with the benefit of 20/20 hindsight. Some can be corrected through improved policies and procedures; some cannot, without destroying the very purposes for which FHA was created.

Recognizing that Congress created FHA for the express purpose of assuming a measure of risk which private lending institutions did not feel it prudent to accept by themselves, the remarkable fact is not that there have been some failures, but that there has been so much success.

Total losses to date represent only 0.7 percent of all insurance written. And FHA's insurance reserve is \$1.1 billion, plus an allowance of \$429 million for estimated losses.

The significance of these figures is all the more impressive in light of the new directions that Congress authorized FHA to take in recent years to meet the needs of central cities and families with mod-

erate incomes—where the needs are urgent and the risks greater.

#### FHA'S NEW DIRECTIONS

In the postwar period, and especially in the 1960's, FHA has been called upon to administer a constantly increasing number of multifamily programs which are designed to serve specific social objectives.

The cooperative housing and condominium programs were introduced as a means of providing homeownership to an urban market which otherwise would be restricted to profit-motivated rental projects. The elderly housing program, section 231, was added for the purpose of increasing the availability of special facilities for persons 62 years and older, and this program has recently been expanded to accommodate handicapped persons. The urban renewal program, section 220, provides financing for rehabilitating substandard housing in slum areas and for the construction of new housing in areas cleared of slums. The section 221 program offers financing for the construction or rehabilitation of low cost sales housing and rental housing for moderate-income families. The special below-market interest rate financing under section 221(d)(3) enables the development of rental projects with rentals that can be afforded by low- and moderate-income families.

In establishing these new social purpose programs, with novel financial arrangements and with innovations in the types of projects and in the sponsorships, it is evident that Congress recognized that the FHA would be required to incur higher risks.

#### SECTION 231 PROGRAM

For example, let us examine the section 231 programs for housing the elderly:

In 1956, the Nation was greatly concerned with the inadequacy of available housing for the elderly. The Housing Act of 1956 permitted the FHA to insure mortgages covering nonprofit projects designed for rental to elderly persons. Congress recognized that elderly housing required special design and construction to meet the requirements of the elderly, such as small living units, central dining facilities, reading rooms, specially designed bathrooms and doorways, nonskid floors, special lighting fixtures and other amenities. As finally enacted, the mortgage was based upon 90 percent of the replacement cost.

The legislative history also indicated that Congress did not expect elderly housing projects to meet the test of economic soundness.

In 1959, this program was expanded to include both profit and nonprofit mortgagors. The nonprofit mortgagors were eligible for mortgages based upon 100 percent of replacement cost, whereas the profit mortgagors were restricted to 90 percent of replacement costs.

Testimony during the hearings on the 1959 amendment highlighted the fact that many nonprofit sponsors were unable to achieve the 10-percent equity required and that the 3 years of operation of the program there had been applications for only 32 projects, with a total of 4,500 units.

It was apparent that the program needed to be stimulated if it were to meet the needs of the elderly, and the 100 percent of replacement cost mortgages for nonprofit mortgagors was the result.

#### SECTION 220 PROGRAM

Another example of the new directions is the 220 program, which was first authorized in the 1954 Housing Act. Congress recognized that, if projects were to be built in substantial quantity in urban renewal areas, FHA would have to depart from the more cautious approach followed in section 207 programs.

Because lenders were unwilling to make loans in areas with an uncertain future, the older programs had not been effective in providing financing in urban projects. Creation of a special 220 program was expected to permit a less cautious evaluation of these projects than was necessary for projects located in more favorable environments.

This section 220 was further liberalized by a 1955 amendment which substituted "replacement cost" for "value" in determining the amount of FHA insurance available. In commenting on this proposed change, a Senate committee report stated:

Although there has been general interest in the program by builders and lenders, it has not produced any housing. Testimony before the committee shows that one of the principal obstacles is the use of 'estimated value' as the basis for determining the maximum mortgage amount. Under the 'estimated value' concept, the FHA has been unwilling to recognize the ultimate value of a project constructed in the midst of a blighted area, even though such area is planned for eventual rehabilitation. This bill would provide that the maximum mortgage amount be computed on the basis of the 'estimated replacement cost.' *Under this concept, the committee hopes that the program can begin to serve the purpose for which it was created.*

In 1956, 2 years after its enactment in 1954, there still had not been a single project insured under section 220. Thus the House of Representatives conducted an investigation to "find out why the volume of rental housing construction under Government-assisted programs had virtually dried up and to determine what steps were necessary for corrective action." Subsequently the committee recognized that, in order to encourage participation by builders in urban renewal areas, it would probably be necessary to include in mortgage amounts an allowance for the "builder's and sponsor's risk." The committee's report stated:

It certainly should not be overlooked either that the builder-sponsor equity investment is precarious and that it may be wiped out should the expected rental income fail to materialize. It has been estimated that a fall-off in expected rental income of as little as 15 percent could result in the foreclosure of the mortgage and the loss of the builder's equity . . . The proper profit allowance is necessarily a controversial subject as between the sponsor who understandably is interested in the highest allowance possible, and the FHA with its administrative responsibilities.

