body with a gun [is not going to be deterred by a law that he cannot have a gun in his possession].

It is probable that, instead of eradicating crimes involving firearms, the proposed bills will give birth to even more law evasion by forcing the criminal to seek his weapons in an "underground." Such illegal traffic has resulted from our ineffective efforts to curb the flow of liquor and drugs, and I cannot see why the effects of firearms controls would be any different.

A second unrealistic assumption of the bill is the belief that there is a close correlation between present firearms legislation and the incidence of crime. In truth, it is almost impossible to measure the effects of such legislation. To quote Dr. Marvin Wolfgang, an authority on criminal homicide:

It is the contention of this observer that few homicides due to shootings could be avoided merely if a firearm were not immediately present, and that the offender would select some other weapon to achieve the same destructive goal.

Much of the impetus behind the proposed firearms legislation has been provided by recent and dramatic mass murders. It should be known, however, that catastrophes of this kind could not have been prevented by S. 1592, H.R. 6628, or H.R. 6783. Richard Speck's inclination to murder could hardly have been checked by these bills—indeed, he preferred a knife to a gun. As for Charles Whitman, apparently a respectable young man, he would have found it simple to elude any and every provision in these three bills.

Besides being unrealistically conceived, these bills would also prove difficult to enforce. To what extent, for example, would a licensed dealer bear responsibility for selling a firearm to a person prohibited under the bill from receiving it? Moreover, how far must he go to determine the customer's age, residence, and legal reputability, in order to comply with the legislation? An avalanche of redtape would probably overwhelm the gun owner who takes up residence in a new State and who therefore must comply with the proposed restrictions governing the interstate transportation of firearms.

Mr. Speaker, I contend that the aforementioned premises on which these bills are founded are unrealistic and that their enforcement will at best be a complicated and burdensome procedure. It is apparent that the potential gains in public security envisioned by the creators of this legislation have been exaggerated, and that the small benefits which might accrue will not justify those disadvantages wrought on law-abiding citizens.

A second and equally critical weakness in this legislation is that it is wholly illegal. It is unconstitutional. The second amendment to the Constitution reads:

A well regulated Militia being necessary to the security of a free state, the right of the people to keep and bear arms shall not be infringed.

I cannot see how these bills can fail to infringe upon this right as granted to the individual. A major feature of the Dodd bill, for example, is the prohibition of all shipments of firearms in interstate and foreign commerce to individuals.

This legislation also threatens a constitutional right belonging to the States. According to the Constitution, the Federal Government cannot impinge upon the police powers reserved to the States. Part of Senator DODD's bill, however, would create prohibition for licenses in their intrastate as well as in their interstate dealings. The provision ignores most legislative precedents and clearly constitutes an encroachment upon the police powers of the States. If such liberties are ever granted to the Federal Government, there would be no limit to the nature and extent of criminal legislation it could enact. If the legislative guidelines proposed by these bills are followed to their logical conclusion, we would, in effect, have established a police state.

Another area of the Constitution to which the proposed firearms legislation does violence is the distinction between interstate and intrastate commerce. These bills arrogantly assume that all firearms commerce is interstate. Besides being unrealistic and unconstitutional, Mr. Speaker, the bills before us are unjust because they discriminate against small businesses. For instance, subsection (a) of section 3 of S. 1592 would increase the per annum fee for dealers from $1 to $100. I am particularly concerned about the effect of this provision on the sale of firearms and ammunition through small hardware and general stores, especially those which are active only during the hunting season. Few of these small businesses can afford the exorbitant $100 fee.

Another unjustified hardship which the firearms legislation would potentially inflict is contained in S. 1592, section 2 (a). By placing excessive restrictions on law-abiding citizens who wish to order sporting firearms by mail, those citizens who do not have ready access to dealers are placed in an exceedingly difficult position.

It is often overlooked, moreover, that firearms are an integral part of the lives of much of our outlying population. Whereas the use of a shotgun is irrelevant to life in New York City, it is often a necessity in the environs of Sylvania, Ga. Meat for the table and protection against intruders are provided by firearms to a surprisingly large number of rural Americans who are often far from either a streamlined supermarket and the protective arm of the law. These nonurban elements do not constitute a major criminal threat and the proposed firearms legislation would seriously and unjustly burden them.

The bills would also discriminate against legitimate sporting pursuits. One example among many is the section which would threaten the availability to the American sportsman of popular foreign weapons such as the Browning, Beretta, Anchutz, and Hammerli. Constituting safe, noncriminal activities, hunting and skeet shooting develop muscular coordination and encourage friendship and sportsmanship. It is my view that the vitality of these sports would be seriously jeopardized by the proposed firearms legislation.

Another consideration which the creators of these bills have ignored is the need for personal security in our increasingly violent society. Many people believe that because our country has made the transition from a wide-open frontier community to a heavily policed urban society, there is no need to retain such assurances of personal safety as were possessed by our predecessors. The recent occurrences in Watts, Chicago, Cleveland, and Jacksonville, however, remind me constantly that our lives are almost as exposed and precarious as those of our frontier forefathers.

SENATE

FRIDAY, AUGUST 12, 1966

The Senate met at 11 o'clock a.m., and was called to order by the Vice President.

Rev. Damon S. Scott, pastor, Trinity Methodist Church, Palatka, Fla., offered the following prayer:

Our Father in Heaven, we pause to thank Thee for this day and for these Thy dedicated servants of peace who are led by their dreams rather than to be pushed by our problems.

May this be a day of reasoning, not of disagreement; a day of unity, not of discord; a day of harmony in making decisions.

Forgive our careless ways and cleanse us from all impurities and lift us above pettiness of spirit.

May we know ourselves as we seek to know Thee, may we control ourselves as we seek to control others, and may we deny ourselves as we serve Thee and our fellow man. We confess we are not aware of our imperfections until we see ourselves in God's image. Help us now to see the invisible and be empowered to do the impossible. Illuminate our minds and our hearts. Soften our stubborn wills and cause us not to fight against Thee—"who are we to box with God with such short arms?"

May we never mistake doing for being, nor self-interests for service, but be divinely led throughout this day for Jesus' sake. Amen.

THE JOURNAL

On request of Mr. HART, and by unanimous consent, the reading of the Journal of the proceedings of Thursday, August 11, 1966, was dispensed with.

The VICE PRESIDENT. The Chair lays before the Senate sundry communications for appropriate reference.

AUTHENTICATED U.S. GOVERNMENT INFORMATION GPO

MESSAGES FROM THE PRESIDENT—APPROVAL OF BILLS

Message in writing from the President of the United States were communicated to the Senate by Mr. Jones, one of his secretaries, and he announced that on August 11, 1966, the President had approved and signed the following acts:

S. 2412. An act to terminate use restrictions on certain real property previously conveyed to the city of Kodiak, Alaska, by the United States;

S. 3249. An act to consent to the interstate compact defining the boundary between the States of Arizona and California; and

S. 3498. An act to facilitate the carrying out of the obligations of the United States under the Convention on the Settlement of Investment Disputes Between States and Nationals of Other States, signed on August 27, 1965, and for other purposes.

EXECUTIVE MESSAGE REFERRED

As in executive session,

The VICE PRESIDENT laid before the Senate a message from the President of the United States submitting sundry nominations, which were referred to the Committee on Labor and Public Welfare.

(For nominations this day received, see the end of Senate proceedings.)

REPORT ON INSURANCE AND OTHER PROGRAMS FOR FINANCIAL ASSISTANCE TO FLOOD VICTIMS—MESSAGE FROM THE PRESIDENT

The VICE PRESIDENT laid before the Senate the following message from the President of the United States, which, with an accompanying report, was referred to the Committee on Public Works:

To the Congress of the United States:

I have recently transmitted to the Speaker of the House of Representatives and the President of the Senate a report by the Task Force on Federal Flood Control Policy, entitled "A Unified National Program for Managing Flood Losses." That report discussed several problems requiring further study, including the need for and feasibility of a program of flood insurance.

Today I am transmitting a report from the Secretary of Housing and Urban Development, entitled "Insurance and Other Programs for Financial Assistance to Flood Victims." Undertaken in accordance with provisions of the Southeast Hurricane Disaster Relief Act of 1965, this report provides a significant contribution to greater understanding of this complex and difficult problem. The Secretary has prepared a thorough, well-documented report.

Additional study is required before final judgment can be reached on the design of a national flood insurance program. Accordingly, I am instructing all interested Federal departments and agencies to give this report intensive and careful review so that detailed proposals, including appropriate legislation, may be presented to the Congress.

I also urge that the report be reviewed both by the Congress and the many interested groups and individuals throughout the Nation. The need for financial protection against flood losses to private property is widely recognized. The report will provide an excellent opportunity to give this matter thorough and informed consideration.

LYNDON B. JOHNSON.

THE WHITE HOUSE, *August 12, 1966.*

The VICE PRESIDENT. Under rule VII the Chair calls for the presentation of petitions and memorials.

If there be no petitions and memorials, the Chair calls for reports of standing and select committees.

If there be no reports, the Chair calls for the introduction of bills and joint resolutions.

CIVIL RIGHTS ACT OF 1966

The VICE PRESIDENT. The Chair lays before the Senate H.R. 14765 for its second reading.

Several Senators addressed the Chair.

The VICE PRESIDENT. The clerk will report the bill by title.

The LEGISLATIVE CLERK. A bill (H.R. 14765) to assure nondiscrimination in Federal and State jury selection and service, to facilitate the desegregation of public education and other public facilities, to provide judicial relief against discriminatory housing practices, to prescribe penalties for certain acts of violence or intimidation, and for other purposes.

Several Senators addressed the Chair.

The VICE PRESIDENT. The Senator from Michigan is recognized.

Mr. HART. Mr. President, I object to further proceedings with respect to this bill, under rule XIV, paragraph 4.

The VICE PRESIDENT. Under rule XIV and recent Senate precedents, the bill will be placed on the calendar.

Mr. LONG of Louisiana. Mr. President, I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. KUCHEL. Mr. President, I ask unanimous consent that further proceedings under the quorum call be rescinded.

Mr. LONG of Louisiana. Mr. President, I object.

The VICE PRESIDENT. Does the Senator from Louisiana object?

Mr. LONG of Louisiana. Yes, I object.

The VICE PRESIDENT. The clerk will continue the call of the roll.

The legislative clerk resumed the call of the roll.

Mr. LONG of Louisiana. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The VICE PRESIDENT. Without objection, it is so ordered.

LIMITATION ON STATEMENTS DURING THE TRANSACTION OF ROUTINE MORNING BUSINESS

On request of Mr. LONG of Louisiana, and by unanimous consent, statements during the transaction of routing morning business were ordered limited to 3 minutes.

CONVENTION ON FACILITATION OF INTERNATIONAL MARITIME TRAFFIC—REMOVAL OF INJUNCTION OF SECRECY

Mr. PROXMIRE. Mr. President, as in executive session, I ask unanimous consent that the injunction of secrecy be removed from Executive R, the Convention on Facilitation of International Maritime Traffic, signed for the United States at London, on April 9, 1965, and that the message from the President, together with the accompanying papers, be referred to the Committee on Foreign Relations, and the President's message be printed in the RECORD.

The VICE PRESIDENT. Without objection, it is so ordered.

The message from the President is as follows:

To the Senate of the United States:

With a view to receiving the advice and consent of the Senate to acceptance of the Convention on Facilitation of International Maritime Traffic, signed for the United States at London on April 9, 1965, I transmit herewith a certified copy of that convention. I transmit, also, for the information of the Senate, the technical annex to the convention as well as the report of the Secretary of State with respect to the convention and annex.

The purpose of the convention is to simplify and reduce to a minimum the formalities, documentary requirements and procedures on the arrival, stay, and departure of ships engaged in international voyages.

The need to reduce and simplify the documents required for ships to enter and clear the world's seaports has long been recognized. Government authorities in every port require documentation for customs, immigration, and public health, and often in addition documents to satisfy military authorities, coast guards, transport ministries, police, and plant and animal quarantine. The volume and complexity of documentation is burdensome to shipowners and government authorities alike, and an irritant to ships' passengers and crews and to cargo shippers.

Only governments themselves, through the medium of international cooperation, can achieve the simplicity and uniformity in documentation which will remedy the situation. As an example, air travel documentation has been drastically simplified in recent years through the persistent efforts of the International Civil Aviation Organization.

The convention which I transmit now for your advice and consent to acceptance holds a strong promise that documentary requirements for maritime travel and transport can similarly be reduced and simplified. The resulting improvement in port procedures and the cost savings to the shipping industry and to governments could be significant. I recommend that you give the convention early and favorable consideration.

LYNDON B. JOHNSON.

Enclosures:

1. Report of the Secretary of State.

2. Certified copy of Convention on Facilitation of International Maritime Traffic, with annex.

THE WHITE HOUSE, *August 12, 1966.*

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Bartlett, one of its reading clerks, announced that the House had agreed to the concurrent resolution (S. Con. Res. 98) to provide for the printing of additional copies of the pamphlet entitled "Our Capitol."

The message also announced that the House had passed the bill (S. 3155) to authorize appropriations for the fiscal years 1968 and 1969 for the construction of certain highways in accordance with title 23 of the United States Code, and for other purposes, with an amendment, in which it requested the concurrence of the Senate; that the House insisted upon its amendment to the bill, asked a conference with the Senate on the disagreeing votes of the two Houses thereon, and that Mr. FALLON, Mr. KLUCZYNSKI, Mr. BLATNIK, Mr. JONES of Alabama, Mr. CLARK, Mr. CRAMER, Mr. HARSHA, and Mr. CLEVELAND were appointed managers on the part of the House at the conference.

The message further announced that the House had agreed to the concurrent resolution (S. Con. Res. 82) to authorize the printing of the hearings of the United States-Puerto Rico Commission on the Status of Puerto Rico as Senate documents, with an amendment, in which it requested the concurrence of the Senate.

The message also announced that the House had passed a bill (H.R. 483) to amend section 2056 of the Internal Revenue Code of 1954 relating to the effect of disclaimers on the allowance of the marital deduction for estate tax purposes, in which it requested the concurrence of the Senate.

The message further announced that the House had agreed to the following concurrent resolutions, in which it requested the concurrence of the Senate:

H. Con. Res. 666. Concurrent resolution authorizing the printing of additional copies of the committee print, "A Study of Federal Credit Programs";

H. Con. Res. 791. Concurrent resolution authorizing the printing as a House document of a report on U.S. policy toward Asia by the Subcommittee on the Far East and the Pacific of the Committee on Foreign Affairs, House of Representatives, together with hearings thereon held by that subcommittee, and of additional copies thereof; and

H. Con. Res. 925. Concurrent resolution authorizing the printing of additional copies of "Isthmian Canal Policy Questions, Canal Zone—Panama Canal Sovereignty, Panama Canal Modernization, New Canal," a compilation of addresses by Congressman DANIEL J. FLOOD, of Pennsylvania.

HOUSE BILL REFERRED

The bill (H.R. 483) to amend section 2056 of the Internal Revenue Code of 1954 relating to the effect of disclaimers on the allowance of the marital deduction for estate tax purposes, was read twice by its title and referred to the Committee on Finance.

HOUSE CONCURRENT RESOLUTIONS REFERRED

The following concurrent resolutions were severally referred to the Committee on Rules and Administration:

H. Con. Res. 666. Concurrent resolution authorizing the printing of additional copies of the committee print, "A Study of Federal Credit Programs";

H. Con. Res. 791. Concurrent resolution authorizing the printing as a House document of a report on U.S. policy toward Asia by the Subcommittee on the Far East and the Pacific of the Committee on Foreign Affairs, House of Representatives, together with hearings thereon held by that subcommittee, and of additional copies thereof; and

H. Con. Res. 925. Concurrent resolution authorizing the printing of additional copies of "Isthmian Canal Policy Questions, Canal Zone—Panama Canal Sovereignty, Panama Canal Modernization, New Canal," a compilation of addresses by Congressman DANIEL J. FLOOD, of Pennsylvania.

EXECUTIVE COMMUNICATIONS, ETC.

The VICE PRESIDENT laid before the Senate the following communication and letters, which were referred as indicated:

REPORT OF TASK FORCE ON FEDERAL FLOOD CONTROL POLICY

A communication from the President of the United States, transmitting a report of the Task Force on Federal Flood Control Policy, dated August 1966 (with an accompanying report); to the Committee on Public Works.

REPORT ON ADDITIONAL PROJECTS FOR NAVAL AND MARINE CORPS RESERVES

A letter from the Deputy Assistant Secretary of Defense (Properties and Installations), reporting, pursuant to law, on additional projects for the Naval and Marine Corps Reserves, at Lawrence, Mass., and Minneapolis, Minn.; to the Committee on Armed Services.

REPORT ON REAL AND PERSONAL PROPERTY RECEIVED BY STATE SURPLUS PROPERTY AGENCIES FOR DISTRIBUTION TO PUBLIC HEALTH AND EDUCATIONAL INSTITUTIONS AND CIVIL DEFENSE ORGANIZATIONS

A letter from the Acting Secretary of Health, Education, and Welfare, transmitting, pursuant to law, a report on real and personal property received by State surplus property agencies for distribution to public health and educational institutions and civil defense organizations, for the 6-month period ended June 30, 1966 (with an accompanying report); to the Committee on Government Operations.

REPORTS OF COMPTROLLER GENERAL

A letter from the Comptroller General of the United States, transmitting, pursuant to law, a report on savings available by canceling hazard insurance policies on properties acquired upon default of housing loans, Veterans' Administration, dated August 1966 (with an accompanying report); to the Committee on Government Operations.

A letter from the Comptroller General of the United States, transmitting, pursuant to law, a report on the utilization and disposition of excess beds and related bedding, Department of Defense, dated August 1966 (with an accompanying report); to the Committee on Government Operations.

A letter from the Comptroller General of the United States, transmitting, pursuant to law, a report on review of certain active duty retirement benefits for Army and Air Force Reserve officers, Department of Defense, dated August 1966 (with an accompanying report); to the Committee on Government Operations.

A letter from the Comptroller General of the United States, transmitting, pursuant to law, a report on opportunity to reduce costs of providing protection from heat and cold on shipments of certain perishable commodities, Commodity Credit Corporation, Department of Agriculture, dated August 1966 (with an accompanying report); to the Committee on Government Operations.

A letter from the Comptroller General of the United States, transmitting, pursuant to law, a report on need to improve contracting procedures for employment of appraisers to value Indian lands, Department of Justice, dated August 1966 (with an accompanying report); to the Committee on Government Operations.

A letter from the Comptroller General of the United States, transmitting, pursuant to law, a report on review of reporting of taxable income and tax withholdings of military personnel, Department of the Army, dated August 1966 (with an accompanying report); to the Committee on Government Operations.

A letter from the Comptroller General of the United States, transmitting, pursuant to law, a report on review of financial administration of selected grants for health services made to State of Illinois, Public Health Service, Department of Health, Education, and Welfare, dated August 1966 (with an accompanying report); to the Committee on Government Operations.

A letter from the Comptroller General of the United States, transmitting, pursuant to law, a report on potential savings through improved controls over per diem payments to military personnel, Department of the Air Force, dated August 1966 (with an accompanying report); to the Committee on Government Operations.

A letter from the Comptroller General of the United States, transmitting, pursuant to law, a report on review of charges to defense contracts for use of company operated and chartered aircraft, Department of Defense, dated August 1966 (with an accompanying report); to the Committee on Government Operations.

DECLARATION OF CERTAIN LANDS HELD IN TRUST FOR SUMMIT LAKE PAIUTE TRIBE

A letter from the Assistant Secretary of the Interior, transmitting a draft of proposed legislation to declare that certain public lands are held in trust by the United States for the Summit Lake Paiute Tribe (with an accompanying paper); to the Committee on Interior and Insular Affairs.

REPORT ON MILITARY PERSONNEL AND CIVILIAN EMPLOYEES' CLAIMS

A letter from the Acting Comptroller General of the United States, reporting, pursuant to law, on military personnel and civilian employees' claims, for the fiscal year ended June 30, 1966; to the Committee on the Judiciary.

REPORT ON CLAIMS PAID UNDER MILITARY PERSONNEL AND CIVILIAN EMPLOYEES' CLAIMS ACT OF 1964

A letter from the Secretary of the Air Force, transmitting, pursuant to law, a report on claims paid under the Military Personnel and Civilian Employees' Claims Act of 1964, for fiscal year 1966 (with an accompanying report); to the Committee on the Judiciary.

PROPOSED RELIEF BILLS FOR CERTAIN PERSONS

A letter from the Director, U.S. Information Agency, Washington, D.C., transmitting

four drafts of proposed legislation for the relief of Robert M. Gilkey, Jr., Dino J. Caterini, Robert A. Jellison, and Augustus J. Theodore, respectively (with accompanying papers); to the Committee on the Judiciary.

REPORT ON POSITIONS IN GRADES GS-16, GS-17, AND GS-18

A letter from the Administrator, National Aeronautics and Space Administration, Washington, D.C., transmitting, pursuant to law, a report on positions in grades GS-16, GS-17, and GS-18, as of June 30, 1966 (with an accompanying report); to the Committee on Post Office and Civil Service.

REPORT OF A COMMITTEE

The following report of a committee was submitted:

By Mr. RUSSELL of Georgia, from the Committee on Appropriations, with amendments:

H.R. 15941. An act making appropriations for the Department of Defense for the fiscal year ending June 30, 1967, and for other purposes (Rept. No. 1458).

REVISION OF FEDERAL ELECTION LAWS—REPORT OF A COMMITTEE—MINORITY AND SUPPLEMENTAL VIEWS (S. REPT. NO. 1457)

Mr. CANNON. Mr. President, from the Committee on Rules and Administration, I report favorably, with amendments, the bill (S. 2541) to revise the Federal election laws, to prevent corrupt practices in Federal elections, and for other purposes. I ask unanimous consent that the report may be printed, together with the minority views of Senators CLARK, BYRD of West Virginia, COOPER, and SCOTT, and the supplemental views of Senators CLARK and PELL.

The VICE PRESIDENT. The report will be received and the bill will be placed on the calendar; and, without objection, the report will be printed, as requested by the Senator from Nevada.

BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. COOPER (for himself, Mr. BASS, Mr. BARTLETT, Mr. BAYH, Mr. CURTIS, Mr. CANNON, Mr. MONDALE, Mr. MONTOYA, Mr. MUSKIE, Mr. HARTKE, Mr. MAGNUSON, Mr. CHURCH, Mr. CLARK, Mr. DOUGLAS, Mr. GRUENING, Mr. HART, Mr. JACKSON, Mr. KENNEDY of Massachusetts, Mr. LONG of Missouri, Mr. MCCARTHY, Mr. MCGEE, Mr. MILLER, Mr. MOSS, Mr. RUSSELL of South Carolina, and Mr. YARBOROUGH):

S. 3720. A bill to amend the Rural Electrification Act of 1936, as amended, to provide additional sources of financing for the rural electrification and rural telephone programs, and for other purposes; to the Committee on Agriculture and Forestry.

(See the remarks of Mr. COOPER when he introduced the above bill, which appear under a separate heading.)

By Mr. JAVITS (for himself and Mr. MUSKIE):

S. 3721. A bill to amend title 4 of the United States Code, to require States to provide substantially the same rights, privileges, and services to certain persons within Federal areas as to those not living within such areas, as a prerequisite to the right of any State to levy taxes on the persons within these areas; to the Committee on Government Operations.

(See the remarks of Mr. JAVITS when he introduced the above bill, which appear under a separate heading.)

By Mr. PASTORE (by request):

S. 3722. A bill to amend the Atomic Energy Act of 1954, as amended, to authorize the Atomic Energy Commission to provide financial assistance to States participating in a uniform recordkeeping system for persons engaged in occupations involving exposure to ionizing radiation, and for other purposes; to the Joint Committee on Atomic Energy.

ADDITIONAL SOURCES OF FINANCING FOR THE RURAL ELECTRIFICATION AND RURAL TELEPHONE PROGRAMS

Mr. COOPER. Mr. President, earlier this year, on May 10, Senator BASS and I introduced S. 3337, to provide supplemental financing for the rural electric and rural telephone systems, in which we were joined by 28 other Members of the Senate.

Since that time, the House Committee on Agriculture has held hearings on similar bills designed to accomplish the same purpose, and during the course of its meetings the House Subcommittee on Conservation and Credit, of which Congressman POAGE is chairman, has developed a modified bill. It is my understanding that this modification incorporates provisions submitted by the Rural Electrification Administration which are acceptable to the National Rural Electric Cooperative Association. I have talked to Congressman POAGE, and believe it would be correct to say that this modified bill almost wholly resolves the differences between the earlier administration and Poage or Bass-Cooper bills.

The Subcommittee on Rural Electrification and Farm Credit of the Senate Agriculture Committee of which Senator TALMADGE is chairman, and on which I serve, begins Monday its hearings on S. 3337. Because testimony can be more constructively directed to the modified bill, which evidently represents a broad area of agreement at least among the supporters of the REA program, I think it would be helpful to have the supplemental REA financing proposal before the committee in this form. I have discussed this suggestion with Senator TALMADGE, chairman of the subcommittee, who agrees that it would make our hearings more productive.

The Senator from Tennessee [Mr. BASS] who is the principal sponsor of S. 3337 is not able to be here today. However, I have been in touch with him, and introduced the bill on his behalf and for myself. The only change we have made in the modified bill is to leave the interest rate for intermediate loans at 3 percent, for the consideration of the committee.

Mr. President, I send to the desk, for appropriate reference, the modified bill to provide supplemental financing for the rural electric and rural telephone systems, for myself and Senators BASS, BARTLETT, BAYH, CANNON, CHURCH, CLARK, CURTIS, DOUGLAS, GRUENING, HART, HARTKE, JACKSON, KENNEDY of Massachusetts, LONG of Missouri, MAGNUSON, MCCARTHY, MCGEE, MILLER, MONDALE, MONTOYA, MOSS, MUSKIE, RUSSELL, and YARBOROUGH, all of whom were among the sponsors of S. 3337.

I am sorry to be unable to be in touch today with all who are interested in this proposal, but I think it important to have the printed bill formally before our subcommittee on Monday, and may later ask unanimous consent that the names of additional sponsors be added.

The VICE PRESIDENT. The bill will be received and appropriately referred.

The bill (S. 3720) to amend the Rural Electrification Act of 1936, as amended, to provide additional sources of financing for the rural electrification and rural telephone programs, and for other purposes, introduced by Mr. COOPER (for himself and other Senators), was received, read twice by its title, and referred to the Committee on Agriculture and Forestry.

AMENDMENT OF SECTIONS 104-106 OF TITLE 4, UNITED STATES CODE

Mr. JAVITS. Mr. President, I introduce, for myself and Senator MUSKIE, for appropriate reference, a bill to amend title 4 of the United States Code to require States to provide substantially the same rights, privileges, and services to persons in Federal areas as to those not within such areas, as a prerequisite to the right of the State to levy certain taxes on those persons within Federal areas.

At present, there are some 5,000 areas under exclusive Federal legislative jurisdiction in the United States. Under existing law (4 U.S.C. 104-106), States are permitted to levy motor vehicle fuel, sales, use, and income taxes on persons within these Federal areas. This taxing authority has not necessarily, however, been accompanied by a commensurate granting of rights and privileges by the States to those being taxed. Many persons are not granted the right to vote or the opportunity to hold public office. Children in some cases have not been allowed the right to attend State public schools solely by virtue of their residence in Federal areas. This problem has manifested itself primarily in areas such as forest preserves, national parks, and military bases. In many of these situations there may be such a small number of children living on a Federal enclave that it would be impractical for the Federal Government to operate schools for them.

States have, therefore, received the benefits of increased revenue, but in many cases, have refused to bestow the benefit of State citizenship upon those persons being taxed. It is neither reasonable nor just that these persons should pay taxes but not receive benefits similar to those enjoyed by persons within the State. I believe the requirement of certification provides a vehicle for rectifying this injustice.

This bill not only guarantees the rights, privileges, and services to those persons

within Federal areas who are actually taxed, but where a State does exercise its option to tax under the provisions of sections 104–106, all persons within Federal areas must be guaranteed the same rights, privileges, and services as those persons not within such areas.

This proposed amendment would also be consistent with the purposes of S. 3000 which was introduced by my colleague, Senator MUSKIE and of which I am a cosponsor. S. 3000 would allow States to levy taxes on private property within the Federal areas provided that the States have met the certification requirements.

The bill which I introduce today provides that a State may levy the taxes set forth in section 104–106 of title 4 of the United States Code only if it has been certified by an agency appointed by the President that persons within the Federal area are afforded substantially the same rights, privileges, and tax-supported services as persons not within the area. This certification is revocable by the certifying agency if it is determined that the State is no longer maintaining the requisite standards for certification. The agency's decisions regarding certification would be subject to the review provisions of the Administrative Procedures Act.

The bill would also guarantee the right of any person to initiate proceedings in a Federal district court to prevent the collection of a State tax where the requirements for certification have been violated by that State.

This proposal would serve to alleviate the injustice created by State taxation of persons whose rights are not protected by that State. It is also one means of encouraging all States to insure equal protection of the law to all persons.

The VICE PRESIDENT. The bill will be received and appropriately referred.

The bill (S. 3721) to amend title 4 of the United States Code, to require States to provide substantially the same rights, privileges, and services to certain persons within Federal areas as to those not living within such areas, as a prerequisite to the right of any State to levy taxes on the persons within these areas, introduced by Mr. JAVITS (for himself and Mr. MUSKIE), was received, read twice by its title, and referred to the Committee on Government Operations.

DEMONSTRATION CITIES AND METROPOLITAN DEVELOPMENT ACT OF 1966—AMENDMENT

AMENDMENT NO. 742

Mr. JAVITS submitted an amendment, intended to be proposed by him, to the bill (S. 3708) to assist comprehensive city demonstration programs for rebuilding slum and blighted areas and for providing the public facilities and services necessary to improve the general welfare of the people who live in those areas, to assist and encourage planned metropolitan development, and for other purposes, which was ordered to lie on the table and to be printed.

AMENDMENT OF URBAN MASS TRANSPORTATION ACT OF 1964—AMENDMENTS

AMENDMENT NO. 743

Mr. TOWER submitted amendments, intended to be proposed by him, to the bill (S. 3700) to amend the Urban Mass Transportation Act of 1964, which were ordered to lie on the table and to be printed.