In 1956, section 220 was, once again, amended to include in the approved mortgage amount a 10-percent allowance for builder's and sponsor's profit and risk

based on all costs incident to construction, including the cost of the land.

Inevitably, each of these steps has exposed FHA to a greater risk. In all fairness we must acknowledge that Congress, by legislative enactment, has called upon FHA to take a more experimental approach in various programs. Talk now of "economic soundness" and "economic feasibility" should be balanced by due consideration to the goals of renewing cities and removing blight of rehabilitation sound but deteriorating homes, of conserving neighborhoods, and of providing decent housing for low- and moderate-income people.

#### SECTION 221 PROGRAM

As to future directions, it is obvious that this administration expects the FHA to play an increasingly responsible social role in American cities:

Of prominence is the rent supplement program which was designed to mobilize the resources of private enterprise in meeting the urgent needs of low-income families for decent housing. By paying supplements to the owners, who, with FHA-insured private financing, construct and operate the projects, this program will stimulate and rely upon private enterprise. It will help thousands of our low-income citizens to lift themselves from substandard accommodations, and, in so doing, promote the efforts of local communities to remove blight and squalor.

Further, the FHA, has participated in several rehabilitation demonstration projects. The most far reaching of these is the so-called "hole in the roof" rehabilitation project in New York City. Through systems analysis, new technology, and new products, an old tenement was completely rehabilitated within a 48-hour period. In this venture, the FHA played an important role of by using the 221(d)(3) insuring program to support the mortgage.

There are other examples of the new social directions presently being undertaken by the FHA. Realistically, however, we should recognize that FHA is just beginning on this venturesome course. They need encouragement and most of all they need congressional direction.

On the other hand, I readily admit that some of the multifamily projects on which mortgages were insured were ill-conceived and underwriting judgments were sometimes poor—especially during the early phases of operation under the high-risk programs.

#### FURTHER NEEDS

I am substantially in agreement with the recommendation that high-cost housing projects have economic feasibility as a primary standard. However, in other projects we must allow for "acceptable risks" and FHA must be encouraged to take those risks necessary to provide adequate housing for the elderly, persons displaced by Government action, and other persons of low and moderate income. In addition we should take risks and suffer the losses necessary to conserve neighborhoods composed of low density residences suitable for families of modest income. Where actions by residents or by public authorities give rea-

sonable promise of stabilizing the residential character of a neighborhood, mortgage credit on reasonable terms should be available. Lower income families should not be left at the mercy of unscrupulous lenders who charge exorbitant rates of interest or of landlords who exploit and improperly convert housing for quick profits. Some steps have been taken to meet these problems.

The FHA presently administers the section 221(h) program—rehabilitation sales housing for low-income purchasers. This program provides financing for the purchase of deteriorating or substandard single-family dwellings and the rehabilitation and sale of these dwellings to low-income purchasers on a non-profit basis. Also the FHA is administering the 221(d) (3) program which provides rental units to moderate-income persons and those displaced by Government action. But there is no program to enable low- and moderate-income families to tap the existing housing supply as purchasers. Yet many of these older homes are not expensive. Many require little or no rehabilitation.

During recent hearings on mortgage credit several private organizations suggested that this "turnover" process was the best way to make housing available to low- and moderate-income people. But existing single-family dwellings are not in fact readily available to modest-income families. Sharp increases in the cost of mortgage credit, such as occurred last year, eliminate millions of families from the housing market. A rise of only one percentage point in the interest rate increases by \$500 to \$600 the annual income required to buy even an inexpensive home. The substantial jump in interest rates of last year may have removed as many as 4 million moderate-income families from home-buying eligibility.

The practice of "redlining" is another major interference with the turnover process. Older neighborhoods, especially as they are settled by minority groups, may be declared by lending institutions to be unsuitable for mortgage credit. Once an area is so marked, it can only go down. Money is not available to make repairs and to preserve the single-family character of residences. All across the country units are allowed to deteriorate. Some of them are large, rambling, Victorian houses which would be especially suitable for large families.

Nearly \$2 billion have been spent on urban renewal. Painfully we have learned that rehabilitation is socially and economically preferable to clearance. We must also recognize that conservation and steady maintenance are preferable to rehabilitation. And we must go the one additional step necessary to realize that mortgage credit is a key to conservation. In her much praised book, "The Death and Life of Great American Cities," Jane Jacobs points out that "droughts of mortgage money" are the cause of much urban decay.

In some cases mortgage credit is not available on reasonable terms because prospective home buyers are minority group members or persons of low to moderate income. In mortgage credit as in

so many other areas, the story is the familiar one—"the poor pay more." The consequence is overcrowding, rapid turnover in occupancy, and in paper ownership, and a speedy rate of decline and deterioration. Once this process has set in, clearance or, at best, expensive rehabilitation is the final result.

There is an alternative—to meet the problem forthrightly. Preventive measures would be a great deal more humane and, for the economy-minded, less expensive in the long run.

Finding fault with FHA will not change circumstances. Mortgage credit is costly; it is unavailable in many older areas containing inexpensive housing; and it cannot be obtained by many deserving families. Efforts have been made to promote greater insurance activity in older areas but without adequate tools neither FHA nor any other agency can cope with the situation.

THE HOME PURCHASE ASSISTANCE ACT

I am introducing today the Home Purchase Assistance Act. It is a charge to FHA to take risks and to pay greater heed to the housing problems of lower-income families, and it provides the means for taking these steps. In international affairs we have established high-risks, low-interest loans. My bill draws on this same principle to conserve our existing housing supply and to increase home purchasing opportunities for low- and moderate-income families. It is a mandate to FHA to take whatever risks are necessary in order to put low- and moderate-income families in decent housing.

As many as 7.5 million families in America could qualify under this program. This includes present homeowners who are in substandard or overcrowded units, and it includes renters who could achieve homeownership.

The program is limited to single-family, previously occupied dwellings which have a principal obligation of \$12,500. An exception is made for high-cost areas where the mortgage can be \$15,000. These homes will be insured at the FHA rate—currently 6-percent ceiling—and have a maturity of up to 35 years. The bill authorizes \$30 million in contract authority the first year, and an additional \$20 million the second year, to provide for an interest rate writedown. That is, the Federal Government will pay up to half of the interest for the length of this mortgage, with the purchaser paying the other half. This encourages the private lender to accept the mortgage on these homes and maintain it.

Also a \$10 million reserve fund is established at the FHA to cover the risk of losses under this program. This protects the regular reserve fund, and provides for a clear mandate for greater risk on part of the FHA. Therefore, the bill makes no effort to bypass existing institutions, public or private, rather both the private lender and the FHA are encouraged to use their experience and resources to put low- and moderate-income families in decent housing.

The housing is available. One in five families move each year, providing a constant supply of vacant, standard residences.

The problem—

Bernard Frieden of MIT has explained—

is to secure a larger share of this housing for people whose choices are now very limited, principally Negroes and low-income families.

With modest assistance this can be accomplished. The appropriation I am calling for would enable 100,000 families to better their housing conditions this year.

Tax deductions for mortgage interests have aided and encouraged middle- and high-income families in the purchase of housing. Under this new program funds to cover up to half the interest charges would provide low- and moderate-income families with an equally strong incentive to purchase.

In the longrun, we will have saved money through conserving our housing. Owner-occupied, uncrowded, single-family dwellings have a life far longer than housing under any other conditions.

I want to emphasize one additional feature of my proposal—permission for a special increase in mortgage obligation of \$2,500 for exceptionally large families. One of our chronic problems has been adequate housing for low- and moderate-income families with many children. Improved chances to purchase a home should help solve this problem.

It should be made clear that the program proposed here does not assume that every low-income family can or wants to buy a house. It does assume that many families who otherwise would have to remain renters—and all too often at a high cost—can and will purchase given some assistance.

The modest aid provided here along with a fuller use of the existing housing supply will afford substantial opportunities. My estimate by region of the income level which would be served and the average monthly housing cost under this bill are:

	Income interval	Monthly housing cost
Northeast.....	\$4,700-7,300	\$103
North central.....	4,200-7,400	88
South.....	3,600-6,000	76
West.....	4,700-7,400	103

This bill reduces the cost by \$25 to \$37 a month to the above levels.

OPERATION HELP

This program does not require the participation of nonprofit sponsors or similar intermediaries. But I am by no means inclined to neglect these groups and the important contribution they can make. Several existing programs depend on the use of nonprofit sponsors. For example, the 221(d) (3) program for low- and middle-income families, the rent supplement program, the housing for the elderly, and the rural housing program all encourage nonprofit sponsors such as church groups to be active in the housing field.