AMENDMENT NO. 744

Mr. PROXMIRE submitted an amendment, intended to be proposed by him, to Senate bill 3700, supra, which was ordered to lie on the table and to be printed.

AMENDMENT NO. 745

Mr. JAVITS submitted an amendment, intended to be proposed by him, to Senate bill 3700, supra, which was ordered to lie on the table and to be printed.

THE TRAGEDY OF WAR

Mr. JORDAN of Idaho. Mr. President, the record of Communist terrorism against the innocent in Vietnam is appalling, and the casualty figures of helpless men, women, and children multiply daily. This is a part of the tragedy of war.

On August 9, however, it was American planes that attacked the Vietnamese village of Truong Thanh killing 26 civilians and wounding another 114. This is also a part of the tragedy of war.

In a news report yesterday, an American spokesman was quoted as calling the mistaken bombing incident an "unfortunate occurrence." This is the most understated reaction I can imagine.

The killing and maiming of noncombatants underscores the horror of the conflict we are in. Of course, our attack on Truong Thanh was not an intentional slaughter of civilians. But it happened.

It is simply the case that the Vietnam war is taking a high civilian, as well as a high military toll. There is terrible irony in our involvement. Americans are dying in growing numbers, ostensibly for the freedom of the South Vietnamese people. But while our intentions are noble and our men valiant, the conflict seems to be headed on a course destined to produce massive destruction and death among the very people we have sought to save.

We have irrefutably demonstrated our determination to resist Communist aggression and support the cause of freedom in South Vietnam. I do not see how there can be any doubt about our resolve to prevent a Communist military takeover there. However, to date our resolve has produced no significant lessening of Communist infiltration nor any apparent weakening of Communist determination.

Where, then, do we go from here? A predominantly military approach has produced only more war. The more brutal and destructive the war becomes, the more concern increases as to just what will be left of Vietnam when the fighting stops. The larger the war becomes, one wonders what, if any, limits there are to escalation.

Last January a group of Senators led by Senator MANSFIELD and Senator AIKEN returned from Vietnam with a very disquieting assessment of the likely future of the conflict. They said then:

> Despite the great increase in American military commitment, it is doubtful in view of the acceleration of Vietcong efforts that the constricted position now held in Vietnam by the Saigon government can continue to be held for the indefinite future, let alone extended, without a future augmentation of American forces on the ground. Indeed, if present trends continue, there is no assurance as to what ultimate increase in American military commitment will be required before the conflict is terminated. For the fact is that under present terms of reference and as the war has evolved, the question is not one of applying increased U.S. pressure to a defined military situation, but rather of pressing against a military situation which is, in effect, open ended.

The augmentation of American forces which they mentioned continues. And at this time, some 7 months after their report was issued, the situation still appears to be open ended. Military projections on the duration of the conflict are not encouraging. Some say as much as 10 years and a force of nearly three quarters of a million Americans will be needed to produce a military solution.

The PRESIDING OFFICER (Mr. BURDICK in the chair). The time of the Senator has expired.

Mr. JORDAN of Idaho. Mr. President, I ask unanimous consent that I may proceed for 2 additional minutes.

The PRESIDING OFFICER. Without objection, it is so ordered.

THE SITUATION IN ASIA

Mr. JORDAN of Idaho. Mr. President, as the war stretches out, the patience of men is stretched. The possibility grows that the last vestiges of reason may disappear and headlong slaughter take over. At this point, neither side will be able to control the course of destruction.

Most Americans—including myself—have supported our commitment in Vietnam, but this support is closely coupled with the desire for a just peace. Our leaders have expressed the dual commitment to vigorous military action and vigorous action in pursuit of peace as the American policy. It has been said again and again that while we will remain true to what we see as a commitment to guarantee the right to self-determination for the South Vietnamese, the door to discussion of peace is always open. However, I believe we have waged war more vigorously than we have waged peace. The term "escalation" does not apply equally to the conflict and to our efforts to bring about a settlement.

Last winter there was much talk during the bombing lull about how hard we were working for peace. Since then, have we mounted a peace offensive with anything like the intensity of our stepped-up war activity?

Recently there has been encouraging news of a movement for Asians to band together in an effort to find an acceptable settlement. Certainly no one's interest in ending the war exceeds that of

the Asians themselves. On August 3 Thailand's Foreign Minister Thanat Khoman proposed an Asian-sponsored peace conference to be held in Asia. A similar proposal for a conference of Asian nations was made last month by Republican Senatorial Candidate Charles Percy, of Illinois. Surely such an approach merits our support. If our commitment in Vietnam is based upon the principle of self-determination in Asia, surely we cannot object to the efforts of Asians to make a determination for themselves.

Efforts toward a negotiated settlement have thus far failed. An all-Asian conference for peace may not show immediate results, but as President Eisenhower has said of Mr. Percy's proposal:

> Even if such an effort should fail to uncover any new possibilities for furthering such an objective, the effort would still be a worthy one.

If, as the Mansfield report concludes, the military situation is open ended, then it becomes even more evident that we must be certain that the pursuit of a just peace is equally open ended. To me it makes no sense to talk about the specific timing of our efforts for peace. The time to work for peace is now and it is tomorrow and it is every day of every year as long as this war continues.

I believe we must keep the concept of an Asian solution open. Perhaps Asian initiative can find an answer. The thrust of American policy should be to encourage any such possibilities.

WASHINGTON WELCOMES AHEPA

Mr. PASTORE. Mr. President, in its 44th year and representing 46,000 of the manhood, womanhood, and youth of Greek ancestry, the Order of AHEPA honors Washington as the scene of its supreme convention this coming week.

The event stimulates in all of us a recollection and recognition of what the world of today owes to the Greece of old. And in our own States each of us understands and appreciates what the energy, enterprise, and integrity of the sons and daughters of Greece and their descendants have contributed to the culture and prosperity of that part of our Nation each of us calls "home."

Through its family of 1,125 local chapters in all its branches, the Order of AHEPA is truly at home with us wherever we live.

We know AHEPA is a coined word—and means American Hellenic Educational Progressive Association—and we know each letter and the word it stands for is a "coin" of culture—and a coin of courage—the coming of the venturesome immigrant from the land of literature to this land of their loyalty.

We know it to be the expression of the Greek contribution to our democracy—as, indeed, Greece gave us the term "democracy"—and it reminds us that it is only through the contribution of many races that America in our day has risen to the place of prominence that Greece possessed some 2,500 years ago.

Greece was the fountainhead of Western civilization. Drama, poetry, art, architecture, and philosophy flourished—and the great names of Greece still endure. Every American schoolboy knows and learns from Homer, Aristotle, Aeschylus, Aristophanes, Euripides, Plato, and Socrates.

We might wonder what American names of fame will still be cherished 2,500 years from now.

Centuries of subjugation could not destroy Greek culture nor extinguish the Greek determination for freedom. That spirit has revitalized the history of Greece this past century and a half.

Nineteen years ago the ties between Greece and these United States were sealed in this Congress when the Truman doctrine came into being.

We declared it to be our enduring policy everywhere to support free peoples who are resisting attempted subjugation by armed minorities or by outside pressures.

In 1947 our power and our purse were opened to Greece to turn back the tide of communism that threatened to engulf that land—and we lifted a great country out of the depths of despair and set it anew on the course of its real destiny.

In some measures we repaid our centuries-old debt to Greece. So here in the Capital City of Washington there is a greeting especially warm for those who by their blood look back to that storied land—and today by their splendid citizenship help to maintain America as a land that cares—a land that dares to care for people who want to stay free. So I say again—welcome to the Order of AHEPA.

Mr. MAGNUSON. Mr. President, I heartily subscribe to everything the Senator said.

Mr. PASTORE. I thank the Senator.

Mr. JAVITS. Mr. President, while the Senator from Rhode Island is still in the Chamber, I, too, would like to pay a word of tribute to the Order of AHEPA, the great organization of men and women of Greek extraction who will be meeting in Washington next week; and also to pay my tribute to the spirit of freedom in Greece today, which in the Greek-Turkish aid program of 1948, when I served in the other body, I had a small hand in helping.

I should like to tell my good friend from Rhode Island, however, that we have also modernized our interest in Greece. I have the honor to be the chairman of a committee of the NATO Parliamentarians Conference for Greek-Turkish Economic Cooperation. I also have the honor to inform my colleague that this committee is adequately financed by a contribution from the Ford Foundation and from American business in the amount of $300,000, and that it is working extremely effectively in cooperative projects, such as the one in Mauritius in northern Thrace which is underway. I have every hope that if the situation in Cyprus does not prevent us, we will be able to bring about a really historic institutionalization of economic cooperation between these two countries, in the great spirit of the Venizelos-Ataturk accord which, for over 30 years, until the problem of Cyprus came along, maintained an extraordinary condition of peace and friendship between Greece and Turkey.

As the Senator from Rhode Island knows, New York State and New York City have a large community of Greek extraction. The order of AHEPA is an area in which they take the greatest pride. A very distinguished representative of the Greek community, Spyros Skouras, of New York, serves on the advisory board which has been put together to deal with this matter. I thought, in the spirit of the occasion, with the fine leadership of my beloved friend the Senator from Rhode Island, he might be interested in these facts.

Mr. PASTORE. I certainly am, and I want to thank the Senator from New York for bringing them out.

I reiterate that the Senator from New York is a great American, a great humanitarian, and I am proud to have his friendship.

Mr. JAVITS. I thank my colleague.

Mr. YOUNG of Ohio. Mr. President, I wish to associate myself with the eloquent statement of the distinguished senior Senator from Rhode Island [Mr. PASTORE] in paying tribute to an outstanding organization, the Order of AHEPA, on the occasion of its 44th supreme convention to be held in Washington, D.C., next week.

AHEPA, the American Hellenic Education and Progressive Association, is the leading organization in this country of Americans of Greek descent. In welcoming the members of this fine organization to Washington, I pay tribute to the millions of Greek-Americans who have contributed immeasurably to American culture, and to their ancestors who fought hard for the independence of their native land.

AHEPA is an organization devoted to 44 years of progress and accomplishments in the fields of American citizenship, education projects, and charitable endeavors. The AHEPA fraternity is an object lesson in successful cooperation.

Mr. President, in Ohio there are thousands of citizens of Greek descent, many of whom are among the outstanding leaders in all fields of endeavor.

Recently, it was my privilege to recommend to President Johnson that the nomination as U.S. judge for the northern district of Ohio, Judge Thomas D. Lambros, of the court of common pleas of Ashtabula County, Ohio. He is the son of Demetrios P. Lambros and the late Panagoula K. Lambros, who both emigrated to the United States from Greece in the early 1900's. When he assumed the office of common pleas judge in January 1961, Thomas Lambros became the youngest common pleas judge in Ohio. In 1964, he was named one of the outstanding young men in America by the U.S. Junior Chamber of Commerce. He is an outstanding example of the great promise of our Nation.

Mr. President, our country's present greatness is the result of our ability to blend the aspirations of peoples from every land toward the advancement of common goals. This country is very proud of its citizens of Greek descent, such as Judge Thomas Lambros, who

have contributed so greatly toward that end.

Mr. COTTON. Mr. President, I take this opportunity to extend a hearty welcome to the thousands of American Hellenes who will convene in the Nation's Capital during the week of August 14. Greek-Americans from all parts of the country plan to attend the 44th Supreme Convention of the American Hellenic Educational Progressive Association.

The Order of AHEPA and its auxiliaries, Daughters of Penelope, Sons of Pericles, and Maids of Athens, is an organization dedicated to foster and perpetuate the ideals and principles of Hellenic art, philosophy, and culture in America. AHEPA has over 700 chapters in 49 States and in Canada. I am proud to state that I have been a member of this outstanding organization for many years.

As a nation, we are indebted to ancient Greece, for it was from that civilization that our own forefathers drafted the concepts of liberty, freedom, and democracy. The style of our architecture, our theater, our literature, abounds in the tradition of Hellenism. Socrates, Plato, Aristotle, Pericles, Homer, Sophocles, Aristophanes, and a host of other ancient Greek names echo our linkage with the past. Even the concept of the atom was first perceived by the philosopher Democritus.

We have come to be a mighty force, but we still are indebted to the contemporary sons of Greece, who were the first to stop Mussolini and his Fascist hordes as they invaded the Balkan Peninsula. It has been stated, and properly so, that this was a feat comparable to the defense of Thermopylae by Leonidas and his 300 valiant Spartans. The Greeks for the first time had shattered the myth of Axis invincibility and, as a direct result, the Allies were given a much needed opportunity to regroup their forces.

Today modern Hellenes continue to uphold the classical tradition of excellence in the fields of science and art. Dr. Papanicolaou, one of the world's foremost authorities in the detection of cancer, and Georgios Seferis, winner of the Nobel Prize for Literature, are among many of the modern Greeks who have been true to their heritage. The list of those successful in all fields of endeavor is endless.

The essence of AHEPA and what its membership stands for is perhaps best exemplified in the AHEPA creed:

Promote loyalty to the United States of America;
Respect the inalienable rights of mankind;
Strive for the betterment of society;
Abhor all political corruption;
Defend and protect all oppressed people everywhere;
Cultivate the noblest attributes and highest ideals of true Hellenism;
Labor for the perfection of a moral sense, the spirit of altruism and true benevolence;
Champion the cause of education;
Love God and man, and hope for happiness.

Ahepans are to be commended for their use of these noble precepts and lofty ideals as guidelines for the practical implementation of their programs and activities. I am pleased indeed, therefore, to extend best wishes to Supreme President Kimon Doukas and all Ahepans who plan to participate in the functions and festivities of their 44th convention this coming week.

I particularly want to extend a special welcome to the delegates from my own State. We in New Hampshire are proud of our Greek-American neighbors. They are fine citizens, devout in their faith, responsible in their obligations to the community, and vigorous participants in our economic growth. May their stay in our Nation's Capital be a pleasant and interesting one.

SETTLEMENT OF THE MALAYSIAN-INDONESIAN DISPUTE

Mr. JAVITS. Mr. President, I wish to commend the Governments of Malaysia and Indonesia for the signing of an accord which hopefully will put an end to the years of hostility. The fact that these Governments were able to come to terms on the issues that divided them on such short notice is a solid indication of the fact that the differences which separated them were more apparent and manmade than real. The agreement should serve as an example to other nations in Asia, such as India and Pakistan, whose disputes could be resolved if the mutual will to do so existed.

The Indonesian-Malaysian pact is exemplary in another respect. Both Governments agreed that the territories in dispute between them, Sabah and Sarawak should determine their own status by means of elections. This, again, could serve as an important precedent in other areas.

A very important side effect of the agreement concerns the United Kingdom. Because of past Indonesian threats to Malaysia, the United Kingdom has been obliged to maintain approximately 50,000 troops in Malaysia. Britain can now fulfull the pledge of withdrawing some of its troops from Malaysia. It should have a very favorable impact on the balance-of-payment problem in the United Kingdom.

I ask unanimous consent to have printed in the RECORD the article which appeared in the August 12 edition of the New York Times.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

NORTHERN BORNEO TO VOTE ON STATUS—MALAYSIA, PLEDGING ELECTION, SIGNS PACT IN JAKARTA

JAKARTA, INDONESIA, August 11.—Sabah and Sarawak, the Northern Boreno states whose inclusion in the Federation of Malaysia was contested by President Sukarno of Indonesia, are to be given an opportunity to vote on their status under an agreement between Indonesia and Malaysia signed today.

With the signing of the accord, Indonesia and Malaysia officially ended their "confrontation" nearly three years after President Sukarno established the policy of hostility toward Malaysia.

Foreign Minister Adam Malik and Malaysia's Vice Premier, Prince Abdul Razak, signed two copies each of the "agreement to normalize relations" between the two countries.

General Suharto, chairman of the Indonesian Cabinet Presidium, stood behind Mr. Malik, and Lieut. Gen. Abdul Hamid Bin Bidin, Chief of the Malaysian General Staff, stood behind Prince Razak during the ceremony at the Foreign Ministry.

TWO HUNDRED ONLOOKERS APPLAUD

About 200 Government officials and newsmen applauded after the documents had been signed.

"The confrontation was ended," Mr. Malik said at a news conference immediately afterward.

President Sukarno has charged ever since Malaysia was formed in September, 1963, that it was a creation of British imperialism. He specifically objected to inclusion of Sabah and Sarawak in the federation on the ground that the national will of their citizens had not been determined.

Under Article 1 of the agreement, the Malaysian Government "agrees to afford the people of Sabah and Sarawak who are directly involved" the chance "to reaffirm, as soon as practicable, in a free and democratic manner through general election, their previous decision about their status in Malaysia."

Mr. Sukarno has never recognized the results of a United Nations mission that concluded in September, 1963, that the majority of citizens in Sabah and Sarawak wanted to belong to Malaysia.

He had insisted previously that elections should be held under United Nations auspices before any agreement was signed.

TIES TO BE ESTABLISHED

The agreement specifies that Indonesia and Malaysia will establish diplomatic relations immediately and exchange diplomatic representatives as soon as possible. Indonesia in June agreed to establish diplomatic relations with Singapore, which withdrew from the Malaysian Federation last year.

The agreement provides that "hostile acts between the two countries shall cease forthwith." Informed sources said Indonesia and Malaysia had privately reached an understanding for the "orderly withdrawal" of troops near their common borders.

About 50,000 British and Malaysian troops are based in Sabah and Sarawak, while 30,000 Indonesian troops are stationed in Indonesian Borneo.

Prince Razak said at the news conference that British Navy units "would still guard our waters" but that they would "gradually be replaced by our own." British officials have repeatedly promised to withdraw British troops from Malaysian Borneo once the confrontation has ended.

Both Mr. Malik and Prince Razak spoke briefly after signing the agreements.

"From now on, we—Indonesia and Malaysia—will cooperate in building a new world longed for by all Asians," said Mr. Malik.

A CLEAN PAGE IN HISTORY

Mr. Malik declared that Indonesia and Malaysia were "opening a new and clean page in the history of the two nations." He said there was "no victorious side, nor a defeated side."

"Instead" said Mr. Malik, "the victory is for the Malay race, in which both Indonesians and Malaysians are included." Mr. Malik recalled that both countries had "put aside conventional diplomatic procedures and made a heart to heart approach."

He was referring to a series of missions and couriers exchanged by the two countries since he and Prince Razak laid the groundwork for the agreement at a meeting in Bangkok in May.

At that time, Mr. Malik and Prince Razak exchanged letters setting forth the principles contained in today's agreement.

PACT MANIFESTS DESIRES

"The understanding reached in Bangkok manifests the desires of the peoples of Indonesia and Malaysia to achieve peace, friendship, brotherhood and prosperity," Prince Razak said after signing the agreement.

"It is the basic guideline of our foreign policy to promote cooperation with Indonesia," he added. "We are not afraid of elements who try to wreck our endeavors."

Prince Razak had dinner tonight with Indonesian officials.

He presented a silver tea set to President Sukarno and a set of golf clubs to General Suharto. President Sukarno did not give him a gift in return but General Suharto gave him silverware made in Jogjakarta, a city in central Java.

Prince Razak is to leave tomorrow. Mr. Malik will accompany him to Kuala Lumpur, where they will pray at a Moslem mosque. Mr. Malik will return here Saturday.

Mr. LAUSCHE. Mr. President, will the Senator from New York yield?

Mr. JAVITS. I yield.

Mr. LAUSCHE. Mr President, I should like to add to what the Senator from New York has just said, by mentioning the Korean declaration separating both from China and Russia. All of these events indicate that our presence in southeast Asia is having an impact which is beginning to liberate people from the domination of Communist China and Communist Russia.

Mr. JAVITS. I thank my colleague. It is so important to every American family that has a son in Vietnam to know that these events are meaningful, and that they are happening along the lines we have all hoped and prayed so long would occur.

THE "NEW" CIA

Mr. YOUNG of Ohio. Mr. President, the Central Intelligence Agency during recent years has performed in a frightening manner in the judgment of many thoughtful Americans. Furthermore, this Agency, which was established for the sole purpose of collecting intelligence, has become a vast bureaucracy, and in recent years has racked up one horrendous blunder after another.

It is no longer simply an intelligence collecting agency, if it ever was. Wrapped in its cloak of secrecy, it has become a policy forming agency. Even its defenders cannot deny that its actions have greatly influenced our foreign policy, and in many instances to the detriment of our Nation. The CIA was never intended to direct the foreign policy of our country, nor to influence it, but was organized to be an intelligence collecting agency, not an operating or policymaking branch of our Government.

In spending taxpayers' money, it is outspending the entire State Department with our embassies and far-flung diplomatic service and Foreign Service officials throughout the world. The CIA has become a sort of law unto itself. If it is a watchdog for the welfare of Americans, as some of its officials and employees acclaim, then truly it is a watchdog running wild without a master.

What CIA operatives have done in recent years in the Far East has in many instances been a distinct disservice to our country. With more than 300,000 men of our Armed Forces in Vietnam and Thailand and with every branch of our Armed Forces having their intelligence sections, one wonders why the many hundreds of CIA officials and operatives in South Vietnam should not have been withdrawn long ago. Instead, they operate a sort of an army of their own, in many instances employing Vietnamese nationals, some of whom pose as Vietcong and are said to have committed dastardly acts against the civilian population of South Vietnam. Whether these latter allegations are true I do not know. I hope they are not. There is risk, however, when an American intelligence agency employs nationals of other nations in positions of any responsibility.

It is well-known and verified that CIA officials gave the late General MacArthur faulty information in the Korean conflict. General MacArthur disregarded his own intelligence furnished by officers of the intelligence section of his air force. He was so foolish as to believe the CIA regarding the possible intervention of Chinese troops in the Korean war. They informed him there was no possibility of Chinese volunteers crossing the Yalu and attacking us. The result was our Armed Forces in North Korea were divided, with a mountain range between them, and suddenly 200,000 Chinese "volunteers" crossed the Yalu, attacked, and drove back our forces despite their heroic resistance. General MacArthur had shortly before announced that the conflict had ended with a glorious American victory and that the boys would be home by Christmas.

There is a saying, "Experience keeps a dear school, but fools learn in no other." Unfortunately, our generals apparently have not learned the lesson of CIA ineptness and failure in Korea, in the U-2 incident of May 1960, relative to the Bay of Pigs invasion, and in several other fiascos in nations of southeast Asia, to name a few examples of CIA bungling.

Mr. President, the time has definitely come for Congress to assert a more formal and extensive supervision over the CIA. This is needed not only to eliminate waste, and to assure that its programs operate effectively and within proper constitutional limitations; more important, such congressional supervision is needed to assure that our basic standards of morality are not completely undermined in the conduct of our international intelligence activities. We cannot afford to delay asserting this supervision until such time as these activities have been publicly exposed to the jeopardy of our national security.

Mr. President, in the Cleveland Press, a Scripps-Howard newspaper, of August 9, there is a very fine and perceptive editorial entitled, "The New CIA?" and I ask unanimous consent that this editorial be placed in the RECORD at this point as a part of my remarks.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

THE "NEW" CIA?

You may be wondering what's happening to the Central Intelligence Agency. The last place a super-secret spy outfit is supposed to appear is on Page One. But that's where our "spooks" keep showing up.

Recently the new director of the CIA got caught writing a letter to a St. Louis newspaper praising an editorial blasting Senator FULBRIGHT. Even senators who dislike FULBRIGHT were riled. Now there's another: The case of the high-ranking CIA man accused of taking secret documents home, and his countercharge that the CIA raided his house, took the documents and then some of his wife's jewelry was found missing.

Well, don't worry. After some thought there is a choice of four explanations:

1. Those CIA people are lonely. There they are cooped up in a hush-hush headquarters on the banks of the Potomac without so much as a sign on the building. They want people to know they're alive.

2. The agency has been feeling bad about its image—cloak and dagger, rough stuff—and may have hired a public relations firm to soften the image. The PR plan: Make some prize bloopers in full public view, and the whole world will love you.

3. It may be a plot to put the Soviet counter-espionage organization to sleep. The Russian spies see the bloopers, laugh their heads off, figure their arch-foe has lost its touch and lower their guard.

4. The Central Intelligence Agency may be planning to drop its middle name.

FEDERAL CONTROL OF EDUCATION

Mr. ERVIN. Mr. President, when the Commissioner of Education promulgated his new guidelines for desegregation of public schools, I stated that they "were another example of the danger of State and local dependence upon Federal money." At that time, I went on to point out in a speech that while areas of the country outside of the South were not concerned now, these new regulations pointed the way to Federal regulation of all areas of traditionally State and local control of education.

Recent remarks made by the Commissioner of Education, Mr. Harold Howe, have given added credence to my pessimistic predictions. In several speeches he has indicated that he will use the force of the Federal Government to actively promote the degree of racial integration that he has determined all areas of the country should have. Station WBT, Charlotte, N.C., has recently given a thoughtful editorial commentary on the remarks of the U.S. Commissioner of Education. The editorial suggests that it should be very plain to all citizens from the remarks of Commissioner Howe that "Federal aid to education means Federal control of education."

Mr. President, for a very astute analysis of the present trends at the U.S. Office of Education, I recommend the editorial entitled "The Education Czar," given over station WBT on August 8, 1966, and I ask unanimous consent for it to be printed at this point in the RECORD.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

THE EDUCATION CZAR

We are grateful in a strange sort of way to Commissioner of Education Harold Howe II. He has made the point more plainly than we have ever been able to do it, that Federal aid to education means Federal control of education. Mr. Howe's whiplash approach to the uses of Federal aid has brought many people now to the place where they are asking if we are not paying too high a price in freedom of choice in exchange for a few million dollars.

Howe has made it clear that he believes the primary purpose of the public schools is not education, but integration; that

the main mission of the educators is not to teach children, but to bring about the greatest possible mixture of races within schools and districts; and that Federal aid is not being used to help local schools with their urgent problems, so much as to bludgeon them into complying with arbitrary standards drawn up by Howe himself.

It has not been easy to convince people that Federal aid is a very mixed blessing. Schools across the country have pressing needs for more money and more facilities, the Federal government has billions of dollars it can divert to these purposes if it wishes to do so, and so it has seemed to many people a natural way out to put the two together. But now Commissioner Howe has come out with statements that show the autocratic control is going to be more sweeping than imagined during the years we have been warning against Federal aid to education.

The education czar lets it be known that he will not be satisfied with mere integration of faculty and pupils within existing school districts. If they do not reach the racial mixture that he considers desirable, the boundaries of the districts will be designed in Washington.

In a speech at Columbia University, he served notice that he will not stop there. Most of the suburbs, he said, have too many white children and not enough colored children. After ridiculing the way of life that suburban dwellers have chosen, he went on to say, "if I have my way" (those are his very words) the suburban school districts will be gerrymandered so that they reach into the inner city and include some of the slums. And of course, the process will be worked in reverse to gerrymander city districts to take in suburban areas.

Let us quote again Mr. Howe's exact words: "If I have my way, schools will be built for the primary purpose of social and economic integration."

He could hardly have stated in plainer words that public schools exist first of all to mix children, not to teach them. And if any community does not like his personal redistricting, he will use the same old club on them—take away their Federal aid.

So if Mr. Howe "has his way" that Federal money will be used to increase the quantity of integration rather than the quality of education. And those who are beginning to ask whether the price is too high can be grateful to him—in a strange sort of way!

SPECIAL GRAND JURY REPORT RELATING TO HOUGH RIOTS IN CLEVELAND, OHIO

Mr. LAUSCHE. Mr. President, I now have a complete copy of the Cuyahoga County special grand jury report relating to the recent riots in Cleveland, Ohio. In my opinion, the findings made in that report are of such consequence that they should be included in the CONGRESSIONAL RECORD. Therefore I ask unanimous consent that the entire report be printed in the RECORD.

There being no objection, the grand jury report was ordered to be printed in the RECORD, as follows:

SPECIAL GRAND JURY REPORT RELATING TO HOUGH RIOTS

Your Honor, Judge Thomas J. Parrino, Presiding Judge, Criminal Branch, Common Pleas Court of Cuyahoga County:

As a preface to the attached report of the County Grand Jury convened by you in special session for dealing with the recent Hough Area riots, this Jury would like to make some general observation to you.

These are reinforced by approximately six months of reviewing the status of law and order among the people of this County.

We assume that the people of Cuyahoga County are in the main typical of people of the whole nation during this latter half of the turbulent twentieth century.

It is our firm belief that what America needs more urgently than anything else is a renewal of good citizenship by all of us.

Of equal concern by this Jury are the steady erosion of ideals and principles of God and Country and their persistent replacement by the deification of material idols and material "principals." We profoundly believe that a rigid adherence by everyone to the established law and order of this country should instantly replace the guerrilla warfare practiced in the streets and neighborhoods.

Whatever we in this country set out to achieve should be accomplished within the framework of the laws fashioned for the benefit and protection of every citizen and not by any means we think can be employed or the time we fix for ourselves.

We believe there should be a restoration of the qualities of good faith, of honesty, and a willingness to hear out the other person or the other side without resort to violence and disorder, whether, around a bargaining table with capital and labor, or grievances among people of different background or ethnic origin.

We believe in an elevation of moral and ethical standards and conduct, including those in high places in government and in business and in the professions—a general going over of our entire pattern of national life and values.

What this country and this community need, in the opinion of this Jury of laymen, themselves citizens and parents and in business and professions, is not so much a blood bath but a good cleansing spiritual bath.

This Jury was called into special session and directed by Presiding Judge Thomas J. Parrino of Common Pleas Criminal Court to inquire specifically into what now has become known as the "Hough Area situation."

Judge Parrino's directive was in two parts:

One: To establish the immediate cause of the fire bombing, shooting, pillaging, general lawlessness and disorder.

The Judge requested that this Jury learn whether the outbreak of disorder in this two mile square area, housing 60,000 negro people, was organized, and, if so, by whom.

Two: To establish as nearly as possible the basic circumstance under which 60,000 human beings were living in this relatively restricted area and for whom the life, limb and property of all were placed in jeopardy by the disorders.

The Jury has made this appraisal within the time limits and facilities available and herein reports its general findings.

NO. 1

This Jury finds that the outbreak of lawlessness and disorder was both organized, precipitated, and exploited by a relatively small group of trained and disciplined professionals at this business.

They were aided and abetted, wittingly or otherwise, by misguided people of all ages and colors, many of whom are avowed believers in violence and extremism, and some of whom also are either members of or officers in the Communist party.