But, nonprofit sponsors have not been adequately used because of gaps in the legislation. These groups too often do not have the technical expertise necessary to deal with the maze of problems associated with planning, developing, fi-

nancing, executing, administering, and managing these projects. For example, the local church in a small community might be interested in sponsoring a project for the elderly, but would not have the vaguest idea of how to go about acquiring land and constructing a 40-unit project. My second bill, Operation HELP, would deal with these problems and allow more potential sponsors to enter the field of providing housing for those of modest means.

This would be accomplished by providing grants to the States to establish a program to encourage nonprofit sponsors and to provide them with the technical assistance necessary to develop and obtain financing for a project.

Also a revolving fund would be established at the Federal level to provide no-interest loans to nonprofit sponsors for "seed" money to develop proposals for low- and moderate-income housing. At the present time many potential sponsors are discouraged by the cost of developing proposals. These costs include: architectural fees, market surveys, engineering surveys, insurance fees, and other costs associated with the preparation of a multiunit project. If we are to encourage these sponsors, then we must be concerned that they are successful and do not default. The preliminary work, if competent, will better insure their success. Therefore, we must provide the funds necessary to guarantee that careful competent planning is performed.

#### CONCLUSION

Thus my two bills deal with missing links in the housing law. The one gives the FHA a new mandate and encourages this agency to take the risk necessary to provide homeownership to many people otherwise prevented from it. The second bill facilitates the use of nonprofit sponsors in providing additional units of safe and decent housing for those of modest means. Neither is a drastic attempt to alter present practices; rather, both use the framework of existing legislation, the expertise and the competence of administrative agencies, and the experience and resources of private organizations.

Mr. President, I request that the following be placed in the RECORD at this point:

First. Summaries of the two bills.

Second. The text of these bills.

The PRESIDING OFFICER. The bills will be received and appropriately referred; and, without objection, the summaries of the two bills and the text of the bills will be printed in the RECORD.

The summary, relating to Senate bill 2124, is as follows:

#### SUMMARY OF MORTGAGE SUBSIDY PROGRAM

The purpose of this bill is to broaden the federal government's housing program for families of modest means. At the present time there are various programs that assist the low and moderate income. The first is section 221. Under this section below the market interest rate mortgages may be insured by the FHA. The (d) (3) section of 221 provides for below the market interest rates for the construction or rehabilitation of rental units. The (h) section provides assistance to non-profit corporations to purchase and rehabilitate housing for resale to families of low income (defined to include only those who are eligible for rent supplements).

For the lowest income families there are, in addition to section 221 (h), the rent supplement and the public housing programs. Both provide for rental units to families who would otherwise be forced to live in substandard housing. The low and moderate income elderly are assisted under section 202 of the National Housing Act which provides for loans to sponsors of rental units for the elderly. The rural housing program assists the rural family in finding decent housing.

There is therefore one missing segment in this legislation if we are to provide alternatives to the low and middle income family. This gap is a program to assist the family of modest means in purchasing a home. This bill attempts to complement existing legislation by providing the alternative of home ownership to those families who can qualify under the income limits of the 221 (d) (3) program.

A new mortgage section, 235, would be created. This section would authorize the Secretary to insure mortgages on previously occupied, single family dwellings. The principal obligation could not exceed \$12,500, except in high cost areas where it could be increased to 15,000 dollars. Special exception is made for the large family (5 or more children) as the Secretary is allowed to increase the maximum limits by 2500 dollars for these families.

The mortgages will bear FHA interest rate (currently 6% ceiling) and can run as long as 35 years. The federal government will use a home purchase assistance fund to reduce the amount of interest to 3% to the purchaser. The fund will provide the difference between this three percent and the actual interest rate, charged to the purchaser. This allows for the monthly payment to be lowered, and place the possibility of home ownership in the reach of additional families of modest means. \$30 million is authorized in contracts for the first year and this will be increased another \$20 million the second year.

Also a 10 million dollar fund is established to cover the expenses and the risks of this program. This will free FHA from the normal conservative insurance criteria it uses to cover the expenses and losses under the program.

The bill (S. 2124) to amend title II of the National Housing Act to provide home purchase assistance, and for other purposes, introduced by Mr. MONDALE, was received, read twice by its title, referred to the Committee on Banking and Currency, and ordered to be printed in the RECORD, as follows:

#### S. 2124

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That title II of the National Housing Act is amended by adding at the end thereof the following new section:*

#### "HOME PURCHASE ASSISTANCE

"SEC. 1. Title II of the National Housing Act is amended by adding a new section 235 to read as follows:

"SEC. 235. (a) In addition to mortgages insured under other provisions of this title, the Secretary is authorized, upon application by the mortgagee, to insure mortgages executed to finance the sale of existing, previously occupied, single-family dwellings to low or moderate income purchasers. Commitments may be issued by the Secretary for the insurance of such mortgages prior to the date of their execution or disbursement thereon, upon such terms and conditions as the Secretary may prescribe. To be eligible for such insurance, the mortgage shall—