The majority of people in the Hough Area had no part in either the lawlessness or disorders.

They have been hindered rather than helped by this major tragedy.

This Jury considers it regrettable and unfortunate for the community's sake that the legal statutes of Ohio and Cuyahoga County are either so outmoded or inadequate in their scope that these "responsible irresponsibles" cannot at this time be reached by specific indictments for their infamous activities.

By persistent additional investigative effort they may be reached later on in this fashion.

(This Jury later in this report urges new and more adequate laws in this respect.)

It is likewise observed by this Jury that it did not have the necessary special investigative resources which could be and should be focused exclusively in tracking down the required immediate and far reaching evidence for conclusive legal action against specific individuals.

However, in making this observation, the Jury wishes especially and particularly to commend those established arms of law enforcement which have worked so resourcefully, effectively and energetically in this aggravated situation.

By this the Jury means, to be precise and specific, the Cleveland Police Department in all of its branches, from the Chief to the newest Rookie, and to Ohio National Guard when invoked by the Governor in this serious community emergency.

The Jury nevertheless must emphasize that with the limitations imposed by the necessity of at all times guarding the community, the established arms of law enforcement are not equipped either with the resources or the investigative facilities to make such a total all out and extended inquiry under this situation as is obviously called for.

This Jury, in consideration of the basic and wide public interest, and exercising the latitude granted it under the laws which empower the creation of such a body as ours, nonetheless makes reference to individuals and organizations that in varying degrees were contributors to the Hough Area lawlessness and disorder.

It further notes the presence of many of these same individuals and organizations in another instance of lawlessness and disorder, that on Superior Avenue, which bore many of the striking similarities to the Hough Area disorders.

It notes the further significant fact that the Superior Avenue episode preceded the Hough Avenue disorders by less than a month.

Some of the same people were observed in both places on several nights of the disorders.

This Jury further believes, that, even though what already happened is both regrettable and tragic in every conceivable human aspect, there is a grave potentiality for repetition of these disorders, or others like them, occurring elsewhere in this community.

Different techniques might be employed; but the results would be equally disastrous or even more so.

Therefore, this Jury believes its judgment should be made an important part of the formal record of what has happened and of whatever may happen in the rather unpredictable future towards which we all, as citizens of this community, are mutually moving wherever we may live or whatever may be our place in life.

Finally before making specific reference to adult leaders in this crises areas, and the events leading up to them, the Jury respectfully calls attention to the effective uses made of impressionable emotionally immature and susceptible young minds by those who for one reason or another have set out to accomplish their designs and objectives in Europe, Asia, South America, and elsewhere.

It is no casual happenstance or coincidence that those throwing fire bombs, or bricks, or bottles, or pillaging, or generally engaged in disorder and lawlessness were in the main young people obviously assigned, trained, and disciplined in the roles they were to play in the pattern of these dual outbreaks separated by less than one month.

Nor, by the same token, is it happenstance, or even just singular coincidence:

1. That the overall pattern for firebombing and destruction to both the Superior and Hough Areas was so highly selective;

2. That the targets were plainly agreed upon;

3. That certain places were identified to be hit, and that certain other places were similarly spared.

On both of these occasions, the Superior and Hough disorders, the presence of teenagers previously referred to was observed by the police, by plainclothes officers and undercover agents who had been assigned for long periods to observe these youths.

With this background firmly established by the Jury's inquiry, and with the notable help of County Prosecutor John T. Corrigan and his staff, particularly Asst. County Prosecutor John T. Patton, this Jury herewith makes reference to some of the principal and recurring personalities in the chain of events which preceded both the Superior and Hough situations:

THE JFK HOUSE

The JFK House, meaning Jomo Freedom Kenyatta House, is located at 8801 Superior Avenue, The leaders are:

Lewis G. Robinson, and Beth Robinson, his wife, living at 1242 E. 89th Street; Harlell Jones, 9716 Hough Avenue, Albert D. Ware-Bey, 11611 Castlewood Avenue, and Philip Morris, 7806 Randell Avenue.

Lewis Robinson has been affiliated with the Freedom Fighters of Ohio, the Medgar Evers Rifle Club (which he helped to found), the JFK House, of which he is the ultimate head, The Deacons for Defense, and the Revolutionary Action Movement.

All of these Clubs, to which Lewis Robinson belongs are black nationalist clubs.

Testimony before this Jury discredited Lewis Robinson as a leader concerned with generally altruistic interests in youth but rather points to him as inciting these youths to focus their hatreds and as indoctrinating them with his own vigorous philosophy of violence.

He exerted a profound influence over the JFK youth and he still does.

Harlell Jones is affiliated with JFK House, the Medgar Evers Rifle Club, the Revolutionary Action Movement; he is vice-president of the Deacons for Defense in spite of his public disavowals, and had frequently either presided over or sponsored meetings for black nationalists, and espouses the ultimate revolutionary purpose for adjusting differences or obtaining desired ends.

Along with Lewis G. Robinson, Harlell Jones caused 2,000 pieces of literature to be printed and circulated, citing alleged instances of "police brutality", and on the eve of the Hough riots circulated the greatest number of these to youths of non-voting age under the plausible guide of urging the defeat of a levy at the polls.

Special movies of an undisclosed and voluntary interview shown to the Jury presented Harlell Jones as an outright exponent of violence, a black power apostle with a bitter hatred for all whites, a co-founder of the Rifle Club, and in command of at least one Rifle Club.

Albert D. Ware-Bey, belonged to the same Clubs as Harlell Jones. He declined to testify before the Jury. Police agencies presented evidence that Ware, Robinson and Jones all purchased quantities of rifles, and all belonged to the Rifle Clubs here and in other cities.

Ware-Bey expressed no allegiance to his country, professed himself not to be bound by its laws, and in the opinion of the Jury, by both testimony and his own conduct, was not one who could have other than destructive influence upon youths either at the JFK House or elsewhere.

There was evidence placed before the Jury that Rifle Clubs were formed, that ammunition was purchased, and that a range was established and used, that speeches were made at JFK House advocating the need for Rifle Clubs, and that instructions were given in the use of Molotov cocktails, and how and when to throw them to obtain maximum effect.

Further, irrefutable evidence was shown to the effect that Robinson pledged reciprocal support to and with the Communist Party of Ohio.

In addition, Robinson attended many meetings at which imported Communist speakers talked and was arrested at one of these.

It was established before the Jury that the leaders of the WEB DuBois Club and the Communist Youth Party, with interchangeable officers and virtually identical concepts, arrived in Cleveland only a few days before the Hough Area disorders.

They took up residence at 1844 East 81st Street, only a short distance from the Central point of origin of the Hough Area troubles.

These men, who came from Chicago, New York and Brooklyn, were Mike Bayer, otherwise known as Mike Davidow, Daniel Mack, Ronald Lucas, and Steve Shreefter.

They were seen constantly together. They made swift contact with the JFK House leadership, and with Phil Bart, of Middlehurst Road, Cleveland Heights, Ohio, and his wife, Connie, who, the evidence showed, are the leaders of the Communist party throughout the Ohio Valley District including Cleveland.

With specific regard to the WEB DuBois Club, the evidence further showed that Mike Bayer, Daniel Mack, Ron Lucas and Steve Shreefter previously living and residing a large part of their time outside of Cleveland, are currently making plans to move their efforts from the Hough Area over to the West Side: That they are not employed, are now so far as the Jury knows without any visible means of support but nevertheless are able to carry on their advocacy and to maintain themselves with clothing, food and shelter from some undetermined source. Finally, evidence was presented that UJAMA is an organization dedicated to black power and has begun its efforts to establish itself in the Cleveland area. Their philosophy is that black people should be governed by themselves in every respect and that anything pertaining to the rights of negroes must be cleared through the central organization of UJAMA which has flourished in New York, and has spread into other places, and is embraced locally by Lewis Robinson and his Lieutenants at JFK House. In attendance at one specific meeting at which plans for UJAMA in Cleveland were discussed were Robinson, Jones and Ware-Bey. Also in attendance at this meeting was Cornelius Freeman from Cleveland and Oserjiman Adefumi, and also known as Serge King, and Gizengaga Latunji, representing New York UJAMA.

It is this Jury's opinion that the investigative authorities have progressed sufficiently to justify the expectation they will ultimately, if either urged or permitted to follow beyond what they have thus far gathered be able to put together all of the pieces to this pattern of lawlessness and disorder.

Because of this Jury's strong judgment in this regard it earnestly urges its successors to pursue the Superior and Hough disorders with the utmost vigor and determination.

Nothing less that this should be permitted in the public interest.

In this section of its report to Judge Thomas J. Parrino the Jury wishes to reiterate the fact that the overall majority of the people living in the Hough area, distressed, frustrated, beset with problems unimaginable to those who do not endure them, had nothing whatever to do with these disorders and destructions, and the Jury, on the contrary, expresses its wholesome admiration for their good citizenship and restraint in these tense and emotional times.

In the course of its investigation, the Grand Jury has learned that police and firemen were targets for snipers and individuals throwing rocks and bricks.

Further, fire equipment was damaged, particularly hoses, which were cut or attempted to be cut so as to render them useless in the protection of persons and property.

These acts were a direct affront to lawful authority and of necessity would lead to justifiable armed self-protection, unfortunately resulting in occasional injury and death to the innocent.

These senseless acts cannot be tolerated and the perpetrators should be subjected to severe penalties.

The police and firemen on the other hand should be commended for their efforts to maintain law and order in the face of great personal danger.

The general conduct of our police and fire departments, we feel, command and receive the highest respect of our law abiding citizens from all groups.

It is the recommendation of this Grand Jury that all decent law-abiding citizens proclaim their support of law and order and their support of policemen and firemen in carrying out their duties toward that end.

This, in turn, will of necessity command a course of conduct on the part of police and firemen and particularly of the police, who have more intimate contact with the public, which will be of the highest caliber of efficiency and decency and patience and will thus contribute to a greater restoration of our American ideal of equal treatment.

As earlier in this section of the Jury's report it was indicated, the Jury now requests that the Cuyahoga County delegation to the next session of the Ohio Assembly give serious consideration to the following suggestions for new and more inclusive legislation covering such situations as the Superior and Hough Area disorders represent.

The Jury suggestions therefore are—

(1) Inciting to riot: No person with the intent to cause a riot shall do any act or engage in any conduct which urges a riot, or urges others to commit acts of force or violence, or the burning or destroying of property, and at a time and place and under circumstances which produce a clear and present and immediate danger of acts of force or violence or the burning or destroying of property. Whoever violates this section shall be imprisoned not less than one nor more than twenty years.

(2) Definition of Riot: Any use of force or violence, disturbing the peace, or any threat to use such force or violence, if accompanied by immediate power of execution involving two or more persons carrying on such conduct and without authority of law, is a riot.

(3) Enhanced Penalty for Arson or Attempted Arson during a Riot: An amendment to Revised Code section 2907.06 (this section concerns itself with the attempt to burn or set on fire or to do any act preliminary thereto or the burning of buildings):

"Upon the proclamation of the Governor proclaiming a state of disaster or extreme emergency because of a riot, whoever violates this section during such period covered by said proclamation shall be fined not less than $5,000.00 and imprisoned not less than five nor more than twenty years or both."

(4) Assault against a fireman or policeman acting in the course of his duty: No person shall assault a fireman or policeman while such fireman or policeman is acting in the course of his duties. Whoever violates this section shall be fined not more than $5,000.00 or imprisoned not less than one nor more than twenty years or both.

NO. 2

In addressing itself to the second of Judge Parrino's directives, namely, the conditions of life prevailing in the Hough Area, this Jury finds:

Poverty and frustration, crowded by organized agitators, served as the uneasy backdrop for the Cleveland riots.

Unfortunately, it is the overwhelming mass of innocent and law-abiding citizens who pay the greatest penalty in any cross-fire of violence.

The following inequities and practices contributed as a feeding ground for disorder:

a. The density of population in the Hough Area.

b. Inadequate and sub-standard housing.

c. Charging of exorbitant rents by absentee landlords.

d. Non-enforcement of the housing code.

e. Woefully inadequate recreational facilities for children whose uncertain homelife calls for this kind of wholesome community outlet, and for the constructive guidance and counsel to offset their regrettable environment.

f. Sub-standard educational facilities as a consequence of long neglect, which, in substantial fairness, have been greatly improved in recent years but which still call for further effort on the part of officials and community leaders.

g. Excessive food prices in most instances accompanied all too frequently with foodstuffs found to be inferior in freshness or quality.

h. The denial of equal economic opportunities.

i. Diminished incentives by repressed and neglected people.

j. The present system of paying women for having children, frequently out of wedlock, or under a relationship loosely described as "common-law"—which enables the father to walk out of his "marital arrangement" to escape his proper responsibilities.

(The current welfare system should be challenged in this respect for its effect upon the very people who are supposed to benefit. Children brought into the world under such callous and financially expedient circumstances are rarely seen by their father. This system the Jury believes is anything but helpful either to the mothers, or the fathers, or the children, or the community. Surely, this Jury believes, those charged with social and moral responsibility in this community are capable of devising a much more equitable and effective formula than the prevailing one.)

k. Regardless of how the very large addition of negroes formerly widely dispersed throughout the deep and mid-South have migrated to the large northern cities, like Cleveland, the fact is that these men, women and children are here.

(In many instances the mode of life they find in such large cities as Cleveland differs substantially from that which prevailed in the places whence they came. Frequently they find themselves bewildered and unable quickly to adjust themselves to the demands of their new surroundings and thus find themselves frequently at cross purposes with the authorities and the older residents of the areas in which they find themselves currently.)

Impatience among the Negro people for the improvement of their citizenship is understandable but the opinion has been expressed they may be attempting to exact too much too fast for the community to bear within an arbitrarily fixed time limit.

The fact, nevertheless, is that too many human beings, however they arrive in our midst, or whence they came, or why, are living under such completely intolerable conditions in the Hough Area at the present time, that inevitably the consequences must be futility, frustration, bitterness, and exposure to the abrasive forces advocating violence.

These factors make them prone to the almost immutable by-products of such prevailing conditions; crime, delinquency, loose-living, tragic deterioration of moral behavoir, and the brittle, bitter, hyper-sensitivity which emerges therefrom; and in the aggregate these effects represent potential danger not only to themselves but to the community as a whole.

There are no longer moats complacently situated in which any citizen can live under modern conditions safely removed from the turmoils and anxiety and bitterness of others, irrespective of skin color, or religious identification of political inclinations or economic and social environment.

Whatever happens in the large cities of America, as in the community of Greater Cleveland, eventually affects all citizens in one way or another.

Now, all these complex social evils are used as subtle and inflammatory provocations by resident and non-resident organizers who exploit riots such as both the Superior and Hough Area riots in Cleveland.

Where possible, as earlier indicated, this Jury has diligently sought to pinpoint the causes of these riots.

At this time the return of any additional indictments based upon community vengeance and not upon evidence sufficient to convict in a court of law would not do credit to our democratic society.

Realistic and productive goals must now be set by this community, and that near term emphasis be directed toward:

1. Improvement in Housing Code enforcement.

2. Improvement in Police Action and Court Findings against prostitutes, cheat sports, gambling, and the profusion of the numbers of liquor license outlets.

3. Continuing drive for improved garbage and rubbish collection; stronger measures against landlords and tenants to make this task easier for the City.

4. Put the Urban Renewal Program back on the track with the full cooperation of the Federal Government as quickly as possible.

Our total resources must be marshalled to prevent a recurrence of this enormous tragedy—a potentiality which this Jury strongly counsels is still present.

Where prejudice and injustice are cast aside, the wilful and malicious agitator finds little support for his provocative and destructive acts.

This Jury does not attempt in this report, while sorely tempted to do so, to fix responsibility upon either individual or individuals, or on pressure groups or organizations for the community's failure to more adequately to meet its responsibilities.

It does, however, wish to make unmistakably clear that it does not believe this community has adequately measured up to its responsibilities.

By the same token it does not believe that the influential leaders in either the Hough Area or in other areas of this community have measured up to their responsibilities.

This Jury does at this time urge upon the Mayor, upon the City Council, upon the business, financial and industrial leaders, upon the educators and the civic organizations to act now either individually or in concert to put Cleveland in the forefront in meeting the sociological and moral challenges of our times, as in the past this community has so conspicuously risen to meet the challenges of the past.

This Jury cannot conclude its report without paying wholehearted tribute to those wise and long-range leaders of this community who in their great wisdom saw and recognized a situation which now rests uneasily on the conscience of the entire country, and it applauds them for their selfless work, their patience, their substance, their cooperative efforts, and the many tangible results of their good and wise leadership.

They have set for the rest of us a plateau of good citizenship for which we should all strive.

The time for total community action is now.

LOUIS B. SELTZER,
Grand Jury Foreman.

AUGUST 9, 1966.

Received for filing August 9, 1966.

E. J. MASGAY, *Clerk,*
By H. J. REID, *Deputy.*

PROPAGANDA IN POLAND AND FEELING OF POLISH PEOPLE TOWARD THE UNITED STATES

Mr. LAUSCHE. Mr. President, I ask unanimous consent that there be printed in the RECORD a column written by Theodore Andrica, the Nationalities Writer of the Cleveland Press, which appeared in the Wednesday, August 3, issue of the aforementioned newspaper.

Mr. Andrica visiting in Warsaw reports pointedly of the anti-American demonstrations promoted by the Polish Communist Government of Gomolka. He sets forth that the hostility of the Communist Gomolka government against the United States is a severe jolt against the traditional Polish-United States friendship that has existed ever since Thadeusz Kosciusko fought on the side of George Washington in the Revolutionary War.

Mr. Theodore Andrica points out that slogans against the United States stare at the visitors and citizens of Warsaw from billboards, fences, and house walls. The slogans are that the Americans are the aggressors and the pirates in Vietnam, and the Vietcong are the angels fighting for genuine democracy.

Mr. Andrica illuminatingly further points out that while the Communist government of Poland is against the United States, the citizenry has implicit faith in the correctness of the position of our Government and is seeking in every way to demonstrate their friendship and belief in the U.S. Government.

Poles want to come to the United States. They want to escape the slavery of Gomolka's Communist government. Poles want to leave Poland; they want to come to the United States.

Contrary to the position of the Communist government of Gomolka, Mr. Andrica states:

> If you speak to people in their homes, the anti-American feeling is totally missing.

The people of Poland, on the basis of everything said, authentically want to rid themselves of the Communist government under which they are enslaved. They want to be free.

The policy of the United States in cooperating with the Communist government of Poland has been in the wrong. The more we cooperate with Gomolka, the less the chances are of the aspirations of the Polish people to become a reality in the promotion of freedom and the repudiation of communism within their own country.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

REPORT FROM POLAND—PROPAGANDA STRIKES AT UNITED STATES; POLES TRY TO GET THERE ANYWAY

(By Theodore Andrica)

WARSAW.—Anti-American demonstrations and posters in Poland's capital are dealing a severe jolt to the traditional Polish-United States friendship that has existed ever since Thadeusz Kosciuszko fought on George Washington's side in the Revolutionary War.

Anti-American slogans stare at you from billboards, fences and house walls. The Americans are aggressors and pirates in Vietnam and the Viet Cong are angels, fighting for genuine democracy, according to Marx.

That the Polish Communist Party is angry at the Americans, one can easily understand. But whether the Polish people are angry at the Americans, that is a different story.

At any rate, while demonstrators hurl stones at the United States Embassy on Aleja Ujezdowska, other Poles—the more down-to-earth people—are coming to the tourist-frequented spots in search of American dollars.

Officially the dollar is worth 24 zlotys; that is, one zloty is worth four cents.

One the free market, however, the dollar brings 100 zlotys despite the officially-inspired anti-American slogans and demonstrations.

In other words, Vietnam or not, the American dollar is still the most wanted currency in Poland.

Vietnam or not, thousands of Poles are besieging the American consular office for information about getting to the United States.

The waiting room at the U.S. Consulate is always filled with persons eager to leave Poland and settle in the United States. At least 100 Poles a day visit the consulate for this purpose. It means that thousands of Poles are trying to go to the "imperialistic, capitalistic, aggressive, piratical United States."

If you speak to people in their homes, the anti-American feeling is totally missing. The Poles, like many Europeans, are more confused than shocked at events in Vietnam.

The Poles fear a global war. Their memory is fresh with eye-witness pictures of World War II's ravages in Poland. The Poles cannot forget that it was Germany which attacked it in 1939 and today, they mention that Germany, that is West Germany, is on America's side.

In the kawiarnias, as the tea rooms are called, in the restaurants and other public places no one mentions Vietnam. The Poles are concerned with their daily problems—how to live on their meager salaries. It takes considerable planning to do so in Poland.

I am happy to report that there is a visible improvement in the Polish standard of living, compared to that of two years ago when I last visited Poland.

The women are better dressed, they wear better quality material. The government brands the better quality textiles with a special stamp, much sought after by the buyers.

In the textile section of Centralny Dom Towarow, Warsaw's largest department store, about 50 percent of the goods bear the stamp "Quality Product."

"DON'T BLAME THE FARMER"

Mr. McGOVERN. Mr. President, a newspaperman from Jacksonville, Fla., called my office the other day about food price rises. One of his readers forwarded me a copy of his subsequent column, captioned "Don't Blame the Farmers," dealing with milk price rises.

I want to take a moment of the Senate's time to compliment Mr. Jimmy Walker, staff writer of the Jacksonville, Fla., Journal, whose "Capital Roundup" column did exactly what I hope we can accomplish across this Nation by a look at recent milk, bread, and other food price increases.

Walker told his readers of my suggestions that newspapers should inform the public as to who is benefiting from food price increases. Then he continued:

Foremost Dairies, for instance, dropped a notice on the doorstep a few days ago:

"Due to drastic increase in Federal support prices and resultant increase in producer raw milk costs, we are forced to increase our milk prices, effective August 2."

Mr. Walker then proceeded to lay out the facts of the situation.

Milk price to producers had gone up 3.4 cents per half-gallon in the area, but retail price had been raised 7 cents per half-gallon—more than twice the increase to farmer producers. Actually less than half the increase in retail price went to farmers.

Mr. President, I ask unanimous consent to put the text of Mr. Walker's excellent column in the RECORD as an example of the sort of initiative and commendable reporting of a food price increase that is needed. Mr. Walker has rendered a service for his readers as well as the farmer-producers who had been unjustly charged with total responsibility for the price rise.

The misrepresentation Walker reveals is widespread. I hope by investigating the situation rather broadly we can put an end to the unfair tendency of blaming farmers for every food price increase.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

DON'T BLAME THE FARMER

(By Jimmy Walker)

South Dakota's Sen. GEORGE MCGOVERN started a congressional showdown with the big, prospering grocery industry using simple math and an irritated curiosity.

His figures prove the farmer is neither responsible for the sharp jump in milk prices across the nation nor is he reaping all the benefits. Instead, additional pennies are tacked on somewhere between the cow and the deliveryman.

President Kennedy's first director of Food for Peace, Sen. MCGOVERN knows the commodity business and he leaped forcefully into the inflation controversy when New York City announced milk was going up to 28 cents a quart.

MCGOVERN also reports a file of correspondence from Florida housewives, upset by the same pattern.

Going before the Senate Agriculture Committee, MCGOVERN was given unanimous support for a resolution instructing Agriculture Secretary Orville L. Freeman to pin down who is responsible for the price hikes.

For good measure, and an indication of their concern over the drift of inflation, the senators broadened the inquiry to all dairy products, bread, eggs and meats.

"We're trying to stop making the farmer the scapegoat," said MCGOVERN's administrative aide. "This is the start of what will be a long battle over food prices," he predicted.

MCGOVERN has been a vocal critic of the "vertical integration" of the big grocery chains—which buys a herd of cattle, then control the price of beef from hoof to table, he says.

The senator's arithmetic on New York milk prices indicates the increase is double or more what the farmer is getting. The situation has a striking parallel in Jacksonville, also troubled by milk increases this week.

"If the multipliers between farmer and consumer are not reported to consumers completely and truthfully, inflationary scarcities can result from misguided policy decisions," MCGOVERN told the Senate.

He wants the nation's press to specify just who is benefiting from the price increases, and this suggested a closer look at Jacksonville's situation.

Foremost Dairies, for instance, dropped a notice on the doorstep a few days ago:

"Due to the drastic increase in federal support prices and resultant increase in producer raw milk costs, we are forced to increase our milk prices, effective Aug. 2. . ."

Inquiry showed, instead, that the federal support prices were increased 76 cents a hundredweight (46 quarts equals a hundredweight).

That divides into 1.7 cents per quart but milk prices across the counter here shot up three cents a quart. The difference is more marked in the pricing of half-gallons, the most popular size in the market.

Prices were 58 cents per half-gallon on the grocery shelf and jumped to 65 cents. Suppose the farmer is getting two cents per quart, not just the 1.7 cents.

He would realize four cents on the half gallon, but the price went up seven cents.

Secretary Freeman's first venture in the price uproar was to New York—where, incidentally, milk is selling for a nickel a quart less than in Jacksonville—and he said a one-cent increase there in milk prices would have been reasonable. Instead, it went up three cents.

Freeman said profits of 12 large grocery chains are up 21 per cent over a year ago and profits of food products companies are up 16.5 per cent.

Mr. MCGOVERN. Mr. President, I ask unanimous consent to place one other article in the RECORD, which appeared in Supermarket News for Monday, August 1.

It reports a 2-cent-per-loaf price increase for bread in Georgia, explaining that flour price was increasing by 95 cents to $1.25 per hundredweight.

There is somewhat less than a pound of flour in a pound loaf of bread. The trade uses 0.641 pound as its conversion factor in calculating pounds and loaves.

Using this factor, we find that an increase of $1.25 per hundred in flour price justifies an increase of only 0.7 cent in a loaf of bread—not the 2-cent increase that is being made.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

GEORGIA BAKERIES HIKE BREAD PRICE, CITE RISING COSTS

ATLANTA.—The price of bread is going up in Georgia.

Claussen's, large Savannah baking firm, kicked off the increase this week with a 2 cents a loaf raise and others over the state have announced they will follow.

Within a few weeks most bakeries will be using new crop flour. This means the cost of flour will be increased from 95 cents to $1.25 per hundredweight, a spokesman for Southern Bakers Association, at headquarters here, said.

Executives of several Atlanta bakeries said bread will cost more in Georgia and nationally soon.

"Right now the increase is in the talking stage," said Edgar Kelley, president of Southern Bakeries Co. "I think there will be an increase within a few weeks and that the same thing will take place in many parts of the country."

AN EDITORIAL BY MR. DAVID LAWRENCE—"WHO IS TO BLAME?"

Mr. BYRD of West Virginia. Mr. President, the well-known and highly respected editor of U.S. News & World Report, Mr. David Lawrence, recently stated that people are asking why the Government in Washington "is seemingly indifferent to the riots and crimes in the big cities of the North." He went on to say that the disturbances are "due in part to racial friction, but are intensified by acts of violence resulting from an abuse of the concept of demonstrations." This is something that I have said repeatedly. I have also stated that those who have preached nonviolence have, in reality, aroused passions and incited people to violence. Mr. Lawrence touched on this point, and he also asked the very pertinent question:

Why are the police in the big cities interfered with by pressure groups and charged with brutality when they try to maintain law and order?

Mr. Lawrence's expressions in this regard are included in an editorial which appeared in U.S. News & World Report on August 1. I commend it to the attention of other Members of Congress and also to the attention of our fellow Americans everywhere.

Therefore, I ask unanimous consent that the editorial be printed in the RECORD.

There being no objection, the editorial was ordered to be printed in the RECORD as follows:

WHO IS TO BLAME?

(By David Lawrence)

A wave of discontent is sweeping the country today.

Peoples are asking why the Government at Washington is seemingly indifferent to the riots and crimes in the big cities of the North—the latest in Chicago, Cleveland and New York. The disturbances are due in part to racial friction, but are intensified by acts of violence resulting from an abuse of the concept of "demonstrations." This device has been openly espoused as a means of coercing Congress into the passage of stricter "civil rights" laws and the grant of more and more money to rebuild "slum" areas.

It is to be noted that, within the last few years, the Government has undertaken a massive program of education and assistance to the underprivileged. Anti-poverty legislation has been enacted. Appropriations have been made to improve conditions in many of our cities. Government departments and commissions have been active in endeavoring to enforce "equal rights" and to assure "equal opportunity" in employment.

Why, then, are the leaders of the civil-rights movement preaching "nonviolence" but, in effect, arousing passions and inciting people to violence?

Why are the police in the big cities interfered with by pressure groups and charged with "brutality" when they try to maintain law and order?

Why has it been found imperative for the National Guard to be called out in State after State to help the local police quell riots and preserve order?

Why was a "long, hot summer" of trouble predicted repeatedly last spring by some of the leaders of civil-rights groups as if to threaten Congress that it must immediately comply with their demands?

Are the outbreaks spontaneous or planned? Why the sudden appearance of firebombs and shotguns in the crowds? Why all the arson?

What is the record and background of some of the top advisers who sit beside certain gullible leaders in the civil-rights movement and plan "targets" for the mobilization of demonstrators?

Why has the information about subversive activities been withheld? Why is this minimized as incidental? The Reverend Billy Graham told a news conference the other day that the Government, including the FBI, knows the offenders and should identify them to the public. The testimony of police chiefs in Cleveland and other cities is that the recent assaults were apparently organized in advance.

Why, indeed, are street "demonstrations" of any kind deemed necessary in a democracy to secure passage of proposed legislation or enforcement of existing laws?

What has happened to the system of communication between the people and their Government? Is it really no longer effective?

These questions are being asked on every side because they touch the fundamentals of life in America today. Mob violence and vandalism are emerging on a wide scale in many a community. Day after day the newspapers carry reports of innocent citizens being killed or wounded, private property looted or destroyed, and residential neighborhoods terrorized.

The slogan "black power" is widely proclaimed, but it can only stir up more race consciousness and a cry for retaliation by "white power."

Many of the pastors openly preach "civil disobedience." A member of the President's Cabinet, himself a Negro, excuses it all as follows:

"If the average white American put himself in the shoes of the average black American, he would be just as angry, just as prone to violence as the Negro is today. The thing that surprises me is that it hasn't happened before."

Discontent is increasing largely because of a feeling that persons elected to public office have failed to take the steps necessary to maintain law and order. Congress seems hesitant to enact corrective laws for fear of offending Negro voters.

The Administration argues that Congress has virtually unlimited power to protect "civil rights" by invoking the clause of the Constitution which authorizes it to regulate "interstate commerce." If so, there is a parallel obligation to insure the safety of all citizens, irrespective of race or color, in their homes and on the streets.

The rising discontent in America may reflect itself in the autumn elections. It would not be surprising if the American people showed their dissatisfaction with the party in power by voting for the opposition candidates, even though no alternative policy on the issue of law and order is being offered by the Republicans.

Meanwhile, a passive Administration looks on, claiming to be without authority to intervene, but actually unable to perceive as yet that the electorate is steadily becoming embittered.

Who is to blame for this inaction? Plainly, those who hold office today are to blame, as they have the responsibility to see to it that whites as well as Negroes are given "the equal protection of the laws."

CONSTITUTIONAL RIGHTS OF FEDERAL EMPLOYEES

Mr. FONG. Mr. President, no American is unaware of the fact that under our republican form of government, the will of the people is accorded primacy. Our Government is responsive to this will, for it is a government of laws—administered by men whose decisions reflect the value judgments of the governed.

Whenever administrative decisions have not reflected those values, the electorate has been quick to change their elected officials.

By statute, the representatives of the people have implemented the protections guaranteed under our Constitution; and these laws have provided extensive protection for the rights of citizens against arbitrary administration.

In recent years, Federal activities have expanded at a breathtaking rate. With this expansion and with the rapid escalation of technological developments, departures from constitutional liberties once deeply cherished have become increasingly evident.

This has been particularly true of one large and vitally important segment of our population—the thousands of employees and private citizen-advisers who serve the Government. It is rather ironic that Government employees, so necessary in the carrying on of the functions of government, do not themselves reap the harvest of liberty, but rather are more and more subject to harassment and intrusions into their private lives.

For sometime now, the Judiciary Subcommittee on Constitutional Rights, of which I am a member, has received disturbing reports from responsible sources concerning violations of the rights of Federal employees. The invasions of privacy have apparently reached such alarming proportions and are assuming such varied forms, that the matter now demands immediate corrective measures.

The misuse of privacy-invading personality tests for personnel purposes has already been the subject of subcommittee hearings. Other matters, such as improper and insulting questioning during background investigations and abridgement of due process guarantees in denial of security clearances have also been the subject of study.

Other employee complaints, fast becoming too numerous to catalog, concern such diverse matters as psychiatric interviews; lie detectors; restrictions on communicating with Members of Congress; pressure to support political parties, and yet, restrictions on political activities; coercion to buy savings bonds; extensive limitations on outside activities, and yet, administrative influence to participate in agency-approved functions; rules for writing, speaking, and even thinking; and requirements to disclose personal information concerning finances, property and creditors of employees and members of their families.

One device now being utilized to invade employee privacy is a conflict of interest questionnaire on which employees are required to disclose details of their personal finances, property, creditors, and outside employment. Allegedly, this requirement is imposed on employees to prevent conflicts of interest under Executive Order 11222.

It is difficult to believe, however, that this Executive order was intended to require such wholesale disclosure by tens of thousands of regular employees and private citizen-advisers. At the time the

order was issued, emphasis was placed on disclosure by top political appointees. Although the Civil Service Commission has told the subcommittee that it has not yet determined how many employees and consultants will be covered, early replies to the subcommittee's survey show that 47,000 regular employees will be subject to disclosure in 25 agencies alone.

The replies also show that procedures for reviewing and preserving the confidentiality of this personal information are haphazard, administratively unwieldy, and impractical.

Many of the practices now in extensive use have little or nothing to do with an individual's ability or qualification to perform a job.

The subcommittee has sought by hearings and investigation to remedy these problems on a case by case, agency by agency basis. Although response has been uniformly courteous, it has brought no satisfaction.

I have therefore cosponsored legislation, introduced by the distinguished Senator from North Carolina and chairman of the subcommittee [Mr. ERVIN], designed to halt many of the practices of which Federal employees have complained and to protect them from further incursions into their privacy.

This measure is intended to be a bill of rights for Government employees.

The bill would, first of all, make it unlawful for an officer of any department or agency to require or request, or attempt to require or request, any employee or applicant for employment to disclose his race, religion, or national origin. It should be noted that the bill would not bar head counts of employee racial extractions, for statistical purposes, by supervisors.

However, Mr. President, the Congress has authorized a merit system for the Federal service—and the race, national origin, or religion of an individual or his forebears should have nothing to do with his ability or qualification to do a job.

Second, this bill would prohibit officials from requiring employees to attend lectures and meetings on matters unrelated to their official duties. In this connection, reports have come to the subcommittee that some agencies are requiring employees to attend lectures designed to indoctrinate them on subjects which have nothing to do with their agency functions.

While directives announcing some of these lectures state that attendance is "voluntary," they also note that attendance will be taken.

Third, the bill prohibits requiring or requesting employees to participate in any function or activity not within the scope of official activities.

Reports have come to the subcommittee, for instance, that some agencies have either prohibited flatly or required employees to report all contacts, social or otherwise, with Members of Congress or congressional staff members.

Fourth, under the bill, officers may not forbid or attempt to forbid any employee of the department or agency to patronize any business establishment offering goods and services to the public. This provision is designed to meet complaints that some agencies tell their employees where they can eat, shop, or do business.

Fifth, the bill would forbid the Government to submit its employees or any applicant for employment to any interrogation, examination, or psychological or polygraph test which is designed to elicit from him information concerning his relationship to any person related to him by blood or marriage, or concerning his religious beliefs and practices, or his attitude or experience in sexual matters.

Testimony received by the subcommittee, as well as other committees of Congress, show that the instruments testing response to questions about such personal areas of an individual's life, habits and private thoughts are of questionable validity.

The invasion of personal privacy by use of such techniques, however useful they might be in diagnosing mental illness by phychiatrists and psychologists, has no place in the Government's relationship with its employees or applicants for employment. Nor do interview techniques used on job applicants in some agencies.

Scandalous cases have been reported to the subcommittee involving high school graduates, college students, and professional people seeking Government employment who have been subjected to harrowing sessions with security investigators or psychologists. They probe the relationships of the applicant with friends and members of their families regarding religious and sexual experiences. Surely, these practices can only seriously damage the image of our Federal civil service, increase the turnover in good people, and jeopardize recruitment.

Sixth, under the bill employees may not be required or requested to support any candidate, program or policy of any political party by personal effort or contribution of money or other thing of value.

A major area of complaint received by the subcommittee has related to outright coercion and intimidation of employees to buy everything from savings bonds to electric light bulbs for playgrounds. While the bill would prevent coercion to invest in Government bonds or other securities, or make donations for any cause, it would not prevent the use of appropriate publicity to persuade employees to so invest their earnings or to make such donations.

Seventh, this bill, with a few limited exceptions, would prohibit requiring disclosure of an employee's assets or liabilities, or his personal or domestic expenditures or those of any member of his family.

The massive disclosure requirements issued by many Federal agencies pursuant to Executive Order 11222 last year go far beyond the proper concern with the prevention of conflict of interest and corruption in Government. At the time of the issuance of the Presidential directive, White House and Civil Service spokesmen said that it would affect but 2,000 political appointees. Now, as agency after agency issues regulations to implement the order—with the imprimatur of the Civil Service Commission—not only has a big-brother counseling system been established in each agency, but thousands of regular employees and private sector advisers and consultants are being required without option to fill out such questionnaires periodically.

Agency replies thus far received to subcommittee inquiries show that in 25 agencies, 47,000 regular employees are being forced to disclose this information on pain of being reassigned or dismissed. The numbers of private paid and unpaid consultants and advisers have not yet been tabulated.

Aside from the invasion of privacy, and the fact that the Federal Government is made to look foolish, the expense of these programs to the taxpayers is simply so much money poured down the drain.

Moreover, it has become evident to the subcommittee that the cost in terms of civil service morale is already being reflected in frustration and indignation by many of our civil servants.

Eighth, an individual's economic liberty and his right to privacy are so important, that an employee suspected of misconduct should not be required to submit to interrogation which could lead to disciplinary action, without the presence of counsel or other person of his choice. The bill would give him this right.

The subcommittee has been studying this matter for some time, investigating numerous serious complaints. It found that there were widely divergent practices among the regulations of agencies involving this fundamental right.

Our system of justice affords every accused facing criminal charges the right to counsel, even in preliminary interrogations. Certainly, we can do no less for civil servants facing severe economic penalties in the loss of jobs or loss of clearance for sensitive positions in government and private defense industry.

Ninth, the bill would make it unlawful to discharge, discipline, or deny promotion to an employee who refuses or fails to submit to any of the requirements, requests, or actions described in the bill. Penalties are established for any officer who willfully violates the act.

The bill would thus enable the employee or applicant to look to the Federal district court at any point in the administrative process to halt privacy invasions. He may ask for an order, injunction, or other judgment, and for complete relief against the consequences of the violation.

Mr. President, the invasions of privacy under threats and coercion and economic intimidation are rampart in our Federal civil service system today. They represent tyranny of the worst kind. In their effect on individuals and in their impact on society as a whole, they surpass any privacy invasions and illegal searches and seizures to which arbitrary rulers and administrators attempted to subject our forefathers.

They constitute an admission by the Civil Service Commission and the agencies that they are having great difficulty in operating the merit system, despite

all the tests and rules for determining the qualifications of applicants and employees, and making a selection on the basis of merit.

The degree of privacy in the lives of our civil servants is small enough as it is, and is still shrinking with further advances in technical know-how. That these citizens are being forced by economic coercion to surrender this precious liberty, in order to obtain and hold jobs, is a form of tyranny which should greatly disturb every American.

The tyrannies being practiced by the various agencies and departments of the U.S. Government might be appropriate in a totalitarian state, but they are absolutely alien to the spirit of a free society.

Congressional action on this legislation to protect the constitutional rights of our citizens who are also employees of Government is long overdue.

THE WEST FRONT OF THE CAPITOL

Mr. LAUSCHE. Mr. President, I am pleased to join with other Senators and Members of the House in serving as honorary cochairman of the National Committee to Save-the-United States Capitol and to block a $34 million extension of the west front of the Capitol as proposed by Architect George Stewart. This committee will obtain the services of an individual outside of Congress who can devote his time to handling the committee's day-to-day operations and who can contact groups and individuals anxious to prevent any destruction of the basic design of the west front of the Capitol.

I have spoken before on this subject and now reiterate my opposition to Mr. Stewart's proposal. It is wasteful, unnecessary, and unreasonable.

This situation is well told in an editorial that appeared in the Monday, July 25, edition of the Cleveland Plain Dealer. I ask unanimous consent that the editorial be printed at this point in the RECORD as a part of my remarks.

There being no objection, the editoriial was ordered to be printed in the RECORD, as follows:

[From the Plain Dealer, July 25, 1966]

WHY NOT HIRE AN ARCHITECT?

The man who is in charge of designing new buildings on Capitol Hill and preserving old, historically important buildings, isn't even an architect.

He is J. George Stewart.

Stewart is 75, gets $27,000 per year, served one term as congressman-at-large from Delaware and was appointed architect of the Capitol 12 years ago by President Eisenhower.

It is a Congressional shame that a man with no professional talent as an architect holds the job. He is a civil engineer and he has a record of creating weird buildings at astronomical costs. The Rayburn office building for senators is a notable example.

Now he is in charge of projects such as these: Repairing the west front of the Capitol (he would spend a minimum of $34 million and alter the traditional symmetry of the building) and building the $75 million James Madison Memorial annex to the Library of Congress.

His critics, including the government's Commission on Fine Arts and many highly-regarded architects, deride Stewart's buildings as "Texas Pen" or "Modern Mussolini." Some of his architectural dreams are called "shaved-pate classicism."

It's scandalous that Congress allows this condition to continue, that our historic buildings are in the amateur hands of a man who is untrained for the job of designing buildings or repairing them and equally a novice at estimating costs.

SPEECH OF THE VICE PRESIDENT TO THE MIDCONTINENT FARMERS' ASSOCIATION AT COLUMBIA, MO.

Mr. MONDALE. Mr. President, on Monday of this week, Vice President HUMPHREY gave an exceptionally fine speech to the Midcontinent Farmers' Association at Columbia, Mo. It was a fine speech because it pointed up some fundamental truths about the farm situation at home and overseas.

The Vice President told his audience, as he has been telling Americans for many years, that—

> The best bargain in the world today is the food basket of the American family.

Far from being in competition, he added, consumer and farmer welfare are interdependent.

> We must not lose sight of this: Consumers benefit from having fair prices paid to farmers, just as farmers benefit from full employment and expansion in the rest of the economy.

Turning to the problem of food shortages in the world, HUBERT HUMPHREY quoted the words of Seneca:

> A hungry people listens not to reason nor cares for justice.

To respond to this threat, he said we must both expand our own production and help developing countries to increase theirs. And he added:

> These programs [of improving agriculture in hungry lands] must be adapted to their way of doing things—adapted to problems of climate and water and social structure. Part of the assistance we can give is in establishment of local research institutes, using local staffing and resources, to undertake the same kind of agricultural research which has so contributed to our own productivity.

As the sponsor of the amendment recently approved by the Senate to expand agricultural research in our foreign aid program, I am most gratified that the Vice President has spoken out so persuasively on behalf of such an effort.

Finally, the Vice President recognizes that—

> Today the age of surpluses is all but gone. The farmers of this nation will be called upon to expand production. This is news. It is good news for our farmers, for our consumers, and for hungry people throughout the world.
>
> And as the American farmer rises to this challenge, his government is determined that he shall stand on equal footing with the rest of the economy—that he shall have every opportunity for a fair and just return on his investment, his time, his energy, and his extraordinary skill.

Mr. President, I ask unaimous consent that the full text of the Vice President's speech be printed at this point in the RECORD.

There being no objection, the speech was ordered to be printed in the RECORD, as follows:

REMARKS OF VICE PRESIDENT HUBERT H. HUMPHREY, MIDCONTINENT FARMERS' ASSOCIATION, COLUMBIA, MO., AUGUST 8, 1966

Today America lives in abundance. Yet, the world around us remains much the same as President Truman described it in his Inaugural Address 17 years ago.

"More than half the people of the world," he said, "are living in conditions approaching misery. Their food is inadequate. They are victims of disease. Their economic life is primitive and stagnant. Their poverty is a handicap and a threat both to them and to more prosperous areas."

Today, then, I want to talk about both our own American abundance and about the challenge—and opportunity—facing us in the hungry world outside.

First, let us take a hard, clear look at the realities of our own American agriculture.

The best bargain in the world today is the food basket of the American family.

This is a reality not fully appreciated by those of us who pay for that food basket. We are better fed, at less cost, than any other people in the world. Last year only 18 per cent of our disposable income went for food.

In the last five years, the price of the 11 key foods in the Consumer Price Index has risen by less than 9 per cent. During the same period the weekly earnings, after taxes, of the single worker in industry, for instance, have risen more than 20 per cent.

One hour of factory labor earnings in 1965 brought: 12.5 pounds of white bread, as compared with 11.1 pounds in 1960; 2.4 pounds of round steak, as compared with 2.1 pounds in 1960; 3.5 pounds of butter, compared with 3 pounds; 9.9 quarts of milk, compared with 8.7 quarts; 5 dozen eggs, as compared with 3.9 dozen in 1960.

If we make comparisons over a longer period, they are truly startling. We find one hour of factory labor earnings buying two to three times as much in key commodities as 10 to 20 years ago.

While the cost of farm products has been reduced, the farmer has had to pay more for what he buys.

Since 1960, the cost of things the farmer must buy has gone up by some 11 percent. He has had to keep running to make even gradual gains in his net income.

Since 1960, farm productivity per man per hour has increased by nearly one-third, compared with a productivity gain of about 18 per cent in the rest of our economy.

We must not lose sight of this: Consumers benefit from having fair prices paid to farmers, just as farmers benefit from full employment and expansion in the rest of the economy. We all need each other for a full and balanced prosperity.

Farmers create millions of jobs in our economy. More than 10 million people have jobs storing, transporting, processing, and merchandising the products of agriculture. Nearly a million-and-a-half have jobs providing the supplies farmers use. And thousands in rural communities make their livelihood providing services to farmers.

Total investment in American agriculture is more than 250 billion dollars. This is comparable to about three-fourths of the value of current assets for all corporations in the country. It represents three-fifths of the value of all stocks listed on the New York Stock Exchange.

The investment in agriculture represents 30 thousand, five hundred dollars for each farm worker, as compared with an average investment of 19 thousand, six hundred dollars per employee in manufacturing.

In 1965, when our farmers realized a gross income of nearly 45 billion dollars, they spent

almost 31 billion dollars to operate their farm businesses.

Last year they spent more than 3 billion dollars to buy trucks, tractors, and other farm machinery and equipment. They spent about 2 billion dollars to buy automobiles.

Farming uses more petroleum than any other single industry. In 1965, more than 3 billion dollars was spent by farmers for petroleum, fuel and oil, and repairs and operations of motor vehicles and machinery.

And all this productivity, all this economic activity is generated by fewer people than live today in the state of California. Our national farm population is today only 12 million.

Where does American agriculture stand in the world?

Exports of our farm commodities are up sharply. This has a major positive effect on our balance of payments.

In fiscal year 1953, exports of farm products from the United States amounted to less than 3 billion dollars. By fiscal year 1966 the export figure had jumped to nearly 7 billion dollars. Products from 78 million acres of American cropland were shipped abroad. More than 75 per cent of these commodities were sold for dollars.

The market for feed and food grains, oilseeds, protein meals and vegetable oils is highly competitive. But we can and do compete. We can look forward to expansion of farm exports as the economies of other nations grow and their purchasing power increases.

Seneca once observed that "A hungry people listens not to reason nor cares for justice."

And, in that knowledge, we have, under the Food for Peace program, reached and helped more than a hundred countries.

Under this program we have delivered 150 million tons of food, valued at 15 billion dollars, to needy and disaster-struck nations.

Our Food for Peace program reflects the democratic and humanitarian character of the American people.

We will continue to share our abundance with people who lack it. But our programs of food assistance must support, and not deter, agricultural development in places which need it. Food aid is only one part of the War on Hunger.

We need to help the developing countries with an export of ideas and techniques from our own experience.

But these programs must be adapted to their way of doing things—adapated to problems of climate and water and social structure. Part of the assistance we can give is in establishment of local research institutes, using local staffing and resources, to undertake the same kind of agricultural research which has so contributed to our own productivity.

This is the essence of our new Food for Freedom proposals—to help others help themselves. When President Johnson proposed the Food for Freedom program he said: "The time is not far off when all of the combined production, of all the acres, of all the agriculturally productive nations, will not meet the food needs of developing nations—unless present trends are changed."

Last month I carried this message again, as spokesman for our government, to the Development Assistance Committee of the Organization for Economic Cooperation and Development.

This Committee is composed of high-ranking ministers of the industralized nations—countries that are in a position to be of help to the less developed areas of the world.

I made it quite clear that President Johnson has made a commitment on behalf of the American people to join with the other developed nations in an all-out effort to eradicate large-scale famine and hunger from the face of the earth.

And this brings me to the next reality of American agriculture we all must face.

In the past few years we Americans have come to know what we call "turnpike trance"—the hypnosis of the highway which has led to thousands of mishaps and accidents.

I say far too many Americans have also fallen victim to "surplus stare"—the blind belief, taken as fact, that our country is buried under unnecessary, costly tonnages of food.

Today the age of surpluses is all but gone. Already, our food stocks are dwindling. If we look toward sufficient production for our own needs, for our commercial exports, and for emergency food assistance for the developing countries, we find ourselves close to the safety margin.

The world has been eating into its grain reserves, sharply reducing the carryovers to a point where they should be rebuilt and restored to prudent levels.

In the last four years the world has consumed 200 million bushels of wheat per year more than it has produced.

In the last four years it has utilized about 6 million tons of feed grains more than it has harvested.

In the case of soybeans, we are using all we produce. Carryovers are minimal.

It is clear that we must raise our production sights in rice. Because any plan for agriculture must allow for ample lead time we must always be deeply concerned about the level of reserves. Weather, as all of us know, is an unpredictable hazard. There are reports of drought in many areas of the country this year. We do not know what the size of this year's feed grain and soybean crops will be. We hope for the best, but we will all be concerned until the harvest is in.

It is now apparent that, at the end of the current marketing year, our wheat stocks will fall below the desirable reserve level. The same is true for soybeans, where no true reserve is in sight. Our production of milk is insufficient now. That is why we have raised the support level for manufacturing milk to four dollars per hundredweight.

We are living in a whole new area of demand for feed grains. United States consumption will hit a new peak. We produced a record crop in 1965, but we will use and export more than we harvested.

The number of animal units will go up about four per cent in the next marketing year. Exports are at about 30 million ton rate—about twice the 1959–63 average. It is possible that by October 1 next year our feed-grain carryover will drop below the desirable level.

Next year will be a year for bringing a substantial part of our reserve acreage out of mothballs.

We must recognize that the long road of surplus has had its turning.

The farmers of this nation will be called upon to expand production. This is news. It is good news for our farmers, for our consumers, and for hungry people throughout the world.

And as the American farmer rises to this challenge, his government is determined that he shall stand on equal footing with the rest of the economy—that he shall have every opportunity for a fair and just return on his investment, his time, his energy and his extraordinary skill.

When President Truman looked out on a turbulent, impoverished and hungry world in 1949, he had little immediate hope that this nation—and our partners—would in his lifetime be able to challenge those conditions.

But today we are able to challenge them—and we are able to do so in large part because of the energy and productivity of American agriculture. Today our abundance is a weapon for peace.

We must use that weapon—able, honorable and well.

THE NEW IMMIGRATION LAW

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent to insert in the RECORD an editorial, titled "The New Immigration Law," which appeared in the August 10, 1966, edition of the Wayne, W. Va., County News.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

THE NEW IMMIGRATION LAW

One of the results of the new immigration law which recently took effect is now known. As wiser heads predicted, the law is not the be-all and end-all its sponsors so loudly proclaimed. (After a long and carefully prepared pressure campaign Secretary of State Dean Rusk, the President and most of the politically-minded supported the new law.)

Basically, what the new law did was to end preference in immigration given northern Europeans. That preference was not discriminatory as those who killed the old law claimed; it allowed every racial element in the country its fair share of immigration—keeping the composite racial stock about the same in theory. (The theory didn't even work out, however, because immigrants from other areas always filled their quotas and northern European countries, with higher standards of living, often didn't fill theirs.)

So the law was changed, and now the report from London is that immigration from England, from which we inherited our law, our language and most of our political system, and democracy itself, has been sharply curtailed by the tightened restrictions.

Figures show that British immigration to this country for the first five months has dropped from 9,446 (in 1965) to 5,040 this year. This has happened despite a 30% increase in inquiries. All of which goes to prove that the new law, as its critics claimed, will change the basic character of the nation—just as the maneuverers who were so influential in pressuring politicians into passing it desired. The great unorganized majority sleeps on.

CONGRESSIONAL REORGANIZATION

Mr. MONRONEY. Mr. President, 2 weeks ago the Joint Committee on the Organization of Congress issued its final report. Since that time, many newspapers have seen fit to comment on our work and the recommendations appearing in the report. As samples of this comment, I offer for inclusion in the RECORD editorials appearing in the Washington Post, the Birmingham, Ala., News, the Augusta, Ga., Herald, the Dallas Times-Herald, and the Los Angeles Times.

There being no objection, the editorials were ordered to be printed in the RECORD, as follows:

[From the Washington Post, July 23, 1966]

SECOND ROUND OF REFORM

As a blueprint for a modern Congress, the report of the Monroney-Madden Committee is disappointing. It does not touch the major weaknesses in the power structure of Congress. Nothing is said about filibustering in the Senate, the unruly Rules Committee in the House or the dead weight of the seniority system in both houses. But correction of these major ailments was not the assignment given to the Committee. Within its limited mandate, it has produced some very useful recommendations.

Many of the current proposals are designed to refine, improve, extend or reiterate reforms approved in 1946 as a result of the study directed by the La Follette-Monroney Com-

mittee. This is not surprising, for the House chairman on that occasion is now the Senate chairman, Senator A. S. (MIKE) MONRONEY. The biggest reform of 20 years ago was realignment of the legislative committees in both houses. This time the major changes would be the creation of education committees in both houses and a veterans' affairs committee in the Senate. There are good reasons for these and the lesser realignments proposed.

The so-called committee "bill of rights" is designed to give a majority power to act over the opposition of a recalcitrant chairman in calling meetings and reporting legislation approved by the majority. Part of this authority was included in the 1946 act, but in some cases it did not prove effective.

The new proposal to discourage closed-door operations is broader in scope but still inadequate. The present loose requirement in regard to open sessions applies only to "hearings." Under the new recommendations, hearings would be open "to the maximum extent possible" and could be broadcast or televised, with committee approval. In addition committee "meetings" would be open, "except for necessary executive sessions." This would seem to leave the door wide open to secret meetings at the whim of a chairman. At least Congress ought to require a majority vote of the committee before either a hearing or a meeting could be closed.

Constructive recommendations are offered as to committee staffs, full-time "review specialists," legislative assistants, transportation allowances, transformation of the Legislative Reference Service of the Library of Congress into the Legislative Research Service and many other subjects. The plans for a professional police force at the Capitol, the elimination of postal patronage and creation of a House committee to deal with problems of ethics are certainly good so far as they go. We wish the Committee had gone much further, however, in recommending the disclosure of legislators' financial interests.

The Committee itself seems to recognize the limitations of its program by suggesting the creation of a joint committee on congressional operations to make a continuing study for improvement of the legislative branch. This could become a most important item if Congress would give such a body a broad enough mandate to do the job that needs to be done.

[From the Birmingham News, Aug. 1, 1966]

STREAMLINING CONGRESS

The Joint Committee on the Organization of the Congress has begun preparing a far-reaching omnibus reorganization bill based on its lengthy list of recommendations for improvement of operations.

The recommendations were contained in the bi-partisan committee's just-released final report, calling for major changes in congressional organization and machinery. They include uniform rules of procedure for the standing committees, changes in committee jurisdiction, improved staffing and the use of modern management techniques in evaluating the ever-increasing federal budget.

When completed, the committee will seek permission to bring the Legislative Reorganization Act of 1966 directly to the floor of each House during the current session, a procedure that was followed in 1946, when the last comprehensive review of congressional organization was made.

The committee's recommendations, in the opinion of *The News*, generally offer a practical and realistic approach to revision of the often-cumbersome legislative operations.

This newspaper realizes that it is highly unlikely that Congress would rubber-stamp the recommendations of the committee. Congressmen almost automatically resist any tampering with hidebound rules and habits which have developed down through the years.

Nevertheless, the broad act designed to streamline congressional procedures merits the thoughtful and careful consideration of every member of the Congress.

The committee, of which Senator JOHN SPARKMAN of Alabama is a member, accepted the responsibility it was charged with and delved into all phases of congressional organization.

Its report, for example, proposes major revisions in the standing committee system, the basic working unit of the Congress. It recommends a committee "bill of rights" to permit a majority of the committee membership to call a meeting and report legislation if a chairman refuses to take such action.

It also recommends more frequent use of open hearings and suggests that committee deliberations be televised or broadcast at the option of the committee. The use of proxy voting in committees would be eliminated.

It is immediately apparent that many members of the Congress will oppose such procedures, with their almost natural preference for many closed meetings. *The News* feels, however, that Congress has a responsibility to conduct certainly most of its hearings in the open, and not behind closed doors which inevitably feed an atmosphere of suspicion.

The committee's recommendations for overhauling congressional machinery appear sound and should be considered an important first step towards overhauling standard procedures which, in many respects, have become outmoded. With the passage of time, during the 20 years since the Congress conducted a self-appraisal of its organization, government has become more complex, more complicated and more unwieldly. Modern day government demands a modern approach to legislative functions.

[From the Augusta (Ga.) Herald, July 26, 1966]

REORGANIZATION FOR CONGRESS

Congress would get some needed streamlining under recommendations made by the special joint committee which has had legislative practices and procedures under study.

The Joint Committee on the Organization of Congress has made more than 100 proposals after a year's study. The last time Congress enacted a measure for Congressional reorganization was in 1945.

Specifically forbidden to consider changes in such Congressional phenomena as the greatly criticized seniority system, the joint committee nevertheless touched upon some sensitive areas of member perquisites where opposition, open or covered, will be encountered. Patronage, for example, would be lost to members in postmaster and rural mail carrier jobs, as well as in appointments to the special capital police force.

Public approval should be found for the recommendations generally, which include less secrecy in committee proceedings, an important item because the real work of Congress is commonly done in committee. More public hearings, publication of members' votes even in closed sessions, and live TV and radio coverage at the option of the committee chairman are proposed.

Autocratic control of much committee action by the chairman alone would be bent, if not broken, as a majority of the committee could overrule the chairman.

The committee report and proposal for appropriate legislation will receive extensive attention and debate, although some major targets of critics of Congress are untouched. Co-chairman of the joint committee is Senator MIKE MONRONEY, Democrat, of Oklahoma, who served in like capacity for the reorganization in 1945. The Senator is quoted as being hopeful of action on the proposals this year.

Action and debate in Congress on far-reaching internal revisions should be watched and heard with general public interest.

[From the Dallas (Tex.) Herald July 28, 1966]

CONGRESS REFORMS NEEDED

The reorganization of Congress to render it more efficient and democratic, as proposed by a joint committee of the Senate and House, is already long overdue.

To a considerably greater extent even than that of private institutions, the machinery of governmental branches at all levels becomes so encrusted over the years with habit, custom and tradition that breaking through the shell to remodel it in keeping with changed times and conditions become a herculean task. Now, however, with the unanimous approval of the bipartisan Joint Committee on the Organization of Congress, much needed reforms apparently have a good chance of adoption.

Two major proposals by the committee in particular merit every effort that can be mustered in their behalf.

First is the recommendation that all committee meetings be opened up more to the public. As most of the real work of Congress is done in committees, the plan obviously has considerable significance.

Also, all committee action would be made public. As the Times Herald Washington Bureau pointed out, many hearings and committee meetings are now closed to the public, and action by the committees in these meetings frequently is not reported until long after it has been taken, and occasionally it is never reported.