"(1) be executed by a mortgagor having an income within the limits prescribed by the Secretary for occupants or projects financed with a mortgage insured under sec-

tion 221(d) (3) which bears interest at the below market rate prescribed in the proviso of section 221(d) (5);

"(2) involve a principal obligation (including such initial service charges, appraisal, inspection and other fees as the Secretary shall approve) in an amount not to exceed the lesser of the Secretary's estimate of the appraised value of the property or \$12,500, or in the case of repair and rehabilitation in an amount not to exceed the lesser of the sum of the estimated cost of repair and rehabilitation and the Secretary's estimate of the value of the property before repair and rehabilitation or \$12,500: *Provided*, That the Secretary may, by regulation, increase the foregoing dollar amount limitations to \$15,000 in any geographical area where he finds that cost levels so require: *And provided further*, That when the Secretary finds that a family which includes five or more minor persons is unable to obtain housing of adequate size within the foregoing dollar amount limitations, the Secretary may, by regulation, increase the foregoing limitations to \$15,000 and \$17,500, respectively;

"(3) be secured by property upon which there is located a dwelling which meets the requirements of all State laws, or local ordinances or regulations, relating to the public health or safety, zoning or otherwise, applicable thereto, and conforming to standards prescribed by the Secretary for properties insured under this section which standards shall give consideration to the need for providing adequate housing for families of low and moderate income;

"(4) bear interest (exclusive of premium charges for insurance, and service charges, if any) at such rate, not in excess of 6 per centum per annum on the amount of the principal outstanding at any time, as the Secretary finds necessary to meet the mortgage market;

"(5) provide for complete amortization by periodic payments within such term as the Secretary may prescribe, but not to exceed 35 years; and

"(6) be executed by a mortgagor who shall have paid on account of the property at least 3 per centum of the Secretary's estimate of its acquisition cost which amount may include amounts to cover settlement costs and initial payments for taxes, hazard insurance premiums, mortgage insurance premiums, and other prepaid expenses: *Provided*, That the foregoing required payment on account of the acquisition cost of the property may be reduced, by regulation, to at least \$200, if the mortgagor (i) is determined by the Secretary to be a displaced family within the meaning of "displaced family" as defined in the last paragraph of section 221(f) of this title, or (ii) is required to move from a low rent public housing project, aided by a contract for annual contributions under the United States Housing Act of 1937, because of an increase in family income beyond the approved maximum income limits for continued occupancy, or (iii) is living in housing determined by the Secretary to be substandard.

"(b) Notwithstanding any provision of this Act, the Secretary, in order to further the provision of housing for low and moderate income families, may insure a mortgage which meets the requirements of subsection (a) of this section with no premium charge, with a reduced premium charge, or with a premium charge for such period or periods during the time the insurance is in effect, as the Secretary may determine.

"(c) In order to further the objectives of this section, the Secretary may enter into agreements with mortgagees agreeing to hold mortgages insured under this section to pay such mortgagees, during such time as the mortgagor shall continue to occupy the property (or during such time as the prop-

erty shall be occupied by a purchaser from the mortgagor who, at the time of purchase, shall have had an income within the limits prescribed in subsection (a) (1) of this section), annual payments on the basis of the difference between the amount of monthly payment for principal and interest which the mortgagor is obligated to pay under a mortgage bearing interest at the market rate established by the Secretary pursuant to subsection (a) (4) of this section and the monthly payment for principal and interest which the mortgagor would be obligated to pay if the mortgage were to bear interest at the rate established pursuant to the proviso in section 221(d) (5) :

"Provided, That, such mortgagees shall agree to collect mortgage payments from mortgagors, during such periods of occupancy, in the amount which would be payable by the mortgagor if the mortgage were to bear interest at the rate established pursuant to the proviso in section 221(d) (5). The Secretary may also, in order to encourage private lenders to make funds available for mortgages insured under this section, enter into agreements with such mortgagees to compensate them for additional expenses which they may incur by reason of exceptional cost in originating and servicing such mortgages.

"(d) Any mortgagee under a mortgage insured under this section shall be entitled to the benefits of the insurance as provided in section 204(a) with respect to mortgages insured under section 203. The provisions of subsections (b), (c), (d), (g), (j), and (k) of section 204 shall apply to mortgages insured under this section, except that as applied to those mortgages (1) all references to the "Fund" or "Mutual Mortgage Insurance Fund" shall refer to the "Home Purchase Insurance Fund" established by subsection (e) of this section, and (2) all references "section 203" shall refer to this section. The Secretary, in his discretion, and in accordance with such regulations as he may prescribe, may acquire a mortgage loan that is in default and the security therefor upon payment to the mortgagee in cash or in debentures (as provided in the mortgage insurance contract) of a total amount equal to the unpaid principal balance of the loan plus any accrued interest and any advances approved by the Secretary and made previously by the mortgagee under the provisions of the mortgage, and after the acquisition of any such mortgage by the Secretary, the mortgagee shall have no further rights, liabilities, or obligations with respect to the loan or the security for the loan.