A second imperative reform proposed by the committee would reduce the powers of committee chairmen. At present the chairman virtually holds a verdict of death over any bill which he personally opposes. This in spite of the fact that the majority of the committee or even the entire committee, other than himself, may favor the bill or at least favor reporting it out for consideration by the total membership of the House or Senate.

Obviously, it is completely illogical as well as highly unjust for any one man to set himself up as the final arbiter on any proposed piece of legislation. Yet this often happens under present procedures, as Dallas, for instance, has discovered on occasion.

The package plan of the committee contains many other proposals for much needed change. As Representative JACK BROOKS of Beaumont, the only Texan on the committee, said, the recommendations will represent "a giant step forward" if they are adopted. Congress should take that step.

[From the Los Angeles (Calif.) Times July 25, 1966]

CONGRESS REFORM NEEDED

For the first time in two decades, a major overhaul of congressional machinery is being pushed by a special Senate-House committee. The 100 or so proposals will be incorporated in a specific bill in the near future and action by both houses will be sought before adjournment.

Although the program is not as sweeping as the Reorganization Act of 1946, it has considerable merit—and will stir up considerable controversy.

Emphasizing that there can be no justification for secret hearings unless national security or matters reflecting on the character of witnesses or other persons is involved, the committee recommended that most congressional committee hearings be open to the public and the press.

To further improve functioning of the two houses and their committees it proposed:

Authorizing committee majorities to meet and report out bills if the chairman refuses to act.

Provide three assistants to minority party members on each committee.

Putting Congress on a five-day week, thus ending the Tuesday to Thursday Club type operation.

Creation of a House Committee on Standards and Conduct similar to the unit now functioning in the Senate.

Establishment of a joint committee to conduct continuing studies of organization and operation of Congress.

The committee recommended limiting the main body of the Congressional Record to verbatim reports of remarks made on the floor and material germane to legislation under discussion. That, apparently, would relegate to the appendix speeches prepared but not actually delivered on the floor.

In another section of its report, the committee called for strengthening the Lobbying Regulation Act to provide more stringent controls over persons attempting to influence the legislative process.

The committee sidestepped many of the areas which have been under heaviest fire from congressional critics. In all fairness, however, it should be noted that it was specifically barred from doing anything about such things as the seniority system.

Republican committeemen, even while signing the report, regretted its shortcomings. They pointed particularly to the failure to require disclosure of assets and income by members of Congress, the lack of curbs on lobbying by the executive branch of government and the absence of reform of political campaign financing.

Those are, indeed, serious omissions, yet it may be argued that inclusion of such subject matter might jeopardize passage of what is primarily housekeeping legislation. The desired improvement in campaign financing and disclosure practices, however, should most certainly be incorporated in the administration's pending election reform bill.

Mr. MONRONEY. Mr. President, it is significant that these editorials come from newspapers spanning the Nation. The organization of the Congress is, after all, a national issue. How well we are organized to do our job, how well our committee system functions, how effective is our handling of a $100 billion budget, how modern are our procedures, how practical is our scheduling of committee and floor business, these are questions which directly, or indirectly, affect all of our citizens. For both the quantity and quality of our legislative output is at least in part a reflection of our organizational capabilities.

Mr. President, these editorials also reflect a clear public demand for action. Since the announcement and publication of the joint committee's final report, we have received substantial news comment, many editorials in leading newspapers and a multitude of letters from individual citizens. They all reflect overwhelming support for the recommendations of the joint committee. In fact, the prevailing criticsm is that we did not go far enough—that additional reform proposals should have been made.

We are presently engaged in drafting an omnibus reorganization bill based on the joint committee's recommendations. We hope that the Senate members of the joint committee will be granted legislative authority to report this bill directly to the floor of the Senate for consideration during this session. I believe it will be a good bill—one worthy of your support and essential to the ability of Congress to keep pace with the magnitude of our problems in this complicated world.

I urge every Member of the Senate to carefully review the final report of the joint committee and the omnibus bill when it has been introduced. These recommendations are the result of more than a year and a half of public hearings and careful study. Congress legislates in many fields which control the organization of other agencies of Government and of private businesses. I believe the American people expect us to act with equal diligence in putting our own house in better order—and that they have a right to expect that action will be taken during this session.

AGRICULTURE AND THE ALLIANCE FOR PROGRESS

Mr. MONTOYA. Mr. President, of all the problems facing the underdeveloped nations of the world, none is more serious—and perilous—than the mounting crisis in agricultural production.

The underdeveloped world, in the face of tremendous rises in population, is losing the capacity to feed itself. Despite the broad range of agricultural development programs undertaken by national governments with the assistance of the U.S. Government and international agencies, the underdeveloped world is making little headway in increasing per capita production of foodstuffs and other agricultural products.

From the standpoint of direct U.S. interest, the situation is nowhere more critical than in Latin America. Nearly 5 years ago, the United States and our Latin American neighbors pledged themselves to a massive hemispherewide development program—the Alliance for Progress. Its aims were clear and simple: to promote, within the structure of free, democratic societies, overall economic and social development. The Alliance, in short, was created to bring a decent standard of living to all the people of this hemisphere, within the shortest time possible.

The document which underlies the Alliance for Progress, the Charter of Punta del Este, sets a goal of a 2.5-percent annual increase in per capita gross produce in the countries of Latin America. It has been calculated that Latin American food production must rise at least 5 percent per year in order to meet this exceedingly modest goal. But so far, Latin America has not even begun to approach this goal. Statistics compiled by the U.N.'s Food and Agricultural Organization show that Latin America's food output in the last 5 years has grown less than 2.5 percent per year overall. In per capita terms, it has not increased one-tenth of 1 percent.

Only a few countries—Mexico, Venezuela and Bolivia and Nicaragua—are attaining an agricultural growth rate of 4 to 5 percent per year. For the continent as a whole, the growth of the agricultural sector is between 2 and 3 percent per year. Among the least dynamic countries, agriculturally speaking, are Argentina, Colombia, Chile, Uruguay, Haiti, and Paraguay. Yet, even where food production expands at the rate of 3 percent per year, the hemispherewide annual population growth of 3 percent wipes out that small gain.

In my judgment, one of the primary aims of economic development must be to move developing countries in the direction of self-sufficiency in food production. But the performance of Alliance member countries, at least until now, has been far from satisfactory. Peru, for example, increased its imports of food from $56 million in 1960 to $73 million in 1962. In 1963, Chile imported $156 million in foodstuffs, and all indications are that this total has not been appreciably lowered in the past 2 years.

Increasing agricultural production, and particularly production of food, in Alliance member countries is an extremely complex and difficult task. Nevertheless, the solution to the mounting food crisis lies at the very heart of the Alliance for Progress. Stagnation in the agricultural sector undercuts development in all other sectors. When a country's overall growth is not shared by farmers, structural conditions arise that breed inflation; the nation relies more and more on food imports; internal demand begins to collapse; and malnutrition spreads like a plague throughout the population. This is the peril confronting Latin America today.

The 1965 Social Progress Trust Fund Report of the Inter-American Development Bank puts the problem this way:

> It has been repeatedly emphasized that the agrarian problem in Latin America has two main dimensions: One is modernizing traditional agriculture by the more efficient utilization of natural and human resources; while the other is the reform of the rural social structure characterized by the persistently low status of the campesino, his conditions of dependency and insecurity, and the generally limited opportunities for human development open to him. Both technological and social underdevelopment converge on widespread poverty and unsatisfactory levels of living for most of the rural population.

Unlike the United States, the number of rural families in Latin America shows little signs of declining. The IDB estimates that Brazil will have 11 million more farm people in 1970 than it had in 1950. Even in Argentina and Chile, where the percentage of rural dwellers is dropping in relation to city dwellers, the absolute number of farm people is increasing.

It cannot be denied that a basic cause of the stagnation in agriculture lies in the social structures that dominate Latin America's rural life. Maldistribution of incomes and land continues to hamper progress in rural areas. In Chile, the upper 1 percent of the agricultural families receives one-fourth of the income. The bottom 87 percent of the farm labor force receives only one-third of the total income.

But progress is being made in Chile—and in other countries like Brazil, Colombia, Ecuador, and Peru—in redistribution of land, to create more equitable and more productive land holdings. Under the Alliance for Progress, land reform is more and more a fact of rural life, and in the coming decades much of the economic and social injustice of the old societies will be eliminated. It should be

noted that land reform—a true reform which aims at raising productivity—does not deal exclusively with the problem of latifundia, or great tracts of land held by one family or group. It deals also with minifundia, land that is broken up into plots too small to farm productively. In many cases, land reform may mean consolidation of miniscule land holdings as well as breaking up the huge estancias and fincas.

Progress, as I have said, is already being made. Ecuador's land reform program will benefit 254,000 rural families over a 20-year period. Chile's land reform program will grant land at 100,000 families over a 10-year period. As of last year, nearly every Alliance member country had some sort of agrarian law under which substantial reforms could—and in most cases, would—be carried out.

It is time, therefore, to focus increasing attention under the Alliance on the substantive problems of increasing agricultural output, using all the means that modern science and agricultural technology have put at our disposal. Happily, the key leaders of the Alliance, both Latin Americans and U.S. officials, have already sensed the need for such a change in emphasis. In particular, the Inter-American Committee on the Alliance for Progress, led by its Chairman, Carlos Sanz de Santamaria of Colombia, has been showing the way to serious study of the rates of food production in the countries to the south of us.

Walt Whitman Rostow, the U.S. member of the Inter-American Committee on the Alliance, has been actively calling for the modernization of Latin American rural life, and the integration of national markets in Latin America. Involved in this concept are a whole host of processes, many of which we in the United States tend to take for granted because they have evolved with the growth of our country over the past 200 years.

An essential element in the process of modernization is the reorganization of the existing internal marketing structure of many Latin countries. In one study, carried out in Mexico, it was found that 14 middlemen handled a single product in its journey from the farm to the ultimate consumer. The Committee is therefore rightly concerned with the encouragement of development of cooperatives, both at the level of the farm producer and the urban consumer.

A second vital ingredient in bringing the isolated rural communities into contact with the markets of the big cities of the continent is the construction of feeder roads and farm-to-market roads. In this area, the Mexican Government announced early this year a $150 million program to build, rebuild, or complete about 5,000 miles of feeder roads in outlying areas. The program is part of a total effort undertaken by the progressive government of Mexican President Gustavo Díaz Ordaz to accelerate rural development. The improved feeder network will help open up new lands for agriculture, reducing transportation costs, and improving levels of productivity and output in areas whose economic growth is stymied by poor transportation links with marketing centers.

The role of agricultural extension services, such a common factor in farm development in the United States, has been virtually unknown in Latin America, at least until very recently. Here, Latin American universities have a large role to play. It is noteworthy that the University of Chile has recently launched a $6.4 million program to expand and modernize its schools of agronomy and animal husbandry and veterinary medicine. The program calls for two new experimental stations, one for agricultural studies and one for research in veterinary medicine, in the vicinity of "La Platina," a facility of the Institute of Agricultural Research, about 9 miles outside Santiago.

Our own Agency for International Development and the National Farmers Union are making valuable contributions in this area. A training program for Latin American farm leaders has provided instruction for more than 270 farmers, in such fields as agricultural education, agrarian reform, credit procedures, farmer organizations, technical cooperation, and cooperative enterprises. Under another phase of the same effort, the U.S. Department of Agriculture is providing technical assistance to farmers in Brazil, Nicaragua, El Salvador, Ecuador, and elsewhere.

To build a viable farm economy, Latin America must greatly expand the amount of credits available to farmers for purchase of equipment, seed, fertilizer, and materials. In Colombia, for instance, an autonomous credit agency known as the Caja de Crédito Agrario Industrial y Minero is beginning the $28 million first stage of a 10-year livestock development program. Through extension of credits to farmers, the organization expects to increase production by 58,000 tons of beef, 63,000 tons of milk products, and 400 tons of wool annually. The gross value of the production increase will amount to some $32 million each year. Paraguay is also launching an experimental program to increase beef production, applying much the same techniques. And in the Dominican Republic, the Banco Agrícola is stepping up its farm credit program in order to stimulate exports of farm products and increase production of basic corps for home consumption.

Certainly, in an area of extensive one-crop economies such as Latin America, a principal concern must be for diversification of agriculture, in order to avoid dependence on the often fickle course of the world commodity market, but even more important, to convert arable land to production of foodstuffs for domestic consumption. The Colombian program I mentioned previously has such diversification as its goal. Even more encouraging is the creation by the World Coffee Organization of a fund for crop diversification. Here is an indication that the producers of commodities are themselves concerned with the problem and intend to do something about it.

But perhaps the most hopeful of all initiatives lies in the area of multinational projects. The progress being made by Latin America's two great economic integration mechanisms—the Central American Common Market and the Latin American free trade area—is well known to most of us. Not so well known is the increasingly integrated approach being assumed in agricultural development.

High on the list of multinational efforts is the program of the Inter-American Committee on the Alliance to promote the use of fertilizers and modern fertilizing techniques. Just last month, the Committee, or CIAP as it is usually known—from its Spanish initials—brought together a group of experts in Washington to seek ways to extend fertilizer use. The group proposed a coordinated effort, in cooperation with governments, the private sector and international financing agencies, to create a genuine common market for fertilizers. This approach, the group said, would be one of the most effective ways to increase agricultural production and thus strengthen overall economic and social development. At that meeting, AID officials reported that the U.S. Geological Survey has completed a preliminary study of fertilizer materials in seven South American countries, and has been assisting Brazil, Chile, and Peru in developing national institutions to carry on exploration work.

AID also reported on a mass fertilizer demonstration, undertaken jointly with the Ministry of Agriculture and private enterprise last year in El Salvador. The Ministry supplied corn seed and the service of 50 rural extension agents; private enterprise provided $14,000 worth of fertilizers; and AID supplied materials and technical assistance.

Some 3,000 demonstration plots were planted in corn. Yields on natural corn, with no fertilizer, ranged from 500 to 1,500 pounds per plot, while yields with fertilizer ranged from 4,000 to 6,000 pounds. Expanded over a 5-year period, AID estimates, such a program could make El Salvador self-sufficient in corn production.

Hand in hand with fertilization goes irrigation and flood control. A good example of the latter is Venezuela's ambitious program to reclaim vast areas of the fertile, but low-lying Orinoco Delta. In the past few years, the Corporacion Venezolana de Guayana has diverted Orinoco flood waters from some 2.5 million acres of land and has put one-fourth of that under cultivation. Mexico is now launching a $65 million program to rehabilitate and expand irrigated areas in its central and northern areas. The land there is fertile, but arid. In fact, a large part of Mexico's recent boom in agriculture is attributable to new irrigation works. Between 1950 and 1962, the crop area under irrigation doubled, and now totals some 10 million acres. Mexico's and Venezuela's efforts, which I have cited, are strictly national programs. But throughout Latin America, with its vast international borders of wide rivers, the possibilities for multinational efforts are tremendous.

We have only to look at the history of our own country to see how directly agricultural prosperity is linked with the general economic health of the country.

In developing countries, where malnutrition and even starvation are ever present specters, the relationship is still more frighteningly precise. If Latin America cannot increase its agricultural production dramatically in coming years, it cannot develop itself. If Latin America does not succeed in feeding its people with its own resources, it is condemned to lie helpless in the grip of inflation, economic strangulation, and increasing poverty.

In his message to Congress earlier this year, President Johnson clearly enunciated his concern for Latin America's food crisis. He proposed that the United States help developing countries give more emphasis to agricultural development, along with health and education. He announced that AID would increase its expenditures for agricultural development to a level of $500 million, of which about $165 million would be used to finance shipments of fertilizers to other countries, including Alliance member nations.

In my view, the President's initiative is crucial. The United States, and all other partners in this great Alliance for Progress, must increasingly deal with the reality of the food crisis. The technical knowledge applied to those small plots of corn in El Salvador must be spread throughout the hemisphere, for the day is not far off when the production of all the agriculturally developed countries of the earth will not be sufficient to fill the millions of hungry stomachs in the underdeveloped areas.

COL. DANIEL JAMES—A CREDIT TO AMERICA

Mr. FANNIN. Mr. President, in a time of social turmoil it is encouraging to come across evidence that some of our citizens have the courage to speak out forcefully in defense of basic American values.

On July 19, the Tucson, Ariz., Advertising Club had the privilege of hearing an address by Col. Daniel James, Jr., which I commend to all Members of the Senate. The fact that Colonel James is a Negro is secondary. It is what he said as an American citizen that deserves a national audience.

I ask consent to have an account of his speech, as published in the Tucson Daily Citizen, printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

NEGRO JET PILOT TELLS AD CLUB: NO MAN IS SECOND CLASS UNLESS HE ACTS LIKE IT

(By Margaret Kuehlthau, Citizen Staff Writer)

"I am a Negro but I am not a second-class citizen. No man is a second-class citizen unless he thinks like one and acts like one.

"I will never turn my back on the American flag—my flag—the American flag. Neither will I join any idiot in the street who has a bone to pick.

"I will obey the laws of this country, and if I want to register a complaint, I will use the duly established processes of law and order."

So declared Col. Daniel James, Jr., here yesterday in a speech that brought Tucson Advertising Club members to their feet for a prolonged ovation.

James is deputy commander for operations for the 4453d Combat Crew Training Wing at Davis-Monthan Air Force Base and a jet pilot.

He deplored "fair weather patriots" who have taken to burning the American flag, walking rudely out on speeches given by high officials of the government, and openly support the enemy.

"Don't these people know that communism smiles on demonstrations and on strikes, on disunity within our ranks?" he asked.

"I am not against protests because protestors have never been denied in this country. But protests should be carried out within the bounds of good taste.

"In the past, protestors have taken their beliefs to the polls and, through the power of the vote, changes have been orderly," he said.

James said that, in the past, "All Americans were united against any enemy of this country."

"The soldiers who went away to war to defend democracy went bravely and they stood tall, giving their lives for freedom. What would they think now?

"Men who have given their lives for democracy would be spinning in their graves if they knew of the division among Americans today."

James, a graduate of Tuskeegee Institute, said the worst weapon that can be used against the United States is a psychological weapon "aimed at destroying men's souls and their love of freedom." Homes, schools, and churches, he added, need "to shore up the Americanism and patriotism of our kids."

"If I am accused of Americanism and flag waving and emotionalism, it is all right with me," he said. "It is true. This is my country and I love it."

James said he was tired of having "the other side" say to him:

"James, you are a black man and you can go only so far because you are a Negro. You are a member of the minority, so why don't you join us? Aren't you tired of being pushed around?

"And I answer:

"Hell, I'm not disgusted. I'm not pushed around. I am a free-thinking citizen. If an obstacle is placed in my way, I do not consider it a problem. It is a challenge, and I will meet it.

"The greatest weapon we have against Communism is unity and the principles of democracy. We must present a united front to the enemy. We must take an active part in our government.

"Show that unity to the world and 'they' won't come over here and attack us.

"They wouldn't dare."

SOCIETY HAS RIGHTS, TOO

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent to insert in the RECORD an editorial, titled "Society Has Rights, Too," which appeared in the August 10, 1966, edition of the Williamson, W. Va., Daily News.

There being no objection the editorial was ordered to be printed in the RECORD, as follows:

SOCIETY HAS RIGHTS, TOO

The individual's rights to fair play versus society's rights to maintain law and order has been brought into sharp focus by a recent Supreme Court decision. Newsweek magazine states in a feature article that the Court's ruling, ". . . imposed sharp new limits on the police power to question suspects—a power lawmen claim is vital to conviction in four out of five criminal cases." The new rules provide, among other things, that after arrest police may not question a suspect until they have told him that he has a right to remain silent, that what he says may be held against him and that he is entitled to have his lawyer with him in the interrogation room. It is almost certain that according to ethical practice and "good professional judgment" the lawyers will advise their clients not to answer. It appears to many law enforcement officers, and with some justification, that under these conditions it will be almost impossible to ever get a confession.

Chief Justice Earl Warren, expressing for the Court the bitterly contested five to four majority opinion, states that, ". . . The . . . practice of incommunicado interrogation is at odds with one of the nation's most cherished principles—that the individual may not be compelled to incriminate himself." In his dissenting opinion, Justice Harlan stated that, "this doctrine . . . has no sanction, no sanction . . . It's obviously going to mean a gradual disappearance of confessions as a legitimate tool of law enforcement." Although, in general, law enforcement agencies across the country were apprehensive and critical of the Court's decision, opinions are sharply divided even among police officers and their closest allies, prosecuting attorneys.

Despite the Supreme Court's legal rhetoric and the debate which follows it, certain facts stand out. The rights of the accused have been further protected, but the problems of law enforcement have been vastly increased. This comes at a time when crime is increasing at a sharp rate—six times faster than population since 1958 and still growing. Last year, more than 2,600,000 serious crimes were reported in the United States. In our great cities, minority population ghettos are becoming more and more of a law enforcement problem and in many cases riot spawners and potential battlegrounds as demonstrated in the Watts district of Los Angeles. Patrolling such areas, day or night, a police officer puts his life on the line every step of the way.

But, as Newsweek observes, we are in a time of transition. There is developing a new approach, a renaissance in law enforcement procedures. Law enforcement has become a subject of major study for philanthropic and government research agencies. The Ford Foundation alone, ". . . has poured more than $5 million into police studies and education projects." There are such proposals as one for a "two-platoon police force" in which, "One group would handle matters requiring the sophisticated approach: social problems—like juvenile delinquency—and major investigations. The other group would do the manual labor: directing traffic, investigating accidents . . ." New ideas are being discussed relative to handling narcotic problems, alcoholics and homosexuals.

However, in the light of such developments as the Supreme Court's present ruling, some authorities feel that we may be moving too fast. Such laws may be too sophisticated to be applicable until our society has evolved to a little higher level than it has yet reached. Mr. C. D. DeLoach, assistant director of the Federal Bureau of Investigation has put it this way: ". . . to all those who continually clamor for more restrictions on law enforcement, I pose this question—Where will you turn for protection of your individual rights when you have totally destroyed the effectiveness of law enforcement?" This is a question that concerns every person in the nation. How will the new rules affect the rights of the individual, the morale and effectiveness of police officers, the orderliness of community life and the safety and security of every law-abiding citizen.

THE NEED FOR MORE WHEAT

Mr. McGOVERN. Mr. President, the Washington Post carried another excellent editorial Thursday, August 11, on

the world food problem, pointing to the absolute need for increased wheat production, and concluding that farmers should be assured a fair return for producing that wheat.

The editorial again reflects the Washington Post's fine understanding of agricultural and food problems, which many of us wish was more prevalent in metropolitan circles. I ask unanimous consent, Mr. President, to put the editorial in the RECORD.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

[From the Washington Post, Aug. 11, 1966]

PAYING FOR WHEAT

Much of the feasibility of the Administration's order increasing wheat acreage an additional 15 per cent for next year depends upon the accuracy of Department of Agriculture price forecasts. If the Department is right, strong domestic and world demand should assure prices well above support levels even with more production, and farmers should benefit financially from their extra effort. If the Department should be wrong, however, and the additional wheat should depress the market, farmers could in effect be penalized for cooperating. The Nation ought not to permit this.

That there is need for more wheat in absolute terms is now evident. The carryover is low even in terms of meeting commitments to India (which alone may take nearly one-fourth of the current American crop). At a time when easy-term sales to needy countries are being shifted to a dollar basis, missions abroad have been advised that amounts of wheat available may be substantially reduced. The question is whether this need and the growing domestic demand can be translated into fair prices for producers.

In recent months wheat growers have been doing relatively well, but they are only now recovering from a decade of depressed prices occasioned by surpluses. Even if the additional wheat production should only steady the market, in a sense it would operate to prevent farmers from realizing the full reward to which they ought to be entitled in a system of scarcity economics. In many, perhaps most, cases they still draw far less return on their capital and labor than their counterparts in industry. Vice President Humphrey, Secretary Freeman and others have done well to spike the canard that farmers are profiteering from recent increases in bread prices. Whatever the causes of these increases, farmers have benefited only by a fraction of a cent per loaf.

Because the price and demand mechanism is so delicate and because there is such a long record of unequal treatment for farmers, a Government which suggests increased production takes upon itself a special responsibility. Not only must the Administration be prepared to cut back acreage quickly if new price-depressing surpluses loom. It also must be ready to step in with some additional scheme of compensating farmers for export wheat if commitments abroad cannot be met without damaging farm income at home.

ALASKA EARTHQUAKE RELIEF—PUBLIC LAW 88-451

Mr. JACKSON. Mr. President, I ask unanimous consent that the fourth report of the President on the actions taken by the Federal agencies under the major Alaska earthquake-relief legislation—Public Law 88-451—be printed in the RECORD.

Your Committee on Interior and Insular Affairs was privileged to act on the landmark programs developed in response to the 1964 Good Friday Alaska earthquake. Alaska has received $350 million in Federal assistance of all kinds since that event, and I am pleased to report that the 50th State's economy is advancing significantly.

Among the salient innovations of Public Law 88-451 is section 57 providing Federal financial assistance to the State of Alaska to support a mortagage indemnification program to retire or adjust outstanding home-mortgage obligations upon one- to four-family homes severely damaged or destroyed by the disaster. The provision was added very largely at the insistence of your committee. I am delighted that it appears to be working well and will cost the United States significantly less than initially anticipated.

There being no objection, the letter and report were ordered to be printed in the RECORD, as follows:

AUGUST 5, 1966.

Hon. HUBERT H. HUMPHREY,
President of the Senate,
Washington, D.C.

DEAR MR. PRESIDENT: I am transmitting herewith my fourth report of the actions taken by the Federal agencies under the authority of Public Law 88-451, "1964 Amendments to the Alaska Omnibus Act." Section 7 of that Law requires semiannual reports during the term of the Act.

Two years ago last March 27, Alaska was hit by a devastating earthquake that threatened the entire economy of our forty-ninth State. Within hours, a massive Federal assistance program was in motion to help the State, its communities and people, clean up, rebuild and move ahead with confidence and with the support of all the people of our Nation.

PL 88-451 was designed to aid and accelerate the State's efforts in providing for reconstruction of those areas damaged by the earthquake or seismic waves. The authority and funds provided under that Act made available help in ways which statutory authorities did not then permit.

This report covers the period from January 1, 1966, through June 30, 1966. A cumulative total of about $60 million has been made available since the amendments have been in effect. These funds have been translated into urban renewal projects, highway reconstruction and other projects that will build a better Alaska.

PL 451 aid represents only a fraction of the recovery assistance provided by the Federal Government under the various disaster relief authorities.

Another $55 million in Federal funds has gone into the repair or rebuilding of public facilities of the State and local governments.

Nearly $88 million has been made available in Small Business Administration disaster loans.

Since that tragic Good Friday, the people of Alaska have been the recipients of nearly $350 million in Federal assistance of all kinds.

Today, Alaska's economy is moving upward.

Total personal income has gone from $720 million before the earthquake to $858 million today.

Bank deposits have risen from $275 million before the catastrophe to $355 million two years later.

As reconstruction work is finished, some dislocation and unemployment is likely to occur. But, Alaska's boundless natural resources—minerals, oil, fishing, forestry—are now being tapped at a record pace. These industries offer an immediate and growing source of jobs for the vigorous and resourceful people of Alaska.

The recovery of Alaska has been swift and sure and the prospects for the years ahead are bright indeed. What happened during and after the earthquake is a tribute to the cooperative efforts of Local, State and Federal agencies. More so, it speaks of the indomitable courage and the stubborn spirit of the people of Alaska as they went about the work of reconstruction and building anew. This combined enterprise shows what a free society can do in an emergency.

Sincerely,

LYNDON B. JOHNSON.

Enclosure.

FOURTH SEMIANNUAL REPORT TO THE CONGRESS—PUBLIC LAW 88-451

1964 AMENDMENTS TO THE ALASKA OMNIBUS ACT

This report, required by Section 7 of PL 88-451, covers action taken by the Federal agencies under authority of the Act during the period from January 1, 1966, through June 30, 1966.

Section 21 of the Alaska Omnibus Act, 73 Stat. 145, (1959) 48 U.S.C. prec. 21 nt., was amended to authorize the Secretary of Commerce to make emergency fund expenditures which would provide more liberal Federal assistance to Alaska for the repair or reconstruction of earthquake-damaged highways in the Federal-aid highway system. An increase in the Federal contribution was authorized. An increase in Federal contribution was limited to $15,000,000.

Action Taken:

During the period from January through June 1966, no additional allotments were made from funds provided under Section 3 of PL 88-451. Allotments from these funds now total $5,930,931. This is considered sufficient to finance all current highway reconstruction projects in conjunction with emergency relief funds provided under Section 125 of Title 23 U.S.C. and State matching funds in the ratio provided by law.

Several administrative actions were taken with regard to projects financed with funds previously allotted. These actions included approval of plans and specifications and concurrence in the award of contracts for projects carried out under the emergency program.

Section 51 was added to the Alaska Omnibus Act to authorize the Secretary of Agriculture to:

(a) Compromise or release part or all of a borrower's indebtedness under programs administered by the Farmers Home Administration in Alaska and refinance outstanding indebtedness of applicants in Alaska who suffered earthquake damage or loss and wish to repair or rebuild dwellings or farm buildings or, when necessary, to purchase new building sites.

Action Taken:

During the reporting period, no Farmers Home Administration borrower's debts were reduced or reamortized; no real estate debts were refinanced for applicants receiving Section 502 rural housing loans; one loan in the amount of $600 was made to purchase a building site.

Most needs for credit by eligible borrowers in Alaska are supplied through regular FHA programs rather than special authorities under this Act.

(b) Compromise or release indebtedness under programs administered by the Rural Electrification Administration in Alaska where borrowers suffered damage or loss as a result of the earthquake.

Action Taken:

Extensive assistance has been rendered to REA borrowers in connnection with the earthquake damage that they suffered. However, it has not been necessary to take any actions under the authority of PL 88-451.

Section 52. Under this Section, the HHFA Administrator is authorized to compromise or release a part or all of any obligation under the public facility loan program where the facility securing the obligation had been lost or damaged as a result of the earthquake or subsequent seismic waves.

Action Taken:

All necessary compromise and release actions possible under this Section were accomplished during 1964.

Section 53 authorizes the Housing and Home Finance Administrator to enter into contracts for grants not exceeding $25,000,000 for disaster-related urban renewal projects in Alaska, including open land projects. This authority is in addition to and separate from grant authorization contained in other Acts, and provides that the Administrator may increase the capital grants under this authority up to 90% of the net project costs.