"There is hereby created a "Home Purchase Insurance Fund" (hereinafter referred to as the "Fund"), which shall be used by the Secretary as a revolving fund for carrying out the provisions of this section. For this purpose the Secretary of the Treasury shall make available to the Secretary such funds as the Secretary shall deem necessary, but not to exceed \$10,000,000, which amount is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated. Premium charges, adjusted premium charges, inspection and other fees, service charges, and any other income received by the Secretary under this section, together with all earnings on the assets of the Fund shall be credited to such fund. All payments made pursuant to claims of mortgagees with respect to mortgages insured under this section, cash adjustments, the principal of and interest on debentures issued under this section, expenses incurred in connection with or as a consequence of the acquisition and disposal of property acquired under this section, and all administrative expenses in connection with the operation of this section, shall be paid out of this Fund. There is further authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, such funds as may be

requested from time to time by the Secretary, to provide assurance of the adequacy of the Fund for carrying out the operations of this section. Moneys in the Fund not needed for current operations under this section shall be deposited with the Treasurer of the United States to the credit of such Fund or invested in bonds or other obligations of, or in bonds or other obligations guaranteed by, the United States. The Secretary may, with the approval of the Secretary of the Treasury, purchase in the open market debentures issued under this section. Such purchases shall be made at a price which will provide an investment yield of not less than the yield obtained from other investments authorized by this section. Debentures so purchased shall be canceled and not reissued.

"(f) There are authorized to be appropriated such sums as may be necessary to carry out the provisions of subsection (c) of this section, including but not limited to, such sums as may be necessary to make payments under contracts as prescribed in such subsection. The aggregate amount of the contracts to make such payments shall not exceed amounts approved in appropriation Acts and payments pursuant to such contracts shall not exceed \$30,000,000 per annum prior to July 1, 1968, which maximum dollar amount shall be increased by \$20,000,000 on July 1, 1969."

"Sec. 2. Section 305 of the Federal National Mortgage Association Charter Act is amended by adding thereto the following new subsection:

"(j) Notwithstanding any other provision of this Act, the Association is authorized to make commitments to purchase and to purchase, service, or sell any mortgages which are insured under section 235 of the National Housing Act. The total amount of such purchases and commitments shall not exceed \$200,000,000 outstanding at any one time. The price to be paid by the Association for any mortgage purchased under this subsection shall not be less than the unpaid principal amount thereof at the time of purchase, with adjustments for interest and any comparable items."

The summary, relating to Senate bill 2125, is as follows:

#### SUMMARY OF OPERATION HELP, THE HOUSING EXPERT AND LOAN ACT

The purpose of this legislation is to provide a scheme of assistance to the non-profit sponsor of housing for those of modest means. Federal housing legislation provides special assistance to non-profit sponsors to encourage their entrance into the housing industry. Yet, there are gaps in the federal program which have discouraged potential non-profit sponsors from building or rehabilitating housing.

Too often sponsors do not have the technical know-how to organize and execute a project, nor do they have the financial resources to cover the "packaging" costs of pre-construction activities.

HELP attempts to fill these gaps in two ways: (1) a system of grants to the states to develop technical assistance programs, and (2) a revolving fund at the federal level for advancing money to the non-profit sponsor for costs necessary to develop and prepare the application for federal assistance.

I. This section authorizes \$15 million a year, over a two year period, for grants to states to help finance programs of information and technical assistance to non-profit sponsors with respect to construction, rehabilitation and maintenance of low and moderate income housing. The state would submit a plan to the Secretary specifying the extent of the information and assistance functions it would provide. If the state plan was approved by the Secretary, the federal government would pay 90% of the cost of the program for the first two years, and 50% thereafter.

II. This section authorizes a \$20 million revolving fund at the federal level to assist the non-profit sponsor in the preliminary costs of planning a project. No interest loans would be made by the Secretary to include such items as: preliminary surveys and analyses of market needs, preliminary site engineering and architectural fees, site options, FHA and FNMA fees, and construction loan and fees and discounts.

Definitions—Non-profit sponsors means anybody or agency defined in section 221 (d) (3) of the National Housing Act including cooperatives, and moderate income projects are those that have mortgage insurance under section 221, or loans under sections 202 or 515. These include the low and moderate income programs, direct loan program for the elderly, and direct loan program for rural housing.

The bill (S. 2125) to assist nonprofit sponsors of low- and moderate-income housing, introduced by Mr. MONDALE, was received, read twice by its title, referred to the Committee on Banking and Currency, and ordered to be printed in the Record, as follows:

S. 2125

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Housing Expert and Loan Program, Operation HELP."

#### TITLE I

##### PURPOSE

SEC. 101. It is the purpose of this Title to assist States to make available information, advice and technical assistance to non-profit sponsors with respect to the construction, rehabilitation and maintenance of housing for low- and moderate-income families and individuals.

##### GRANT AUTHORITY

SEC. 102. (a) The Secretary is authorized to make grants to States to help finance programs to provide information, advice and technical assistance with respect to the construction, rehabilitation and maintenance of low- and moderate-income housing by non-profit sponsors. Activities assisted by such grants may include:

(1) the assembly, correlation, publication and dissemination of all information with respect to the construction, rehabilitation and maintenance of low- and moderate-income housing, and

(2) providing advice and technical assistance with respect to the construction, rehabilitation and maintenance of low- and moderate-income housing.

(b) A program assisted under this Section shall:

(1) Specify the information, advice and technical assistance activities to be carried on, and

(2) Justify the need for and costs of such activities.

##### AMOUNT OF THE GRANT

SEC. 103. The amount of any grant under this title shall not exceed 90 per centum of the costs of developing and carrying out a State program, as approved by the Secretary, during each of the first two years of the program, and shall not exceed 50 per centum of such costs thereafter.

##### COOPERATION

SEC. 104. Federal departments and agencies shall cooperate with States in providing information to assist in carrying out the purpose of this title.

##### APPROPRIATIONS

SEC. 105. (a) There are authorized to be appropriated for the purpose of carrying out the provisions of this title not to exceed \$15 million for the fiscal year ending June 30, 1968, and not to exceed \$15 million for the fiscal year ending June 30, 1969.

(b) Any amounts appropriated under this section shall remain available until expended; and any amounts authorized for any fiscal year under this section but not appropriated may be appropriated for any succeeding fiscal year commencing prior to July 1, 1969.

**TITLE II**  
**PURPOSE**

Sec. 201. It is the purpose of this title to encourage and facilitate the construction and rehabilitation of housing to meet the needs of low- and moderate-income families and individuals by making loans to nonprofit sponsors for expenses incurred, prior to construction, in developing and in obtaining financing for low- and moderate-income housing.

**LOAN AUTHORITY**

Sec. 202. The Secretary is authorized to make loans to nonprofit sponsors for the expenses incurred, prior to construction, in developing and in obtaining financing for low- and moderate-income housing. Loans under this title may be made for the full cost and in obtaining financing for such housing, including, preliminary surveys and analyses of market needs, preliminary site engineering and architectural fees, site options, Federal Housing Administration and Federal National Mortgage Association fees, and construction loan fees and discounts. Loans made to any nonprofit sponsor under this section shall be made without interest.

**HELP FUND**

Sec. 203. All funds allocated under this title shall be deposited in a revolving fund known as the HELP Fund, which shall be used by the Secretary for carrying out the purposes of this title. Sums received in repayment of loans made under this title shall be deposited in such revolving fund. Moneys in this fund not needed for current operation may be invested in bonds or other obligations guaranteed as to principal and interest by the United States.

**APPROPRIATIONS**

Sec. 204. There are authorized to be appropriated for the purpose of carrying out the provisions of this title not to exceed \$20 million.

**DEFINITIONS**

Sec. 205. As used in this Act—

(1) "State" means any State of the United States, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, American Samoa, or an agency or instrumentality designated by the chief executive of any of the foregoing, or a statewide agency or instrumentality of its political subdivisions designated by such chief executive.

(2) "Secretary" means the Secretary of Housing and Urban Development.

(3) "Non-profit sponsor" means any body or agency as defined in Section 221(d)(3) of the National Housing Act of 1949.

(4) "Low- and moderate-income housing" means any project eligible for an insured mortgage under Section 221 of the National Housing Act, or for a loan under Section 202 of the Housing Act of 1959 or Section 515 of the Housing Act of 1949.