Action Taken:

Capital grant approvals and disbursals indicated in the previous report remain unchanged. Cumulative capital grants approved under this Section total $24,945,978.

The following provides progress highlights which occurred in Section 53-aided projects during the reporting period.

R-19(c) Kodiak—Project encompasses 39.29 acres including streets in public rights-of-way. 20 acres have been acquired. 4.8 acres are presently under private redevlopment involving investments of approximately $4,765,000. The entire retail-commercial area of Kodiak is being rebuilt in a modern clean and convenient design which will take full benefit of the beauty of the setting.

R-20(c) Anchorage Downtown—Demolition and relocation are 100% complete; acquisition is 98% complete and the 4.7 million dollar buttress work is approximately 25% complete and is running ahead of schedule.

R-21(c) Seward—Project involves 148.35 acres including 76 acres of abandoned Alaska Railroad land which will be shortly transferred to the city. Acquisition is complete except for 5 acres. All site improvements funded by URA will be completed by August 1, 1966, and disposition of the Urban Renewal property to private redevelopers commenced in June, 1966.

Valdez R-22(c) Old Townsite and Mineral Creek R-25(c) (Site of New Valdez.) Acquisition of the old Townsite, which is to be abandoned because it is geologically unsafe for habitation, is now 49% complete, an increase of 9% during the reporting period. All utilities became available for residential developers in the new Townsite in May 1966. Of the 256 residential lots to be sold at the new site, 52 were sold between January 1 and June 30, 1966, leaving only 30 unsold. Thirty residential buildings, including four multi-family units, have been completed or are under construction, while 12 trailers are in place at the new site. Concerted effort is being made by the appropriate State and Federal agencies to assist residents of Valdez to make the move to Mineral Creek as easily and early as possible.

R-26(d) Seldovia—The 55.29 acres in this project encompasses the entire business and industrial districts of the community. All but two (2) small parcels of land have been acquired and disposition is underway. One (1) SBA assisted complex consisting of a supermarket, department store, liquor store and hardware store with six (6) apartments on the second floor and retail rental space on the main floor has been completed representing an investment of approximately one-half million dollars. Another one-half million dollar private redevlopment, a cannery, will commence construction momentarily.

Section 54 allows a 30-year maturity period for Small Business Admnistration loans made to repair or replace earthquake damaged dwellings in Alaska.

Action Taken:

In the period January 1–June 30, 1966, SBA made 12 home disaster loans for a total of $321,301.

It should be noted that it is no longer necessary to depend on the special 30-year allowable maturity for home disaster loans as authorized by PL 88-451. The Small Business Act, as amended, now permits the making of 30-year loans to anyone eligible to receive disaster loan assistance.

Section 55 of the Act authorizes the Chief of Engineers to make such modifications to previously authorized civil works projects in Alaska adversely affected by the 1964 earthquake and subsequent seismic waves as he finds necessary to meet changed conditions and to provide for current and reasonably prospective requirements of the communities they serve.

Action Taken:

Pursuant to the authority of this Act, modifications were made to the authorized small-boat harbors at Homer, Seward, Valdez and Cordova. All work was completed prior to January 1, 1966. No actions were taken during the reporting period.

Section 56. This Section authorized the HHFA Administrator to purchase securities and obligations of, or to make loans to, the State of Alaska to finance any part of the programs needed to carry out reconstruction activities in Alaska related to the 1964 earthquake or subsequent seismic waves, or to complete capital improvements begun prior to the earthquake. The amount of purchase or loan is limited to $25 million. Of this amount $19.5 million is to be used for projects of the community facility type.

Action Taken:

The $19.5 million will be in the form of Series B bonds, at 3¾-percent interest. Under the terms of the Loan Offer the supporting bond issue must be delivered to the ultimate purchasers not later than October 1, 1968. Based upon current projections, the State expects to deliver the bonds by March 1, 1968. Initially the State of Alaska sold bond anticipation notes totaling $19,104,100 at 2.29 percent. However, for the period of one year from March 14, 1966, the State will be required to pay 3.86 percent for its interim financing needs.

Funds obtained from these sales have financed recovery programs in Anchorage, Valdez, Kodiak, Seldovia and Seward.

The additional $5.5 million of loans authorized under this Section, in the form of Series A bonds also bearing 3¾ percent interest, will help the State bear its share (50 percent) of the Mortgage Adjustment Program (Section 57). On May 16, 1966, the State Supreme Court of Alaska ruled that the Mortgage Adjustment Program was constitutional and valid in every respect. Upon approval of a Mortgage Redemption Plan and an appropriation by Congress, the Plan can be put into operation, and funding under this Section can go forward.

Section 57. This Section provides Federal financial assistance to the State of Alaska to support a mortgage indemnification program to retire or adjust outstanding home mortgage obligations upon 1–4 family homes that were severely damaged or destroyed by the 1964 earthquake or subsequent seismic waves. Authorization for a $5.5 million grant by the Federal Government is established, to be matched by an equal amount to be contributed by the State of Alaska. Federal responsibilities under this program have been delegated to the Federal National Mortgage Association, a constituent agency of HHFA (HUD).

Action Taken:

The Alaska Mortgage Adjustment Agency, created by the State pursuant to Section 57, has received all the applications that are to be considered—the Alaska legislation having required that all applications be submitted to the Agency prior to July 1, 1966—and the Agency expects to submit an estimate, on the basis of the applications received, for consideration by Congress, of the amount of Federal appropriation needed to fulfill the requirements of Section 57. It is believed that because of assistance heretofore received by Alaska home owners through other programs, the expenditures of Federal and State funds necessary to fill the remaining gaps will be considerably smaller than originally estimated, perhaps no more than $4.0 million, according to the Anchorage press. Accordingly, it is expected that a Congressional appropriation of a substantially lesser amount than originally contemplated will be recommended by the Bureau of the Budget.

The significant events that occurred during the subject reporting period are listed as follows:

1. The Supreme Court of the State of Alaska handed down its decision in the test case testing the constitutionality, under the State constitution, of the State legislation and State activity in implementation thereof, pursuant to the aforesaid Section 57. The decision upheld the constitutionality of the State's action in every respect.

2. The regulations along with an amendment to the Alaska Mortgage Adjustment Plan required for supplementation and updating, and all necessary updating revisions of the prescribed form of application, were drafted in final form by FNMA representatives and Alaska representatives, including the Alaska Commissioner of Commerce, working together at the FNMA Office in Washington. Since the foregoing documentation is believed to be in accord with the understanding of Section 57 previously concurred in by the Alaska authorities and by the Secretary of Housing and Urban Development, no problems are expected with respect to approval of the various documents by the Governor of Alaska and Alaska's Commissioner of Commerce, respectively, and by the Secretary.

SCHOOL MILK OR THE JET SET?

Mr. PROXMIRE. Mr. President, earlier this week I introduced amendments to the Independent Offices Appropriation bill that would have slashed $730 million from the bill. Two hundred million of this amount is to be spent for the development of a supersonic transport which will enable the jet set to make those overnight trips between New York and Rome in the space of an afternoon. American industry is willing to provide only 10 percent of the cost of developing this revolutionary new aircraft.

Yet the school milk program, under which the Federal Government provides not 90 percent of the cost, but anywhere from 30 to 50 percent, is in serious trouble because of inadequate funding over the past 2 years. In all fairness this is in part the fault of the Budget Bureau, which withheld $3 million of the $103 million Congress appropriated for the program in fiscal 1966. But the result was a 10-percent cutback in the Federal reimbursement rate which forced school administrators to either charge the student an additional amount or pick up the slack themselves.

This year the Senate provided $105 million for the school milk program. I am not at all sure that this is adequate. However I hope the higher Senate figure is approved soon in a House-Senate conference. Then we will be able to see if this amount is enough to give the school milk program at least a fraction of the

boost that the Federal Government will be providing to research and development on a supersonic transport for the jet set.

CAPTIVE NATIONS WEEK

Mr. MURPHY. Mr. President, last month our Nation joined other free nations throughout the world in observing the eighth anniversary of Captive Nations Week. It is altogether fitting and proper that the free nations speak up in protest against the tyranny and oppression forced upon other peoples.

Three hundred and fifty years ago this continent was settled by people who were fleeing the hardships and injustices of the regimes of Europe. They brought with them and carefully nurtured the concepts of the dignity of the individual and the inherent right of freedom of choice. Two hundred years ago these ideas were set down in the Declaration of Independence, the Preamble to the Constitution, and the Bill of Rights.

More recently these ideas have been formally adopted by the United Nations. The U.N. Charter affirms "faith in fundamental human rights, in the dignity and worth of the human person, in the equal rights of nations large and small."

But these ideas are only dreams to many peoples. There is much to be done before these concepts are translated into reality. We have many miles to go before we sleep.

There are those in this world who do not believe in the inherent worth of the individual, in the sanctity of freedom. There are those in this world who would impose upon others their own judgments, their own aspirations, their own plans. There are those in this world who are prepared to use any means to further their own ends, who do not hesitate to subject individuals and nations to oppression. There are those who deem it their right to take away the rights of others.

Mr. President, the captive nations of the world have been robbed of their most precious possession—the right to choose for themselves the type of government, the type of political system under which they would live. They have been deprived of their birthright—self-determination.

We must protest this theft, we must constantly and loudly proclaim the injustice, indeed the bestiality of this crime, for to remain quiet, to pretend that it never happened or that it is all over, is to be an accessory after the fact. To ignore the pleas of subjected peoples is to be guilty as of great a crime as the original one.

The United States is presently engaged in a conflict in Vietnam. Our reason for being there—the self-determination of the Vietnamese people. The physical battle is confined to Vietnam. The psychological struggle is all over the world. We are there specifically for the Vietnamese people, and generally for the enslaved people throughout the world.

The presence of American troops in that southeastern country serves as notice to the world, Mr. President, that we continue to view the right of self-determination an inviolable right, one to which we are willing to commit ourselves and our Nation that other peoples shall enjoy this right also.

The United States must continue to draw attention to the oppressors in this world. We must employ all the strategies at our command to encourage captive nations to maintain their struggles for freedom. We must insist that all nations be allowed the very fundamental freedom of pursuing their own destinies, not the selfish destinies of others.

DANGEROUS DEFIANCE OF LAW GROWS

Mr. BYRD of West Virginia. Mr. President, Bruce Biossat recently wrote a column titled "Dangerous Defiance of Law Grows." It is a column which every person connected with Government, whether in the executive, legislative, or judicial branch, should read and seriously ponder. It is a disturbing, yet, nevertheless, true and candid commentary on certain developments occurring in America today.

I ask unanimous consent that the column be printed in the RECORD.

There being no objection, the column was ordered to be printed in the RECORD, as follows:

DANGEROUS DEFIANCE OF LAW GROWS

(By Bruce Biossat)

WASHINGTON.—A good proportion of the American people is hiding from some very unpleasant truths about itself.

Far too often, public behavior of Americans is appalling. Many are openly and aggressively lawless. Others are basically lawless in spirit and, though they would not acknowledge it, have developed an incredibly high tolerance of crime and violence. Evidently they can feel neither shame nor shock.

Short of the grosser offenses against their fellow Americans, many have made trespass and other invasions of privacy virtually a way of life. They are arrogantly ill-mannered on the highway and in every public place. They are uncaring and indifferent toward the rights and needs of other human beings.

The courts of this country are currently embarked on a process of reinforcing shaky individual freedoms. But while they are about it, countless Americans are turning freedom into license.

They exhibit a contempt for authority which is destructive of freedom. They really do not think that any kind of hampering, uncomfortably disagreeable law ought to apply to them personally.

TOO MANY OFFER EXCUSES

In an age that is probing deep into the mysteries of human conduct, they have begun to convert explanations of misbehavior into excuses for it—as Chicago's scholarly police chief, O. W. Wilson, points out.

In a nation whose political system is founded on the will of the electorate, some Americans are pretty close to saying that there is no individual will and no personal responsibility. The offender is always the creature of forces:

"He came from a broken home . . . He was a deprived person . . . He was unloved . . . He blacked out."

Some probers into conduct seem to stop just short of arguing that crime is human and, hence, democratic.

Indeed, the ennobling cloak of the word "democratic" is today being thrown over all manner of licentious behavior. The word is being defined to mean:

"I am to be left alone to do or say anything I please, regardless of the consequences to others."

Any interference with such unbridled behavior is being promptly labeled in some circles as "undemocratic" and even "fascistic." Some of those brilliant young fools at Berkeley and other campuses argue that they are bound by no law or rule they had no part in making. They accept no authority but their own constantly shifting opinion.

TRY TO JUSTIFY LAWLESSNESS

Some Negro leaders frankly justify lawlessness and violence done in the name of their rights. A few appear to contend they are above the law.

The most startling comment made recently in Chicago by Stokely Carmichael, hotheaded "black power" advocate and chairman of the Student Non-Violent Coordinating Committee, was this:

"We've got to let them (the white community) know that when they arrest one of us in our community, we're going to move to disrupt this whole country."

The consequences of turning freedom into anarchy are written large across the face of this country—in shattering, death-dealing riots, in a rising crime rate that the most unemotional public authorities think spells crisis.

The numbers involved are frightening. There is almost no place to escape the depredations. He who says the peril to a sane society is exaggerated is whistling past a graveyard loaded with people who thought "it can't happen to me."

One of the truly comic notions of the age is the idea the American people are constricted by overorganization. Beneath the top-heavy weight of big government, big business, big everything, millions are managing ingeniously to live nearly unfettered in increasingly dangerous and destructive chaos.

THE HIGH INTEREST RATE POLICY

Mr. GORE. Mr. President, the discussion of our economic conditions continues with emphasis from all quarters on the present high interest rate situation. The Monthly Economic Letter for August, published by the First National City Bank of New York, is quite interesting. Though I often disagree with points emphasized, the letters are usually provocative.

This August newsletter contains a very good article on current interest rates.

It is pointed out that, in the "scramble" for funds, "many of the highest rates have been offered by Government agencies." This has undoubtedly added to the difficulties experienced by savings and loan associations in their efforts to accumulate sufficient funds to keep the housing market viable.

This article points out that our fiscal policy has done its part in forcing up interest rates. To quote one very plain sentence, and one with which I am in wholehearted agreement:

Ever since January, it has been plain that the fiscal strategy adopted to deal with the impact of Vietnam war spending would result in markedly higher interest rates this year.

Now, this certainly was obvious to anyone who was interested enough to stop and consider what the President proposed in an effort to bring the budget

somewhat into apparent balance without realy doing so—without really facing up to the hard tasks of pushing for substantive tax changes.

The effects of the sale of Government assets—FHA and VA mortgages, for example—are noted as an example.

In remarking on efforts to legislate ceilings on certain savings accounts in banks, this newsletter notes that, due to our tax structure, the small saver would be penalized, and this would be "inequitable."

As emphasized in this newsletter, manufacturing corporations are now earning about 13 percent per year on equity, compared with about 9 percent in 1960–61. Interest costs would need to be pushed to extreme heights to slow down activity in manufacturing. But interest costs drastically affect housing, automobile sales, and other transactions involving individual financing.

Mr. President, I shall continue to condemn the Johnson high interest rate policy. Johnson interest rates are higher than Hoover rates. In my view, this is most hurtful. In my view, it should be reversed. In my view, one of the best ways to reverse it is to bring fiscal policy of the proper type into active play. I hope this will be done before more drastic steps must be taken.

I ask unanimous consent that the article from which I have quoted be printed in the RECORD at this point in my remarks.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

CONTROVERSY OVER INTEREST RATES

Interest rates currently are the loftiest in the memory of most businessmen. Late last month, 91-day Treasury bills hit 5 per cent, the highest level since they were introduced in 1929. Medium-term Governments have been yielding around 5¼ per cent, while long-term Governments bring 4¾ per cent. Corporations of the highest credit rating are paying 5½ per cent for new long-term money and 5½–5¾ per cent for short-term borrowings. These and other rates are generally at the highest levels since the Twenties.

Tight credit conditions seem to be having the desired effect of helping to relieve pressures on the nation's resources. Corporations have reexamined their capital spending plans, and some investments are being postponed. The buildup of inventories is being limited by the tightness of credit. Many speculative commercial building projects are being put off for lack of money. State and local governments are holding back on less urgent construction outlays. And housing starts have been declining since last winter.

While all these various adjustments have been taking place, the effects of credit stringency on homebuilding have captured the spotlight. More specifically, there have been complaints that rates paid on commercial bank savings certificates and certificates of deposit—generally in the 4½–5½ per cent range—have diverted money from savings and loan associations, thereby threatening a sharp contraction in homebuilding activity and real estate sales.

These complaints were aired before the House Banking and Currency Committee during May and June. But when legislation was proposed to place ceilings on rates offered by savings and loan associations as well as by commercial banks, strong opposition developed and the measure was dropped temporarily. Meanwhile, the Federal Reserve Board, responding to the Committee's request for action to restrain commercial bank competition for savings, raised the reserve requirement on time deposits held by larger banks and lowered rate ceilings on time deposits with "multiple maturity" features.

The question was revived in July, however. On July 25, the Committee approved a bill that, among other things, would put a 4½ per cent rate limit on commercial bank time deposits of $100,000 or less, authorize limits on rates paid by savings and loan associations, and give the Administration the means to pump money into mortgages through the Federal Reserve System. Because of the controversial nature of its provisions, the bill generated widespread opposition.

OVERWHELMING CREDIT DEMANDS

In discussions before the Banking and Currency Committee and elsewhere, it has been generally assumed that the apparent scarcity of money and high interest rates—and the resulting shortage of mortgage money—have been due to restrictive actions by the Federal Reserve Board. But this assumption is contrary to the facts. Until recently, Federal Reserve policy has been unusually expansive. The amount of credit and equity funds supplied has been enormous.

What has been described as the "rate war" between the savings and loan associations and the commercial banks is simply part of a broad competitive scramble by all sectors of the money market for available funds. In this scramble, many of the highest rates have been offered by Government agencies. In the nine months ended March 1966, net issues of corporate bonds ran 59 per cent above the year-earlier period. Business loans at commercial banks rose 17 per cent in the past year. Net borrowings by corporations, state and local governments and households have been at record highs.

To mobilize this huge supply of funds, interest rates have naturally moved sharply higher. Yields on new corporate bonds, for example, have climbed a bit more than 1 percentage point in the past year. A six-month Federal agency note recently was issued at a 5.90 per cent yield, compared with 4¼–4⅜ per cent on similar issues a year ago. Official estimates indicate that households bought a net $4.3 billion of marketable securities in the first quarter, compared with $5.3 billion in the entire year of 1965. At the same time, these figures show that (even savings certificates), commercial banks, savings banks, and savings and loan associations each experienced a reduction in net savings inflow to 65–70 per cent of the average rates in 1965. Clearly, much of the money savers ordinarily place with mortgage lenders has been attracted to bonds and notes issued by the Government and its agencies, by states and municipalities and by corporations.

FISCAL POLICY ACCENTUATES TIGHT MONEY

Ever since January, it has been plain that the fiscal strategy adopted to deal with the impact of Vietnam war spending would result in markedly higher interest rates this year. To narrow the budget deficit, the Administration has relied primarily on sales of Government-owned financial assets and on speeding up collections of individual and corporate income taxes and of individual income and Social Security taxes that corporations withhold for the Federal Government. By means of these various accelerations, the Government has drawn off cash from individuals and corporations, thus depleting their savings and spurring the demand for credit among those affected. Corporations alone were required by payments speedups to draw down liquid assets by an extra $4½ billion in April and June, and met part of the drain through accelerated borrowings.

The Government sold nearly $3 billion of financial assets during fiscal 1966, with about half of the sales coming in the April–June period. Since such sales are booked as reductions in expenditures in the Federal budget, they reduce both the reported spending totals and the cash deficit. The net result is that the cash budget deficit for the 1966 fiscal year ended on June 30 was held to $3.2 billion.

But since the extra tax payments and asset sales for fiscal 1966 were concentrated in the April–June period, the impact on savings flows and capital markets was accentuated. As the accompanying chart shows, Federal receipts rose from an annual rate of $134.8 billion in the March quarter to $158.4 billion in the second. Combined with a $4.4 billion decline in the rate of Federal payments—largely explained by offsetting asset sales—the Government ran a cash surplus at an annual rate of $15.2 billion in the second quarter. The shift from deficit to surplus between the first and second quarters amounted to an annual rate of $28 billion. The way in which this massive turnaround in the Federal cash budget was achieved was a decisive factor behind the high level of rates and the tightness in money and credit markets since last spring.

Particularly in the second quarter, enlarged tax payments to the Federal Government also seem to have been an important factor in the diminished flow of money into savings accounts at banks and thrift institutions. Largely as a result of stepped-up tax payments, disposable personal income grew by only $4.6 billion a year in the second quarter, compared with increases in the $9–16 billion range in each of the preceding three quarters. With yields on marketable securities climbing higher to attract more and more of the public's cash and with after-tax incomes rising much more slowly, it is not too surprising that households have been putting less money into savings accounts at thrift institutions in recent months.

HELP FOR HOMEBUILDING

The disruptions in the flow of mortgage money caused by the sharp rise in market interest rates—and the possibility of a severe contraction in the homebuilding sector—remain matters of public concern.

It should be noted, however, that there is no general shortage of housing. Vacancy rates are still close to postwar highs. Families entering the home-buying stage of life are relatively few. Particularly in Southern California, the problem is that of an oversupply of housing. This is at least partly due to the fact that during the early Sixties, housing was given special stimulus through extensions of credit by the Federal Home Loan Banks and by mortgage purchases by the Federal National Mortgage Association (FNMA). Some savings institutions apparently face severe problems of adjustment to the sudden change in interest rate levels.

Since skilled construction workers are in short supply and their wage rates have been climbing sharply, measures to prop up housing run the risk of aggravating the inflation of construction costs. But to the extent necessary to prevent homebuilding activity from falling to undesirably low levels, the FNMA should be provided with sufficient funds to assure an adequate flow of funds into mortgage credit.

So long as the present credit stringency persists, however, attempts to set ceilings on the rates paid by banks and other savings institutions would be more likely to reduce, rather than increase, the supply of mortgage money. These are the very institutions that customarily supply most mortgage credit. Rate ceilings would tend to increase the gap between yields available on marketable securities and rates offered by banks and thrift institutions.

Given the fact that most borrowers enjoy significant tax advantages on borrowed

money, it would be all the more inequitable to penalize the small saver by further limiting the interest rate he can earn from his lifetime savings.

One of the most thoughtful statements on the present interest-rate controversy was made by Federal Reserve Governor W. Mitchell on May 25:

"The financial structure is essentially resilient and well managed, and there exist governmental mechanisms established for the very purpose of easing adjustments that must come in the wake of shifts in demands for goods and for financial services. While not denying that a problem exists for all financial intermediaries—as a result of the Government's reliance on monetary policy as the main tool of economic restraint—the situation hardly warrants the crisis atmosphere that has developed in some quarters, or the over-reaction by portfolio managers that threatens to curtail housing activity unnecessarily sharply.

"What is important is to be sure that in dealing with the short-run problem, we do not adopt solutions that in the long run will hurt more than help. I believe the best and most lasting solution lies in permitting intermediaries, savers, borrowers, and the market to work out their own salvation. Most of them are doing well enough now and others are taking constructive corrective measures. If governmental actions are needed, they should be actions designed to remove restrictions and inhibitions, rather than those which hamper adjustment to evolving economic needs."

INTEREST RATES AND MONETARY POLICY

In a booming economy, growing demand for goods and services of all kinds increases demands for productive resources, as evidenced by high rates of return on capital and by rising wage rates. Interest rates are high now because business is so good.

Even so, the relative cost of borrowed money is not especially high today when it is considered that manufacturing corporations are earning average after-tax returns on equity of about 13 per cent a year—compared with around 9 per cent in 1960–61. Interest costs, moreover, are a tax deductible expense to both corporations and individuals. During the Twenties—the last period of sustained prosperity—interest rates were about as high as they are now but the corporate income tax was in the 10–13½ per cent range. Allowing for the fact that the tax is now at 48 per cent, the after-tax cost of borrowed money is still considerably lower than in the Twenties.

So long as prosperity continues and the economy operates at a rate close to its rapidly expanding capacity, no substantial decline in interest rates can be reasonably expected. Rates have also climbed sharply abroad. All around the world, the demand for capital is growing—for factories, highways, schools, fertilizer plants and myriads of other needs. Ours is an age of economic growth, and growth requires capital.

It is not the absolute level of freely determined interest rates that matters so much as the flow of money and credit to support economic activity. In recent weeks, the Federal Reserve has evidently become increasingly concerned about the growth of bank credit. Thus, Federal Reserve Governor Andrew Brimmer last month stated that the capital goods boom was approaching "an unsustainable rate" and warned that the "overall pace of bank credit expansion is clearly too fast."

Since April, bank loans have continued to expand rather rapidly but the growth of total bank reserves has virtually ceased and the money supply has grown very little. An increasing number of economists believe that the money supply should grow in line with the growth of capacity in the economy. This raises the question whether there may not be some conflict between the objective of limiting business investment through restriction of bank credit and the aim of supplying sufficient money to permit business volume to grow in line with expanding capacity.

There is always some danger of inflation when the economy is operating at high levels. But price rises so far have primarily reflected specific supply problems—as in the case of foods and nonferrous metals or the anticipatory impact of Medicare on medical charges. With the labor force growing rapidly, needs for capital investment will continue to mount. At the same time, rising wage costs in previously low-wage sectors—e.g. hospitals, retail trade, local government—as well as in unionized, high-wage industries will also call for more investment to keep costs and prices from rising. Thus, the problem of forestalling inflation is not simply that of restricting credit but more broadly one of providing sufficient monetary expansion to accommodate the solid growth of both capital investment and consumption in the economy.

PRAYER AMENDMENT NOT NEEDED

Mr. HARTKE. Mr. President, the Subcommittee on Constitutional Amendments, presided over by my junior colleague from Indiana, has been holding hearings this week and last on the Dirksen resolution to send to the States for ratification an amendment dealing with school prayer.

It was my privilege to testify on that resolution on Monday, at which time I pointed out that in three successive Congresses I have offered a Senate resolution to clarify the misunderstanding surrounding the Supreme Court ruling, and to state that it is the sense of the Senate that any public school system may provide time during the school day for prayerful meditation, if no public official prescribes or recites the prayer which is offered. To do so, I am convinced, is perfectly proper, and it has so been held by a considerable number of constitutional authorities, relying upon the views of the Supreme Court itself. I commended to the subcommittee consideration of my resolution, Senate Resolution 248, and stated, "I do not believe there is a necessity for an amendment to the Constitution of the United States in order to permit 'voluntary participation by students or others in prayer' " in our schools.

The Evansville Courier, in its August 7 issue, discussed the same question and took the same point of view, heading its editorial "Amendment Not Needed." Mr. President, I ask unanimous consent that this editorial and my testimony before the Judiciary Committee may appear in the CONGRESSIONAL RECORD.

There being no objection, the editorial and statement were ordered to be printed in the RECORD, as follows:

AMENDMENT NOT NEEDED

There is no need for an amendment to the Constitution permitting voluntary prayers in the public schools. On the contrary, there are most persuative arguments against thus meddling with the sound doctrine of the separation of church and state.

That doctrine has served the nation well. It has safeguarded against both state interference in religion and church interference in the affairs of government. Religious freedom has been assured by the provision that "Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof."

Senator DIRKSEN's proposed amendment would imperil this historic freedom by weakening the First Amendment guarantee. Specific authorization for prayer in the schools would undermine the Supreme Court's ruling on this subject, which upheld the First Amendment guarantee by banning use of state institutions and facilities—that is, the schools—to foster religious worship.

This position is not tantamount to being against worship, against religion. Not at all. It is every American's constitutionally guaranteed right to worship as he pleases, and not to worship if he pleases. He can pray at home, in church, at his job, in the street—in short, anywhere. But to authorize prayer or other religious exercises as a part of the public school routine would be to inject the state into this private matter of conscience and belief.

This is not to say that Senator BAYH's judiciary subcommittee should not hold its scheduled hearings in August; of course it should hold them. Those on both sides of this issue should be given full opportunity to be heard. It is hoped that, once this has been done, the wisdom of preserving the historic doctrine of the separation of church and state will be more widely appreciated.

STATEMENT BY SENATOR VANCE HARTKE BEFORE THE SENATE SUBCOMMITTEE ON CONSTITUTIONAL AMENDMENTS, AUGUST 8, 1966

Mr. Chairman, I am happy to come before this subcommittee, presided over by my colleague from my own state of Indiana, in order to speak briefly on the question of prayer in the public schools.

I share with Senator DIRKSEN and with most Americans not only our common American heritage of religious traditions but a personal religious faith. I believe in the values of religion, and I believe those values should be inculcated in the young. I also believe in the wisdom of the framers of the First Amendment, in the correctness of the Supreme Court's interpretation of it in the decisions which have inspired the Senate Joint Resolution now before you, and in the desirability of prayer, each in his own way.

The first of the so-called school prayer decisions came during the 87th Congress. Following it, I first introduced a Senate Resolution, S. Res. 356, expressing the sense of the Senate that the Supreme Court's decision in no way interfered with the right of public school systems to set aside a time during the school day for prayerful meditation so long as no public official prescribes or recites a prayer which is offered.

In the succeeding 88th Congress, I again offered substantially the same resolution, S. Res. 164. Since no consideration was afforded it by the Judiciary Committee in either case, I again presented it as S. Res. 248 of the 88th Congress. Thus I have taken the same position on this matter consistently and officially since 1962.

I realize that this resolution is not before this subcommittee, since it is not a constitutional amendment, but rather a simple resolution expressing the sense of the Senate. However, I note that after four years since its original introduction an increasing number of persons, including witnesses before this committee, have taken essentially the same view. In particular, James V. Panoch, who also happens to come from Indiana but with whom I have not consulted on the matter, devoted a good deal of his testimony to support of the principle that a period of meditation, such as my resolution speaks of, is not only permissible under the Supreme Court interpretation, but a desirable option which avoids the pitfalls of the proposed amendment.

Likewise, Professor Paul A. Freund, who teaches constitutional law at Harvard University, testified here on August 1 directly

in line with the Senate Resolution which has now been before the Judiciary Committee in three successive Congresses:

"But in any event, if a period of brief prayer is wanted, there is a simple way to have it: A moment of silent meditation, during which each pupil may commune either in prayer or other form of solemn thought, as his upbringing and his spirit may prompt. This would be a truer form of religious voluntarism than any schoolroom prayer in unison."