**AMENDMENT OF FOOD AND AGRICULTURE ACT OF 1965**

Mr. COOPER. Mr. President, I introduce, for appropriate reference, an amendment to the Food and Agriculture Act of 1965. Under title VI of that act subtitled "Cropland Adjustment," the Secretary of Agriculture is authorized to enter into agreements with individual farmers to divert part of their acreage from crop production. This fallow land placed under conservation practices has

the beneficial effect of controlling surplus production of crops eligible for price support. Section 602(a) provides, in part, as follows:

No agreement shall be entered into under this section concerning land with respect to which the ownership has changed in the three-year period preceding the first year of the agreement period unless the new ownership was acquired by will or succession as the result of the death of the previous owner, or unless the new ownership was acquired prior to January 1, 1965, or under other circumstances which the Secretary determines, and specifies by regulation, will give adequate assurance that such land was not acquired for the purpose of placing it in the program:

I was a member of the Senate Committee on Agriculture at the time this provision was adopted, and recall that it was proposed following some criticism of the program, citing cases in which it appeared that individuals had bought farms and immediately placed them into the conservation reserve, giving the impression that the purchase of the farms was financed through the Government cropland adjustment payments. It was the intention of the provision to prevent such occurrences in the future.

However, the provision as it stands does not take into account occasions where farmowners are displaced and must relocate, when land is taken by an agency having the right of eminent domain. In these cases, the Congress has made provision for the transfer of acreage allotments, and I know it is the intention of the Congress that displaced owners be permitted to reestablish their farm operations on a new farm.

I am informed that cases of this kind have arisen in Kentucky in the course of acquisition by the TVA of the Between-the-Lakes Recreation Area. And Congressman STUBBLEFIELD, who is a member of the House Agriculture Committee, has introduced a similar bill in the House of Representatives.

It seems to me only proper in cases where farms or portions thereof are acquired by agencies having the right of eminent domain, that the displaced owner be permitted to continue to participate in the cropland adjustment program when he acquires a new farm. My amendment would accomplish this, and I hope it is given favorable consideration by the committee, and adopted.

The PRESIDING OFFICER. The bill will be received and appropriately referred.

The bill (S. 2126) to amend the Food and Agriculture Act of 1965, introduced by Mr. COOPER, was received, read twice by its title, and referred to the Committee on Agriculture and Forestry.

**ASSISTANCE TO CERTAIN PROCESSORS OF COTTON**

Mr. BAKER. Mr. President, I introduce, for appropriate reference, a bill to provide assistance to first processors of cotton who have suffered substantial losses because of the economic impact of cotton programs, and for other purposes.

Mr. President, the cotton ginning industry is facing the prospect of a very bleak year. Unusually heavy rainfall in

many areas where cotton is grown has turned normally productive fields into quagmires.

But there are other and less capricious reasons for the relatively small crop expected this year. The acreage planted to cotton is the lowest in this century. The July 1 cotton acreage report from the U.S. Department of Agriculture indicates that 9,724,000 acres were planted in cotton this year. This figure is 6 percent less than the acreage planted in cotton in 1966 and is 37 percent below the average acreage planted in cotton between 1961 and 1965.

Because of the heavy rains, when the final estimate of acreage to be harvested is announced next month it is expected that the already record low cotton acreage will be reduced even further.

The present cotton program is, of course, designed to reduce the surplus, and for this reason many acres are diverted from production. Apart from the obvious impact of this diversion program on cotton growers, the reduced yield has a profound effect on first processors, or cotton ginners.

A cotton gin plays a unique role in the lives of many rural Americans. It represents, of course, a substantial capital investment on the part of its ownership, and, as such, its survival depends on adequate ginning receipts. But a cotton gin is often much more than just a ginning operation. In a great many small southern towns it forms the focal point of all life. With its fortunes rise or fall the fortunes and the quality of many lives. When a gin closes down, the farmers it serves must transport their cotton greater distances at greater expense, often to encounter inflexible and unfamiliar credit procedures and operational techniques.

The present situation is creating hardships for ginners and farmers alike; unless extraordinary action is taken, this year's crop could portend serious problems for the entire industry. The very serious financial plight of some cotton ginners caused by a series of small crops has closed many of the normal avenues of commercial credit.

For these reasons, Mr. President, I introduce this bill, which would provide for low-interest emergency loans to cotton ginners who are unable to obtain sufficient credit elsewhere at reasonable rates and terms. Determination of need would be left to the discretion of the Secretary of Agriculture.

A virtually identical bill has been introduced in the House of Representatives by ROBERT A. EVERETT, of Tennessee, and I am pleased to introduce a companion measure in the Senate and join with Congressman EVERETT's efforts to secure this much-needed relief.

The PRESIDING OFFICER. The bill will be received and appropriately referred.

The bill (S. 2127) to provide assistance to first processors of cotton who have suffered substantial losses because of the economic impact of cotton programs of the Department of Agriculture, and for other purposes, introduced by Mr. BAKER, was received, read twice by its title, and referred to the Committee on Agriculture and Forestry.