Other distinguished lawyers, such as Dean Willard Heckel of Rutgers Law School, in the 1964 hearings before the House Judiciary Committee, have held that a time for silent prayer or meditation is not a violation of the Constitution or the Supreme Court's rulings.

At least three State Attorneys General have expressed themselves as in agreement with the position my resolution sets forth. Robert Matthews, Kentucky, has found nothing objectionable in a student saying a prayer, either silent or vocal, "during a period of meditation." Pennsylvania's Attorney General Walter E. Alessandroni finds no restraining upon "unorganized, private, personal prayer" in school, such as brief meditation period would give a minute for doing. Massachusetts Attorney General Edward W. Brooke found that there is no constitutional bar to the law passed by the Massachusetts state legislature earlier this year, under which at the beginning of the school day every Massachusetts teacher "shall announce that a period of silence not to exceed one minute in duration shall be observed for meditation."

Mr. Chairman, I do not believe there is a necessity for an amendment to the Constitution of the United States in order to permit, in the language of the Dirksen resolution, "voluntary participation by students or others in prayer" in "any school, school system, educational institution or other public building." Rather, as others have pointed out before this body, the wording of the proposed amendment, and particularly the words "providing for" such "voluntary participation" on the part of school authorities, may well cause confusion and violation of the traditional separation of church and state.

Consequently I commend to you as an alternative recommendation by the Judiciary Committee of S. Res. 248, whose text I would like to have appear in the hearings at the end of this statement.

CHINA AND VIETNAM

Mr. McGOVERN. Mr. President, the distinguished scholar and author, Mr. Edgar Snow, has written a significant piece entitled "China and Vietnam" which appears in the July 30, 1966, issue of the New Republic. The article opens with the arresting statement:

The United States is at war with China—a proxy war now but perhaps a war of irreversible expansion.

I ask unanimous consent that Mr. Snow's article be printed at this point in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

CHINA AND VIETNAM

(By Edgar Snow)

GENEVA.—The United States is at war with China—a proxy war now but perhaps a war of irreversible expansion.

I hope this view may be proved mistaken, but it seems that history may date the onset of a Sino-American war from President Johnson's fateful decision, soon after his inauguration in 1965, to reject a neutral Saigon (then in the offing) and to forestall it by an air invasion of North Vietnam, covering a large-scale U.S. occupation of Vietnam's hinterland.

Hanoi and Peking regard American leaders as rational, though wrong, so they concluded that the American objective was political hegemony over Vietnam. It was logical for them then to anticipate eventual bombing of metropolitan Hanoi and Haiphong, which events in June confirmed. The June bombings in turn have probably sealed off remaining possibilities of intervention by noninvolved powers to bring about a cease-fire. There is no known way to restore broken eggs or remake history. With the crippling of North Vietnam's main industrial bases, Ho Chi Minh has little alternative other than commitment to a protracted war of resistance.

Increasingly, Ho must perforce integrate his efforts with Chinese strategy, and China itself now has no choice but to provide Ho with support bases to compensate for continuing American attrition and devastation. That means that the political and military center of resistance is shifting to China, as earlier it shifted from South Vietnam to the North.

Finding the United States to be an aggressor in Taiwan, in Vietnam, and in other "neo-colonial" positions in Asia, Peking has formally proclaimed a doctrine of moral and legal rights of "counter-aggression". No early dramatic swooping down into Southeast Asia of "hordes" of Chinese troops is likely, however. Just as there has been no single moment when the American people understood that they had gone to war against Vietnam, the war against China may be with us for months or perhaps years before direct combat occurs between the two forces. For the present China will probably concentrate on improving logistical means: the development of new feeder roads into Southeast Asia, the supply and replenishment of food and weapons, replacement and expansion of technical personnel, and volunteer manpower on demand. U.S. sanctuaries in Thialand, Laos, Taiwan, Korea, Hong Kong and perhaps Japan, may all be faced with the new problems of a political or para-military character. China will do what it can to demonstrate that the American task is not simply to "seek, find, and destroy" those who resist, but how to reduce the mounting demands of an unending occupation. Not how to get more troops into Asia but how to limit the commitment. And not how to win military victories but how to locate a center of political decision to contain Asian history under American control. The American problem will be a great magnification of what is already is today: in brief, how to disengage.

Mao Tse-tung probably has no illusion that effective "counter-aggression" may not, in the end, result in an extension of Johnsonian punishment to China itself. China's participation in the war will therefore continue to be cautious, with maximum effort withheld until or unless Chinese territory comes under direct American attack.

Above all, Ho and Mao probably count on Practical Politics (much as Russia relied on Old Man Winter against Hitler) as their best ally in the long pull. The unpopular war is costing, according to Secretary McNamara's understatement, a billion dollars a month, or about $400 a second, yet 90 percent of South Vietnam is still unoccupied by the Americans. The North's human reserves have scarcely been tapped; behind them lies a sea of Chinese manpower.

Britain cannot—not even to save the pound—go along much longer, Wilson having been obliged to remove the "Anglo" sign before new American escalations. A swollen U.S. war budget, accompanied by inflation, a steady gold drain, and widespread public fear of a dollar-pound devaluation, are paralleled by political second thoughts in the homes of unwilling draftees and a nervous down-trend in Wall Street. Even if the war can be confined to Vietnam during the next two or three years, ever rising costs necessary to begin to stabilize the occupation and keep the satellite generals in nominal power in Saigon will total somewhere between 50 and 100 billion dollars—quite enough money to bring to a standstill what remains of the Great Society operation, just at the time Mr. Johnson must once more appeal to the national electorate.

True, some wry satisfaction may be derived from the ruins of North Vietnam's industrial beginnings. But inherently well-intentioned Americans must feel uneasy at the thought that these "successful strikes" are achieved in a gamble that at any moment could provoke cataclysmic reprisals on American aircraft carriers by Soviet bombers, that only the absence of pressure on a button in Moscow prevents that retaliation, and that, if it came, no law exists to condemn such action which has not by now been repeatedly violated by the United States.

Cruel as the punishment has become for all Vietnamese, bleak as the outlook is for any early surcease of pain, illusory or distorted as their analyses of Mr. Johnson's internal difficulties may prove to be, they would seem to have not more to lose now by waiting for time either to reveal an eventual American repudiation of the whole disastrous adventure by voting in a change of Administration, or for the harassed President to fulfill his threat to carry on a protracted war for years rather than withdraw.

And yet, China would have had it otherwise. As late as January, 1965, both Ho Chi Minh and Mao Tse-tung probably still believed that a protracted war with the United States could be avoided. In that month Mao himself told me that he recognized the possibility of convening an international conference to enforce terms of the Geneva Treaty of 1954 without the prior withdrawal of American personnel then in South Vietnam. A neutral independent Saigon government would then have been acceptable to Peking. Mao's expectations were upset when the United States transformed Vietnam's civil war into international war. Since then the Chinese Communist leadership has engaged in a deep and bitter debate.

In December, 1964, Premier Chou En-lai had promised the National Congress that China's draft Third Five Year Plan would be submitted for public examination early in 1965. That plan was already being discussed among higher party echelons before and after China tested her first nuclear device, and it was known that no great increase in the defense sector was indicated. After February, however, press references to the Third Plan ceased to appear.

Apart from revamping the economy to devote a major sector to defense industry, great questions faced Peking's leadership. What should be the character of China's military strategy against the United States? If war was unavoidable, would it not be prudent to mend fences with Russia? China's own defenses were not adequate to protect her urban industrial bases against heavy American air attack. What would be Russia's price for providing an air defense umbrella? To submit to Moscow and revisionism was unthinkable; to subject to American destruction the results of nearly two decades of sacrifice to modernize China was also unthinkable. Yet both had to be thought through.

Acceptance of the Russian line would mean a compromise in Vietnam which would leave the United States firmly planted in Southeast Asia. If Vietnam were surrendered, why not Taiwan? And if Taiwan were abandoned, why not concede American dominance in general, accept a secondary role for China, and seek alms from the United States, like India? This reverse view of the dominoes, collapsing inward on China, could lead to the conclusion that capitulation to Russian pres-

sure was synonymous with capitulation to the United States, abandonment of the revolution as well as vital national interests—and suicide for the Chinese party leadership.

Between such extremes, however there exist various possibilities of limited Chinese compromise with the Russians in order to secure minimum guarantees of support against the United States. Marshal Lin Piao has emerged as the spokesman for the dominant view, which simply invokes all the experience of the Chinese revolutionary wars to prove Mao's old thesis, man is more important than weapons; the only kind of war China could fight and win, alone, is a protracted war dependent essentially on manpower, space, and resolute social revolutionary leadership based on unrevised Marxist-Lenninism. The presence of large American armies in Asia makes Mao's kind of war possible, and the more Americans the better. China would suffer, there could be no doubt about that, but there could also be no doubt (according to Lin) about the ultimate victory.

Today one sees in China a process called "the great cultural revolution." Its aim is completely to unify theory and mass practice based on the thought of Mao-Tse-tung. Those who took up losing positions during the critical debate concerning correct policy toward the U.S. and Russia must now submit to a remolding of their thinking. They embrace party members. How many? Not more than five percent, according to the official press, and yet already these include two members of the Politboro. The charge is "revisionism." Used against veteran Communists long indoctrinated by Mao's teachings, and with a lifetime of practice in the politics of the Chinese revolution, "revisionism" can only be regarded as a euphemism to describe an intra-party opposition defeated on a major decision, which could have involved a transfer of power.

An American victory in Vietnam for want of aid from Russia and China would not only impose a profound loss of prestige from which the whole world socialist movement might never recover, but conceivably it could lead to wars between socialist nationalisms. China could blame Moscow for a defeat in Vietnam, but that could not alter its shattering effects not only on Mao's prestige as a world revolutionary leader and doctrinaire, but also on the future of China as a major power with vital national interests at stake. That is why, even without Russia, China probably cannot permit the United States to decide the fate of East Asia by intensified bombing of Vietnam—or, for that matter, of China itself. In the latter event the war would indeed "know no frontiers," as Ch'en Yi has said, and the Chinese understand that in the end the Russian Communists themselves could not survive the destruction of China. The outcome of that brutal dilemma could be world war.

Meanwhile, what of the many peace plans advanced to prevent further "widening of the war"? The trouble with them is that those liked by President Johnson are conditioned by negotiations to be conducted while American troops occupy large areas of Vietnam, while those liked by all Vietnamese leaders in the unoccupied areas require an unconditional guarantee of United States withdrawal and respect for other terms of the Geneva Treaty of 1954 violated by the American presence. For the Vietnamese to accept Mr. Johnson's conditions would concede legality to the American occupation, while for Mr. Johnson to accept Vietnamese conditions would mean abandonment of the objectives of the intervention. That is why the war goes on and will likely expand.

EDUCATIONAL TELEVISION

Mr. MAGNUSON. Mr. President, at the close of last session, I submitted a progress report on the development of educational television in which I set forth the problems and progress as well as the facts and figures relating to educational television.

The Educational Television Facilities Act, which I sponsored and which was enacted in 1962, has made possible direct Federal support for educational television stations. Grants have been made on a matching basis with States for developing new stations and for expansion of existing facilities, and almost 100 applications have been accepte since that time.

I stated then that educational television had passed through two important phases. The first included the establishment of new stations and the recognition of educational television as an instrumentality of importance. The second was the activation of many stations across the country, the organization of a single body of telecasters, and the establishment of distribution systems for programs. The next phase for educational television is that of expansion. The agencies and foundations that have supported the movement from the start will, it is hoped, continue to contribute to its growth. Networking, in the sense of actual interconnection, will change during the next coming years from sectional to national in scope. Interconnection among educational television stations is essential if the medium is to provide a national service of which it is capable. Efforts are being made now toward this linkage.

Educational television stations have no firm financial base on which to operate. The United States is unique in the world because its commercial broadcasting system is a giant in comparison with its educational and information service. We have been careful to define what educational television stations may not do, but we have not clearly described methods by which they may support themselves and expand. Television is as expensive as it is useful, and I do not believe we can expect noncommercial educational licensees to exist without a basic financial structure. This is not to propose Federal support for all of educational television, but it is to suggest that we examine the areas in which the Federal Government can assist, as we have assisted in elementary, secondary, and higher education, vocational rehabilitation, and other specialized fields. Continuity of growth must be assured.

I, therefore, noted with interest the imaginative proposal submitted by the Ford Foundation in its filing with the Federal Communications Commission. I have no way of knowing what the final outcome will be, but I am confident that whatever action the FCC takes will be consistent with the policies set forth in the Communications Act of 1934 and the Communications Satellite Act of 1962—and consistent with the overall public interest—which gives FCC broad powers. I would like to repeat at this time what I said in my progress report: the Educational Television Facilities Act that has now been operating for a period of 4 years will expire very shortly. It is my intention to have an examination made of the entire educational television subject in the next Congress. What has been the impact of this act on the development of educational television? Should the ceiling limitation of $1 million to one State be raised? Should the matching funds formula be modified? Should a completely new approach be adopted?

The Department of Health, Education, and Welfare and the Federal Communications Commission, the two agencies charged with administrative responsibility of the Educational Television Facilities Act, have been asked to prepare their views and recommendations. I am hopeful that all individuals and groups interested in educational television will put their minds to work on this subject, so that meaningful analysis and appropriate action can be taken to assure the continued expansion and growth of this significant service to the public.

It should be noted that a special commission made up of outstanding leaders and citizens has been created to study this overall problem. This group is known as the Carnegie Commission on Educational Television. Mr. James R. Killian, Jr., chairman of the Massachusetts Institute of Technology, is the head of the commission. This commission has been conducting an extensive study of this field and expects to submit a report with recommendations before the end of the year. Its findings and recommendations shall play an important role in our deliberations. We hope it will be expedited.

CONCLUSION OF MORNING BUSINESS

The PRESIDING OFFICER. Is there further morning business?

Mr. INOUYE. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. TOWER. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Is there further morning business? If not, morning business is closed.

HOUSING AND URBAN DEVELOPMENT ACT OF 1966

Mr. INOUYE. Mr. President, I ask unanimous consent that the unfinished business be laid before the Senate.

The PRESIDING OFFICER. The bill will be stated by title.

The ASSISTANT LEGISLATIVE CLERK. A bill (S. 3711) to amend and extend laws relating to housing and urban development, and for other purposes.

The PRESIDING OFFICER. Is there objection to the consideration of the bill?

There being no objection, the Senate proceeded to consider the bill.

Mr. COOPER. Mr. President, I send to the desk an amendment and ask that it be stated.

Mr. TOWER. Mr. President, a point of order.

The PRESIDING OFFICER. The pending business is an amendment by the Senator from New York.

The question is on the amendment of the Senator from New York.

Mr. PROXMIRE. Mr. President, it is my understanding that the majority leader discussed this situation with the Senator from New York. The Senator from New York must be in committee until after 12 o'clock. It was understood the Javits amendment would not be discussed until later. So I ask unanimous consent that it be temporarily laid aside, so that the Senator from Kentucky may offer his amendment.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

The amendment offered by the Senator from Kentucky [Mr. COOPER] will be stated.

The assistant legislative clerk read Mr. COOPER's amendment, as follows:

Page 36, strike out lines 17 through 20. Renumber succeeding sections accordingly.

Lines 17 through 20, page 36, proposed to be stricken out, are as follows:

"REPEAL OF PROVISION FOR SALE OF FOREST HILLS PROJECT, PADUCAH

"SEC. 509. Section 1005 of the Housing Act of 1964 is repealed."

The PRESIDING OFFICER. The Senator from Kentucky is recognized.

Mr. COOPER. Mr. President, my amendment goes to section 509 of the bill before us. I shall read that section, beginning with line 17, on page 36:

Repeal of provision for sale of Forest Hills Project, Paducah.

SEC. 509. Section 1005 of the Housing Act of 1964 is repealed.

In the report, on page 26, I find the explanation of this section. The report reads as follows:

REPEAL OF PROVISION FOR SALE OF FOREST HILLS PROJECT, PADUCAH

Section 509 of the bill repeals section 1005 of the Housing Act of 1964, because it cannot be put into effect.

That section of the 1964 act directed the sale of an FHA-acquired rental housing project in Paducah, Ky., to the Paducah-McCracken County Development Council for use as a dormitory by the Paducah Junior College. The college has received private land donations and does not want the project.

When I found this notation in the report, I was very much surprised. My colleague [Mr. MORTON] and I and the Congressman from the first District of Kentucky, Representative STUBBLEFIELD had discussed over several years with the FHA officials here and with the members of the Paducah-McCracken County Development Council and other civic groups in the area, plans for possible acquisition of this property.

As a result of these consultations and discussions, and after gaining the agreement of the Federal Housing Administration, a provision was adopted by the Congress in the Housing Act of 1964, providing that a sale of this property could be made to the Paducah-McCracken County Development Council for $1 million for use as a public facility.

In the report on S. 3711, which the committee filed this week, the explanation of this situation is that Paducah Community College has received private land donations, and does not want the project. The statement of the views of the Department notes that the development council has uses of this facility under consideration, but the statement also indicates that efforts to arrange financing are incomplete.

When I saw this provision of the bill, I called the Paducah-McCracken Development Council and I talked to officers of the council, who were surprised to learn of this language to repeal completely the provision of the 1964 act. They told me that they have been having discussions with the FHA, and that their last information was that they would have the leeway necessary to work out the sale.

I asked the president and the members of the council yesterday, to wire me their position, and also to send a wire to the floor manager of the bill.

In response to my request, I have received this wire, which I shall now read into the RECORD.

PADUCAH, KY.,
August 11, 1966.

Senator JOHN SHERMAN COOPER,
Senate Office Building,
Washington, D.C.:

Confirming our telephone conversation the Paducah McCracken County Development Council, Inc., sincerely urges that the legislation now being considered which would repeal section 1005 of the Housing Act of 1964 not be passed. This community now feels that it has solved this problem and merely needs additional time to allow the existing law to be put into effect.

Section 1005 of the Housing Act of 1964 authorized and directed the Federal Housing Commission to sell to the Paducah-McCracken County Development Council, Inc. of Paducah, Kentucky, the Forest Hills housing project for use as a public facility. Included in this act was the possibility that the property might be utilized by Paducah Jr. College, but only if deemed appropriate by the Development Council.

At this time the Paducah-McCracken County Development Council, Inc., is vitally interested in obtaining the Forest Hills project for use as a public facility, even though it is not definitely known whether the use will be in connection with the Paducah Jr. College. Difficulties in financing including the so-called tight money market have dictated the delay which has occurred, but the development council is actively pursuing a new approach utilizing the credit of the city of Paducah, and is most encouraged that the purchase can be successfully consummated in the near future.

The Forest Hills project presents the same problems to the entire Paducah area that it always has, and the community at large is still as vitally concerned with these problems as any alert and vital community would be in similar circumstances. Considerable time, effort and expense has been expended by the development council and the community endeavoring to acquire this property for the benefit of the local citizenry, and if the enabling legislation were to be changed at this time, it would indeed be a serious mistake.

PADUCAH-MCCRACKEN COUNTY
DEVELOPMENT COUNCIL, INC.,
GEORGE P. CROUNCE,
President.
WM. R. BLACK,
Vice President.
J. S. YOUNG,
Secretary-Treasurer.
JAMES C. RIEKE,
Chairman, Forest Hills Committee.

Mr. PROXMIRE. Mr. President, will the Senator from Kentucky yield?

Mr. COOPER. I yield.

Mr. PROXMIRE. Mr. President, the Senator's amendment has a great deal of merit, of course, because the committee did have the information that the college does not want the project. As the Senator from Kentucky has pointed out, that is in the committee report.

However, it is now our understanding, as the Senator from Kentucky has made it clear, that the college does want the project. Under those circumstances, we have discussed this matter with the agency, and they would be very interested in this kind of an amendment, but wonder if it would be possible to limit the time during which the property could be acquired.

How much time would they want?

Mr. COOPER. I have no way of knowing what time is required to work out the sale, but I do not think the agency means to speak of the provision in the law as applying only to the college located in Paducah. The college was to have particular consideration, but it is clear from section 1005 that the development council was to be the purchaser, and I would like to read for the RECORD this section of the law:

SEC. 1005. The Federal Housing Commissioner is authorized and directed to sell to the Paducah-McCracken County Development Council, Incorporated, of Paducah, Kentucky, for use as a public facility (including such use by the Paducah Junior College as may be deemed appropriate by such Council), and for a total price of $1,000,000, all right, title, and interest of the United States in and to the housing project in Paducah known as Forest Hills (a project constructed under title VIII of the National Housing Act as in effect prior to August 11, 1955, and subsequently acquired by the Federal Housing Administration).

So the provision is not limited to the college, but I am not able to say whether the college has use now for the project or not. I do know, though, that the development council is working to arrange the financing and put the facility to public use.

Mr. PROXMIRE. The Senator is correct. It is my understanding that that was the primary purpose, but it certainly is not limited.

Mr. COOPER. Yes; I agree, and I would hope that my amendment would leave the situation clearly unchanged.

Mr. PROXMIRE. The Senator is correct.

Mr. COOPER. I was surprised that the provision was included in this housing bill, while the efforts to make the sale are continuing. When I talked to the members of the council yesterday, they were surprised, and they seemed to feel that they had not received adequate notice to give all the details.

After these long negotiations have been going on regularly for 2 years, I would not think it fair to seem to pull the rug from under the Paducah plans and efforts. I would hope the Senate will pass my amendment and leave the law as it is now.

I realize this matter will probably go to conference, and I am sure that by the time the House considers its bill and any provision reaches conference, full information can be developed and it can be

determined whether section 1005 should be amended by placing a time limit on it. But at the moment, I am not prepared to accept any time limit which would restrict this authority for Paducah and McCracken County, and I believe it would be best to keep the present law.

Mr. PROXMIRE. Mr. President, I think the Senator from Kentucky makes a very strong case. The fact is that the amendment will go to conference, and there will be an opportunity to discuss a time limitation on it. I am happy to accept the amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Kentucky.

The amendment was agreed to.

The PRESIDING OFFICER. The bill is open to further amendment.

Mr. WILLIAMS of Delaware. Mr. President, the remarks I wish to make about this bill, and primarily about the manner in which——

The PRESIDING OFFICER. The Senate will be in order.

Mr. JAVITS. Mr. President, will the Senator yield to me?

The PRESIDING OFFICER. The Senator from Delaware has the floor.

Mr. JAVITS. Will the Senator yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. JAVITS. Mr. President, I should like to have my amendment the pending business, though the Senator, of course, will speak. So, with his permission, I call up my amendment.

Mr. PROXMIRE. Mr. President, it is my understanding that the amendment of the Senator from New York was only temporarily laid aside so that the amendment of the Senator from Kentucky could be called up. Therefore, the Senator's amendment would now be the pending business; is that not correct?

The PRESIDING OFFICER. The Senator from Wisconsin is correct. The amendment of the Senator from New York is the pending business.

Mr. WILLIAMS of Delaware. Mr. President, in recent weeks I have been discussing numerous situations wherein there has been an abuse under existing policies of the FHA. Today I have other situations which should be called to the attention of the Senate at this time. This is something which cannot altogether be corrected by the amendment of existing laws. It is largely a policy or procedural matter. The situation is largely the result of the incompetence of some of the public officials administering the program, with the result that, once again, we are getting back to the era of windfall profits being allowed by this agency.

In fairness I should add that many of the decisions I shall criticize here today were made prior to the administration of Mr. Brownstein; therefore I do not hold him responsible except to the extent that some of the officials who made these decisions are still on the payroll. It is his responsibility to have them replaced.

In 1954 the country was shocked by the substantial windfall profits under FHA projects that were disclosed to have developed at that time. We thought that we had stopped this practice by putting limitations on the amount of a mortgage which could be extended by the FHA under the various programs, but we find that they are now getting around that limitation by inflating the valuation of the land and the costs of construction, with the result that many of the sponsors or promoters of projects—particularly multifamily projects—are, in effect, today obtaining mortgages running as high as 105 to 110 percent of cost. I wish to discuss a few of these situations which were pointed out in the Comptroller General's reports submitted to Congress in earlier months. I regret that these reports have not been given more attention and that the agency has not been called to task a little more sharply. This discussion will cover reports in 1963, 1964, 1965, and 1966 to show that the pattern still prevails.

Mr. President, I have on numerous occasions called attention to specific examples of the irresponsible approval of FHA mortgage guarantees on multifamily homes whereby the promoters with little or no risk were reaping large windfall profits and then turning the bankrupt project over to the FHA, sometimes before final completion.

These windfall profits result from appraisals of land far in excess of actual costs—builder's fees, excessive promoter's costs, et cetera—that are approved as a part of the mortgage.

The result is that instead of the FHA guarantee being confined to 90 percent of the construction cost, the mortgage frequently represents far in excess of 100 percent of actual costs.

Nonprofit projects which are approved at 100 percent guarantee ofttimes run far above costs.

I now call attention to a GAO report that was furnished the Senate Banking and Currency Committee—Report No. B-114860 dated December 6, 1963. This report outlines the procedure whereby these windfall profits accrue and cites the result of a survey of 89 projects. For 87 of the 89 projects reviewed, FHA's estimate of the value of the land exceeded the cost to the sponsors.

The land for 43 of the 89 projects surveyed by the General Accounting Office had been held for less than 1 year. Of these 43 tracts of land the Federal Housing Administration placed valuation of $6,375,087 against a cost of $4,258,024. This represented a 50-percent markup for the promoters.

The FHA's valuation on 24 tracts of land which had been held for over 1 year but less than 3 years was nearly double the actual cost, or $6,240,087 against actual cost of $3,364,998.

Four tracts of land with a cost of only $70,500 to the sponsors were appraised by FHA for $761,504, or over 10 times the sponsors' actual cost.

The 18 other tracts of land surveyed were appraised by the FHA at nearly 2½ times the sponsors' costs.

These represent unwarranted windfall profits at taxpayers' expense.

At this point I ask unanimous consent to have printed in the RECORD the General Accounting Office's breakdown of these overappraisals in the 89 projects examined.

There being no objection, the analysis was ordered to be printed in the RECORD, as follows:

SUMMARY

A summary of the information disclosed by our comparison follows.

1. For 87 of the 89 projects reviewed, FHA's estimates of the value of the land exceeded the costs of the land to the sponsors.

2. Of the 89 projects sites, 67 sites (75 percent of the projects reviewed) had been held for periods of less than 3 years prior to FHA's valuations. Following are a summary of the sponsors' holding periods for the 89 project sites and a comparison of the sponsors' costs with FHA's valuations.

Sponsors' holding period	Project sites		Sponsors' cost	FHA's valuation	Ratio of FHA's valuation to sponsor's cost (percentage)
	Number	Percent of total			
Less than 1 year	43	48	$4, 258, 024	$6, 375, 087	150
At least 1 year but less than 2 years	12	14	2, 345, 225	4, 258, 412	185
At least 2 years but less than 3 years	12	14	1, 019, 773	1, 981, 675	200
At least 3 years but less than 5 years	9	10	1, 169, 802	2, 554, 340	217
At least 5 years but less than 10 years	9	10	683, 260	1, 685, 500	240
10 years or more	4	4	70, 500	761, 504	1, 081
Total	89	100	9, 546, 584	17, 616, 518	

Mr. WILLIAMS of Delaware. The FHA on these 89 projects gave the sponsors a $17,616,518 valuation on land that cost only $9,546,584.

Under the insurance formula for FHA mortgage guarantee, this represented a multimillion-dollar windfall to the promoters. In addition to the windfall profits as the result of a markup of land valuation, the FHA has been overly liberal in its allowances for builders' fees and promotional costs being paid with mortgage proceeds.

For example in the Cincinnati, Ohio, office five projects were constructed under section 221.

Under Section 221 the loan-to-value ratio for public, nonprofit, or cooperative mortgagor is 100% of F.H.A. estimated project replacement cost; for other mortgagors, 90% of estimated replacement costs.

These five projects were given FHA mortgage insurance in the amount of $12,729,400 against actual project costs of $12,131,371, or an average of 105 percent mortgage insurance.

In addition, the promoters of these five Cincinnati projects were allowed $828,657 in builders' fees.

The GAO report shows that on another project in Boston, Mass., one promoter was allowed a builder's fee of $97,066, a land markup above costs of $122,560, which resulted in a mortgage of $1,143,593, or 108 percent of actual project costs.

A second builder in Boston collected $92,924 in builder's fees, had his land appraised by FHA at $206,620 above his actual costs, and was then approved for an FHA mortgage of 103 percent of actual costs.

In Detroit the promoter of one project was approved for FHA mortgage insurance of $981,500 against actual cost of $945,783, or 104 percent. This builder collected builder's fees of $74,372 and had a $70,413 markup of his land above cost.

I quote one paragraph from this GAO report which emphasizes that these windfall profits were not intended under the law:

> Under Section 227 of the National Housing Act, a mortgagor may include in certified project costs, in addition to the cost of construction, "other items of expense" approved by F.H.A. The act also provides that if, after application of the loan-to-value ratio, the mortgagor's certified project costs are less than the insurable mortgage as previously established, the insurable mortgage must be reduced by the amount of such difference.

Under section 207 the loan-to-value ratio for FHA mortgage guarantee is 90 percent of FHA's estimated project value.

Under section 207 the San Diego insuring office approved 11 projects upon which the promoters and FHA agreed on cost figures of $15,301,229. Based on these figures under the 90-percent mortgage ratio, the FHA then approved guarantees on mortgages in the amount of $13,503,700. The GAO checked these 11 projects and found that the figures included land markups of $679,292 above actual cost. In addition the promoters were allowed $611,235 in builders' fees. When this was taken into consideration it resulted in a mortgage of 97 percent instead of the legal 90 percent.

Every one of these San Diego projects was in default as of the date of the survey. A full list of the projects will be included in the table inserted at the end of my remarks.

Just why the congressional committees and the FHA have not been more concerned as to the result of this survey by GAO, I do not know, but the American taxpayers and the homebuyers whose mortgage insurance payments underwrite these losses are entitled to a better answer than that presented thus far.

This GAO report which was sent to the congressional committee should be made an official public document and read by every Senator.

At this point I ask unanimous consent to have printed in the RECORD the amount of FHA insured mortgage proceeds as compared with actual projects.

This compilation was prepared by the General Accounting Office and is broken down by projects, locations, builders' fees allowances, as well as the excess of FHA land valuation over sponsors' actual costs.

There being no objection, the compilation was ordered to be printed in the RECORD, as follows:

Comparison of the amount of FHA-insured mortgage proceeds with actual project costs

Project	Section of the National Housing Act	Project status at July 31, 1963	Certified project costs			Less		GAO computation of actual project costs	FHA insured mortgage proceeds	
			Costs as submitted by mortgagor	Costs disallowed by FHA	Costs allowed by FHA	Builder's fee	Excess of FHA land valuation over costs		Amount	Percent of actual project costs
Atlanta insuring office:										
A-2	207	Insured [1]	$2,419,156	$5,913	$2,413,243		$159,261	$2,253,982	$2,095,300	93
A-3	207	do.[1]	5,695,620	2,952	5,692,668		116,801	5,575,867	5,051,500	91
A-4	207	do.[1]	2,718,205	75,360	2,642,845		35,000	2,607,845	2,272,500	87
A-1	213	Assigned	3,935,455		3,935,455	$188,661	192,299	3,554,495	3,395,000	96
Total			14,768,436	84,225	14,684,211	188,661	503,361	13,992,189	12,814,300	
Boston insuring office:										
B-1	207	Insured	1,339,158	57,055	1,282,103	97,066	122,560	1,062,477	1,143,593	108
B-2	207	do	1,462,137	16,300	1,445,837	94,575	115,929	1,235,333	1,210,500	98
B-3	207	do	2,353,673		2,353,673		135,771	2,217,902	2,080,900	94
B-4	207	do	1,912,078	35,400	1,876,678	92,924	206,620	1,577,134	1,630,000	103
B-5	207	do	1,628,551	15,120	1,613,431	36,101	28,639	1,548,691	1,321,800	85
Total			8,695,597	123,875	8,571,722	320,666	609,519	7,641,537	7,386,793	
Chicago insuring office:										
Ch-1	207	Insured	5,628,276	54,248	5,574,028		260,950	5,313,078	4,883,900	92
Ch-2	207	do	3,605,358	39,910	3,565,448	146,133	65,000	3,354,315	2,998,000	89
Ch-3	307	do	5,255,198	346,216	4,908,982		85,000	4,823,982	4,418,083	92
Ch-4	207	do	4,432,261	56,000	4,376,261	134,984	88,000	4,153,277	3,844,400	93
Ch-5	207	do	1,161,018	153,178	1,007,840	28,478	3,000	976,362	845,600	87
Total			20,082,111	649,552	19,432,559	309,595	501,950	18,621,014	16,989,983	
Cincinnati insuring office:										
Ci-4	221	Insured	4,360,491	173,488	4,187,003	244,208		3,942,795	4,177,500	[2] 106
Ci-5	221	do	2,366,492	92,028	2,274,464	133,023		2,141,441	2,254,500	[2] 105
Ci-6	221	do	3,390,652	128,054	3,262,598	191,159		3,071,439	3,206,900	[2] 104
Ci-7	221	do.[1]	3,372,990	336,428	3,036,562	247,467		2,789,095	2,923,000	[2] 105
Ci-2	221	Assigned	199,651		199,651	12,800	250	186,601	167,500	[2] 90
Total			13,690,276	729,998	12,960,278	828,657	250	12,131,371	12,729,400	
Cl-3	207	Insured	937,325	75,068	862,257	35,026	7,300	819,931	746,953	91
Cl-4	207	do.[1]	3,203,649	25,631	3,178,018	143,213		3,034,805	2,685,200	88
Cl-5	220	Reinsured, sec. 221	852,088	1,835	850,253	74,159		776,094	763,200	98
Cl-6	220	do	1,076,812	24,291	1,052,521	90,919		961,602	945,300	98
Cl-7	220	do	2,619,661	68,056	2,551,605	207,318		2,344,287	2,160,300	92
Cl-1	207	Insured [1]	453,702		453,702		900	452,802	346,200	[3] 76
Cl-2	207	do	576,215	41,955	534,260	36,512	750	496,998	476,400	96
Cl-8	220	Reinsured, sec. 221	1,213,126	684	1,212,442	105,587		1,106,855	1,090,400	99
Total			10,932,578	237,520	10,695,058	692,734	8,950	9,993,374	9,213,953	
Coral Gables (Miami) insuring office:										
Co-1	213	Insured	3,362,160		3,362,160		106,785	3,255,375	3,172,300	[4] 97
Detroit insuring office:										
D-1	207	do	415,459		415,459	22,899	27,395	365,165	353,700	97
D-2	207	do	1,290,287		1,290,287	78,061	104,660	1,107,566	1,116,900	101
D-3	207	do	782,153		782,153	47,324	7,688	727,141	703,388	97
D-4	207	Assigned	183,252	2,471	180,781		830	179,951	155,100	86
D-5	207	Acquired	1,667,430		1,667,430		65,000	1,602,430	1,482,200	92
D-6	207	Insured	1,091,923	1,355	1,090,568	74,372	70,413	945,783	981,500	104
D-7	207	do.[1]	616,263	1,545	614,718	39,579	8,242	566,897	527,400	93
D-8	207	do	6,920,485	6,034	6,914,451	315,665	302,893	6,295,893	6,147,800	98
Total			12,967,252	11,405	12,955,847	577,900	587,121	11,790,826	11,467,988	
Hartford insuring office:										
H-1	207	Insured	1,975,122		1,975,122	122,220	85,327	1,767,575	1,720,000	97
H-2	207	Assigned [1]	1,083,704	2,830	1,080,874	67,540	50,000	963,334	955,000	99
H-3	207	Insured	1,774,506	17,236	1,757,270	107,309	36,100	1,613,861	1,575,000	98
H-4	207	do	3,469,440	28,391	3,441,049	162,117	64,600	3,214,332	3,041,000	95
H-5	207	do	1,173,576	2,199	1,171,377	65,351	500	1,105,526	1,039,600	94
Total			9,476,348	50,656	9,425,692	524,537	236,527	8,664,628	8,330,600	

See footnotes at end of table.

Comparison of the amount of FHA-insured mortgage proceeds with actual project costs—Continued

Project	Section of the National Housing Act	Project status at July 31, 1963	Certified project costs			Less		GAO computation of actual project costs	FHA insured mortgage proceeds	
			Costs as submitted by mortgagor	Costs disallowed by FHA	Costs allowed by FHA	Builder's fee	Excess of FHA land valuation over costs		Amount	Percent of actual project costs
Kansas City insuring office:										
K-4	207	Insured	$558,734	$23,859	$534,875	$34,338	$19,228	$481,309	$434,000	90
K-1	220	Assigned	2,564,569	91,804	2,472,765		11,800	2,460,965	2,225,000	90
K-2	220	Insured	3,106,726		3,106,726	269,380	46,950	2,790,396	2,796,000	100
Total			6,230,029	115,663	6,114,366	303,718	77,978	5,732,670	5,455,000	
Los Angeles insuring office:										
L-1	207	Insured	674,897	28,836	646,061	20,140		625,921	554,900	89
L-2	207	Assigned [1]	2,196,725	16,875	2,179,850	92,898	88,500	1,998,452	1,959,500	98
L-3	207	Insured	3,770,911	108,619	3,662,292	146,874	17,300	3,498,118	3,224,000	92
L-5	220	do	21,219,599	248,554	20,971,045	1,766,550	555,000	18,649,495	18,604,500	100
L-4	213	do	1,762,431	14,221	1,748,210		38,430	1,709,780	1,605,000	[5] 94
Total			29,624,563	417,105	29,207,458	2,026,462	699,230	26,481,766	25,947,900	
New York insuring office:										
N-1	207	Under modification	2,015,848	16,784	1,999,064	118,385	121,522	1,759,157	1,756,000	100
N-2	207	Insured	2,624,815		2,624,815	126,564	105,400	2,392,851	1,935,700	81
Total			4,640,663	16,784	4,623,879	244,949	226,922	4,152,008	3,691,700	
Philadelphia insuring office:										
P-2	207	Insured [1]	4,907,643		4,907,643	215,147	297,800	4,394,696	4,277,500	97
P-3	207	do	4,763,846	143,081	4,620,765	252,040	116,000	4,252,725	4,138,800	97
P-4	207	do	6,915,929	231,968	6,683,961	374,534	156,370	6,153,057	5,955,900	97
P-5	207	Assigned	3,982,253	84,231	3,898,022	209,510	39,162	3,649,350	3,371,400	92
P-8	220	Insured [1]	8,863,592	307,870	8,555,722	755,612		7,800,110	7,401,400	95
P-9	220	do.[1]	9,020,951	371,326	8,649,625	786,330		7,763,295	7,705,035	98
P-10	220	do.[1]	5,711,547	235,231	5,476,316	476,419		4,999,897	4,826,000	97
Total			44,165,761	1,373,707	42,792,054	3,069,592	609,332	39,113,130	37,676,035	
Phoenix insuring office:										
Ph-2	207	Insured [1]	1,673,955	56,692	1,617,263		37,500	1,579,763	1,409,400	89
Ph-3	207	do.[1]	1,009,584	50,814	958,770	39,719	47,609	871,442	846,900	97
Ph-1	231	do	2,052,406	10,117	2,042,289	165,722	30,498	1,846,069	1,725,600	93
Total			4,735,945	117,623	4,618,322	205,441	115,607	4,297,274	3,981,900	
S-1	207	Assigned	4,498,304	16,542	4,481,762	178,344	144,575	4,158,843	4,033,500	97
S-3	231	Insured	2,687,035		2,687,035	218,707	254,769	2,213,559	2,394,200	108
Total			7,185,339	16,542	7,168,797	397,051	399,344	6,372,402	6,427,700	
St. Louis insuring office:										
SL-1	220	Assigned	2,822,760	1,051	2,821,709	248,267		2,573,442	2,505,600	97
SL-2	220	do	5,284,959	25,466	5,259,493	461,019		4,798,474	4,436,100	92
SL-3	220	do	5,704,133	40,624	5,663,509	496,107		5,167,402	4,985,400	96
SL-4	220	do	2,357,328	14,934	2,342,394	199,367		2,143,027	1,866,800	87
SL-5	220	Under modification	2,187,314		2,187,314	190,467		1,996,847	1,963,100	98
Total			18,356,494	82,075	18,274,419	1,595,227		16,679,192	15,757,000	
San Diego insuring office:										
SD-1	207	Assigned	1,511,901	8,181	1,503,720	68,300	99,879	1,335,541	1,285,800	96
SD-2	207	do	1,837,635		1,837,635	86,842	109,169	1,641,624	1,631,600	99
SD-3	207	do	1,313,294		1,313,294	58,971	100,041	1,154,282	1,163,000	101
SD-4	207	do	1,044,086		1,044,086	45,378	49,256	949,452	842,000	89
SD-5	207	do	1,523,850		1,523,850	70,949	77,684	1,375,217	1,369,700	100
SD-6	207	do.[1]	954,830	250	954,580	49,616	12,000	892,964	840,500	94
SD-7	207	do.[1]	952,805	250	952,555	49,653	12,000	890,902	840,500	94
SD-8	207	do	1,198,544		1,198,544		41,078	1,157,466	1,069,300	92
SD-9	207	do	1,280,857	13,744	1,267,113	65,237	30,000	1,171,876	1,138,000	97
SD-10	207	do	1,270,354		1,270,354		54,099	1,216,255	1,135,100	93
SD-11	207	do	2,439,729	4,231	2,435,498	116,289	94,086	2,225,123	2,188,200	98
Total			15,327,885	26,656	15,301,229	611,235	679,292	14,010,702	13,503,700	
San Francisco insuring office:										
SF-4	207	Insured	779,140	2,804	776,336	24,699	139,924	611,713	560,800	[3] 92
SF-5	207	do	508,572	771	507,801	32,952	95,706	379,143	377,229	99
SF-7	220	Assigned	1,345,354	2,665	1,342,689	109,794		1,232,895	1,204,998	98
SF-6	221	do	738,406	13,752	724,654		10,650	714,004	687,600	[2] 96
Total			3,371,472	19,992	3,351,480	167,445	246,280	2,937,755	2,830,627	
Seattle insuring office:										
Se-1	207	Insured [1]	1,144,226		1,144,226		7,937	1,136,289	956,249	84
Se-2	207	do	1,338,384	3,500	1,334,884		37,000	1,297,884	700,000	54
Se-3	207	do	3,449,021	14,201	3,434,820		79,000	3,355,820	2,898,100	86
Total			5,931,631	17,701	5,913,930		123,937	5,789,993	4,554,349	
Tampa insuring office:										
T-3	207	Assigned	594,898	29,460	565,438	26,425	11,968	527,105	470,000	89
T-1	213	do	2,168,139	30,462	2,137,677	85,116	168,000	1,884,561	1,806,700	96
T-2	213	do	897,988	21,000	876,988	44,623	63,411	768,954	697,400	91
Total			3,661,025	80,922	3,580,103	156,164	243,319	3,180,620	2,974,100	
Grand total			237,205,565	4,172,001	233,033,564	12,220,034	5,975,704	214,837,826	214,905,328	

[1] Under modification agreement for periods which ended prior to July 31, 1963.
[2] Limited by 100 percent loan to value ratio.
[3] Limited by 80 percent loan to value ratio.
[4] Limited by 95 percent loan to value ratio.
[5] Limited by 97 percent loan to value ratio.

Mr. LAUSCHE. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. LAUSCHE. What, if any, action has been taken by Government agencies to ascertain why this indefensible practice goes on?

Mr. WILLIAMS of Delaware. I shall answer that in two steps. As to what action has been taken by the Department, the answer is "None." As to what other acknowledgment the Department made of these reports, we got a promise to do better next time. I shall review a report which I have put in the RECORD, a report which was filed with both committees of Congress in 1963 and with Congress—they show what happened.

One might ask why we should bring this up now. I am going to follow through for 1963, 1964, 1965, and 1966 with General Accounting Office reports showing that each year the Comptroller General has called these excess markups to the attention of Congress. They have repeatedly called attention to the windfall profits that are accruing to the sponsors. Each year nothing is done about it except to go on and approve an extension of the project, as we are asked to do here today. All we have received from the agency is promises and no action. The same thing is going on today. The same personnel are making these decisions. We are today still approving projects in excess of the actual cost of the land.

Mr. President, just a couple of weeks ago I called attention to a project in Tucson, Ariz., which has gone broke this year. There was a half-million-dollar markup on the land in that Tucson project.

The FHA has furnished some reports and indicated that its records did not show the cost of the land. They indicated that they had done the best they could. There are records, and the court records which were later examined show that there was over a half-million-dollar markup. This information was available to the agency at the time.

I am going to cite examples in which the reports they have sent to Congress in answer to certain questions do not tell the whole story. The agency's records do show these markups. It had been warned by its own underwriters in the areas that the projects were inflated and not feasible and should not be approved. Notwithstanding that, it has overridden the advice and warnings of its own underwriters.

I cite one project which was built in Texas. In that project the underwriters warned that the project was not economically feasible. In addition they said that the applicant had a miserable record of earlier failures with the FHA. In 1954 he was found to have been involved in the windfall profits from the Government under this same agency. He was bitterly denounced by the committee at that time as being an irresponsible builder.

He went back into the building business again. I shall cite that particular case because I think it points up very quickly what I am talking about.

This particular man came back in 1960 and filed an application for a project in Syracuse, N.Y., for The Towers project. His application was for $6,013,800. The application of this man who had such a miserable record was approved. The project went broke. The Comptroller General estimated that we will have a loss of at least $2,300,000 on this $6 million project. Apparently the FHA liked the way he did business.

One year later the same man was down in Texas, this time in Dallas. He applied for the Turtle Creek Square project.

And again the local underwriters said that this project was not feasible and wanted to reject his application.

I should like to read what the local underwriters said, what the director said about this project, and the steps that followed.

Mr. LAUSCHE. How much was involved?

Mr. WILLIAMS of Delaware. There was $11,012,150.

This is the man who was denounced in 1954 as an irresponsible builder. He had a project in New York that was in default.

I will follow through and read excerpts from the agency records. This Texas project was approved in 1961, but it was first initiated in 1960. In the FHA files is a letter dated August 15, 1960, from the director of the Dallas office, Mr. Charles, to the Southern Trust & Mortgage Co., in which he advised them again that the proposal was not economically feasible.

This was August 15, 1960. He was not approving it.

In the FHA files there is a telegram dated September 30, 1960, from the Zone Operations Commissioner, George Hillier, of the headquarters of the FHA in Washington, to Director Charles, in Dallas:

> You are directed to accept and process application for 363 unit Turtle Creek project. Will consult with you further on this. Please acknowledge.

Next I should like to read a letter that was written November 3, 1960—I will put the whole letter in the RECORD—from Mr. Ellis Charles to Mr. George A. Hillier, the Zone Operations Commissioner, in which he rejects this project as not being feasible.

Mr. President, I ask unanimous consent that the entire letter be inserted in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

U.S. GOVERNMENT MEMORANDUM

Date: November 3, 1960.

To: Mr. George A. Hillier, Zone Operations Commissioner.

From: Ellis Charles, Director, Dallas Insuring Office.

Subject: Project No. 112-00038, Turtle Creek Tower Apartments North, Inc., Dr. Daniel Gevinson, Sponsor, Dallas, Tex.

The attached copy of a letter to the mortgagee regarding the captioned subject is to alert Headquarters about the wide variance between the sponsor's estimate of cost and the possible FHA insurable mortgage on the room count criteria, including an allowance for non-dwelling facilities at an estimated amount of 10%.

The fair market value of the land was determined by comparison with other sites in Dallas offering similar amenities developed from current market data.

The sponsor will not be able to complete this project unless he can find additional funds to provide the necessary working capital of some $3,231,000.00. The ratio of loan to cost, based on the sponsor's estimate, would be about 71%. The sponsor would be expected to provide the 29%, and his financial statement does not reflect any available capital.

Dr. Gevinson has not demonstrated satisfactory sponsorship in other FHA rental projects known to this office. He participated in the planning and development of two high-rise Section 608 projects, one in Dallas and the other in Ft. Worth.

These are some of the deficiencies in his operation in developing the above projects which are known to us:

1. Land Acquisition—Location. This was subject to investigation because Clyde Powell made inquiry as to why this office refused to approve the first site proposed.

2. Air Conditioning. The Outline Specifications described a plant having a capacity of 350 tons, and the commitment took this into consideration. However, working drawings and specifications called for 275 tons. This was overlooked in closing, and we were unable to adjust our cost to recognize the lower cost.

3. Architectural Supervision. Shortly after construction commenced, architectural supervision was eliminated. Although we insisted on reducing the estimate of cost by the amount allowed for supervision (2%), we were not supported by Headquarters. Washington advised us that supervision would be interpreted as having been given by the Architect's signature on a request for an advance.

4. Financing Expense. We were encouraged by Mr. Powell to allow 1½% Financing Expense, but later we learned that the mortgage was sold for 103, and Dr. Gevinson received 33⅓ percent of the premium.

5. Since completion, this sponsor has been charged with the following:

a. Unauthorized furnishing of apartments and renting same without FHA approval. He also refused to submit invoices to justify cost of furniture.

b. Unauthorized alteration of building to permit combining two units into one. This involved eight units and reduced the total number, endangering the legality of the mortgage.

c. Unauthorized rental increases.

d. Unauthorized excessive charges for connection to master TV antenna.

e. Unauthorized alteration and use of several living units for commercial usage.

f. Unauthorized collection of rent for tenant auto parking when it was included in total rent.

Under these circumstances, do you feel that we should proceed with processing as instructed in your telegram of September 30, 1960?

ELLIS CHARLES.

Attachment.

Cc: Mr. Edward J. Doe, Ass't. Commissioner Field Operations.

Cc: Mr. Marsh Cunningham, Director, Mortgage Insurance Division.

Mr. LAUSCHE. Who sent the telegram?

Mr. WILLIAMS of Delaware. The telegram was sent from Washington.

Mr. LAUSCHE. At least, it came from the higher up in Washington.

Mr. WILLIAMS of Delaware. It was from Zone Operations Commissioner George Hillier, in Washington, and it was directed to director Charles. This director then sent this letter dated No-

vember 3, 1960, and outlined this experience with Dr. Gevinson and asked:

Under these circumstances, do you feel that we should proceed with discussing as instructed in your telegram of September 30, 1960?

Mr. LAUSCHE. Still protesting?

Mr. WILLIAMS of Delaware. Still protesting. And he said, "Do you feel that we should proceed?"

The next step——

Mr. LAUSCHE. In other words, the local man in charge said: "This project is not feasible. The borrower is irresponsible. Our Government should not make the loan. He has borrowed on a number of occasions, and the loans went wrong, and I advise that the loan be not made."

Mr. WILLIAMS of Delaware. The Senator is correct.

I should like to follow through with the proceedings. They become more interesting as they go along.

On July 27, 1961, there is reference to a 6-page letter from Gevinson to the director, denouncing him because he had refused to raise the land values in line with the high appraisals which the sponsor wanted.

Mr. LAUSCHE. Denouncing the local official?

Mr. WILLIAMS of Delaware. Denouncing this local director who had rejected his project.

But on August 28, 1961, Mr. C. Franklin Daniels, the assistant commissioner of the multihousing projects in Washington, sent a memorandum to this director, Mr. Charles, as follows:

This will confirm our conversation of August 25th in which you are authorized to resolve the difference in land value in captioned case at $4 per s.f., and to proceed diligently with the processing of the project. In accordance with your conversation with M. Starr, he will, upon request, make assistance available to your office.

The sponsor had gone over the director's head because he would not give the sponsor the inflated values, and here we have another directive from Washington, dated August 28, 1961, to go ahead and give him his high appraisals for the land.

In the files of the Department is a memorandum dated September 22, 1961, reading as follows:

On September 22, 1961, processing responsibility was removed from the Dallas Office and detailed to Headquarters Zone personnel. On September 29th, Director Charles was instructed to write Gevinson promising him a commitment by October 15, 1961. Director had stated that he would resign before he would sign this commitment.

Mr. LAUSCHE. Is that the Director——

Mr. WILLIAMS of Delaware. That is the Director who refused.

Here they are taking the project application papers from his office when he refused. They took the papers from him, and I understand they ultimately were sent to Albany, N.Y. They got them approved and sent them back, and the Texas project was approved. It went bankrupt, as it was outlined.

The Comptroller General listed the exceptionally large windfall profits which accrued to the sponsor. Remember the Director had first rejected this project, as did the local underwriters, on the basis that this sponsor was irresponsible and that he had a habit of inflating his costs and taking these windfall profits.

This statement is based on the Comptroller General's audit of the project after it had been approved and went broke. That full report is available to Congress.

Mr. LAUSCHE. What was the amount of that bankrupt project?

Mr. WILLIAMS of Delaware. Eleven million, twelve thousand, one hundred and fifty dollars.

Mr. LAUSCHE. Does this summarize it correctly: that the local persons who were in contact with the investigation, the appraisal, recommended against it?

Mr. WILLIAMS of Delaware. Absolutely.

Mr. LAUSCHE. One of the local officials said, "If you make this loan, I'll resign."

Mr. WILLIAMS of Delaware. He did?

Mr. LAUSCHE. And the loan was finally made, in spite of the protests of the local official.

Mr. WILLIAMS of Delaware. Yes.

Before I read the results of what the Comptroller General discovered in his audit, I shall quote the comments of another underwriter who was called in to review this controversy:

In my 84 comments listed in Chronological Résumé of the processing of this application for mortgage insurance, there were over 48 exhibits in the files indicating in my opinion either irregular practice, unwarranted waivers, overriding of Dallas Office finds, repeated concessions to sponsor's expressed wishes, and, finally the removal of processing authority form the Dallas Office.

It is my opinion that this project has been overestimated and overappraised.

It is my opinion that this project will be in distress from the time it is completed until FHA acquires it. I base my opinion on many facts, including the tremendous number of apartments that have been constructed with conventional financing over the past 5 years in Dallas, and continue at an increasingly rapid rate.

This underwriter severely criticized the manner in which this project had been approved, overriding all of the recommendations of the local people.

Let us continue. What did the Comptroller General find in his audit after this project had gone broke? He found that in this $11,012,150 contract for Turtle Creek, which had been built on a cost-plus basis, the promoter had collected a profit of about $1 million. This profit resulted from inflated subcontractors' profits, and so forth.

This promoter contracted with subcontractors whom he controlled. For example, the promoter subcontracted the contract for the carpets in this project. The subcontract, as reported and included in the mortgage, was $348,200. He actually paid only $219,800, so he picked up a $128,400 windfall on that subcontract, or a profit of 58 percent.

He subcontracted the garage paving in the same project to another controlled subcontractor for $96,000 and included that as a cost, and it only cost $37,400. He made $58,600, or 57 percent profit.

Tht painting was subcontracted for $204,700, but he actually paid the subcontractor $144,500, and he made $60,200, or a profit of 42 percent on that subcontract.

The Comptroller General said that altogether this man scalped over $1 million in windfall profits on this project.

Mr. LAUSCHE. What has been done up to this point? What has been done up to this time?

Mr. WILLIAMS of Delaware. Does the Senator mean: What has been done to discipline this man?

Mr. LAUSCHE. To bring him to the bar of justice.

Mr. WILLIAMS of Delaware. At first they were paying no attention to his record. He had another application pending for a project in San Antonio, Tex. On December 12, 1962, that application was approved by the Department. The amount involved there was $8,573,000. They were approving this project for him. This is the third project, but this project did not go through. Why? The agency discovered the man was about to be indicted. I wish to read the letter of May 6, 1963, commenting upon his pending suit and their commitment to finance another project.

Mr. President, I ask unanimous consent that a letter, signed by Marsh Cunningham, dated May 6, 1963, to the director of the local division, be printed in the RECORD at this point.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

FEDERAL HOUSING ADMINISTRATION,
Washington, D.C., May 6, 1963.

Re Project No. 115-00038, One Poinsard Square, San Antonio, Tex.

Mr. C. T. MACLEOD,
Director, Federal Housing Administration, San Antonio, Tex.

DEAR MR. MACLEOD: This will confirm, in part, the telephone conversation had with you last Friday relative to your memorandum of May 1, 1963.

The suit filed against Dr. Daniel Gevinson by John Hans Graham has serious implications. If, at the time of initial closing, false statements were furnished the FHA, then, depending upon the facts obtaining, the party or parties responsible would have to disassociate themselves from the Poinsard undertaking before we proceed to closing.

Meanwhile, there is outstanding a valid commitment, and on request you should be prepared to amend it in accordance with your letter of May 1, 1963, to the National Commercial Bank and Trust Company of Albany, New York. Such an amendment, if made, would not constitute a reopening within the strict meaning of that term as used in the FHA Manual.

Very truly yours,
MARSH CUNNINGHAM,
Director.

Mr. WILLIAMS of Delaware. Mr. President, I wish to summarize. The reason the project was canceled at that time was because he was about to be indicted.

Early in 1964 this matter had been called to my attention. I referred the matter to the Attorney General. They found the overpayments and suggested

that the report be first presented to the Department of Justice. The man was indicted and that canceled the application for this third project. I assume they did not want to visit the Federal penitentiary and disburse the money. However, that cancellation of the later project did not take place until the man was on the verge of going to the penitentiary. Mr. President, why are they doing business with promoters who have such a record? This is one of the many examples continually being called to my attention, and Congress is doing nothing but extending the project.

The time has come when affirmative steps are necessary.

There is overbuilding in these areas resulting from the approval of these economically unsound projects. The result is that responsible builders are unable to compete with this type of operation.

Mr. LAUSCHE. The Senator from Delaware enumerated many transactions. Does the general theme run through those transactions showing that there has been an overevaluation of land so as to qualify the borrower to get the money he needed to construct the project that he had in mind?

Mr. WILLIAMS of Delaware. The Senator is correct. To get around the 90-percent mortgage guarantee basis they overvalue the land. They allow mortgages on the basis of the evaluation of some appraiser who only estimates the value of the land and cost for construction. They do not relate the mortgage to a certified cost, with the result that ofttimes a promoter gets a 105-percent or 110-percent mortgage.

In 1963 the Comptroller General sent another report from which I shall read excerpts. It cites the same type of cases. It is Report No. B118679.

We noted that developers of urban renewal projects in New York City were permitted by the agency to include land in their statements of project costs at its estimated cost rather than actual cost. Our review of a developer's records disclosed that the agency's estimated land cost which was included in the developer's certified statement of project costs was $452,000 in excess of his actual acquisition cost. If actual land cost had been used, as is done in other cities, the insured mortgages for this developer would have been reduced by about $215,000. Since the Federal Government furnishes financial assistance to local communities in making land available to developers at a fair market value for the uses specified in the urban renewal plan, we believe that developers should not be permitted to include such land in their statement of project costs at a value higher than their actual cost of acquiring the land and thereby obtain larger mortgages. The Commissioner has advised us that the agency's regulations will be revised to require sponsors of urban renewal projects to include land in their statements of project costs at its actual acquisition cost.

We noted also that the agency's estimates of project replacement costs (1) did not give consideration to the savings which could reasonably be expected from the simultaneous construction of several projects by the same builder and (2) in all cases included a 10-percent allowance for builders' profit, although in many instances a smaller profit allowance may have been adequate. Both of these factors inflate the estimates of replacement cost and increase the amounts of the mortgages to be insured.

The report continues:

UNJUSTIFIED INCREASES IN MORTGAGE AMOUNTS

At two insuring offices we noted instances where FHA had approved increased mortgage amounts which, in our opinion, were not justified.

At the St. Louis office we found that the statutory per room mortgage limitation had been improperly applied to provide a sponsor with a larger insured mortgage.

At Philadelphia we found that two mortgages had been increased after the projects had been completed.

INFLATED ESTIMATES OF REPLACEMENT COST RESULT IN LARGER INSURED MORTGAGES

Our review disclosed that FHA's estimates of replacement cost of multifamily housing projects to be insured under section 220 were inflated because (1) the estimates did not give consideration to savings which could reasonably be expected from the simultaneous construction of several projects by the same builder and (2) the estimates in all cases included an allowance of 10 percent for builders' profit, although in many instances a smaller profit allowance may have been adequate.

For example, FHA insured a mortgage loan of $10,101,900 to finance the construction of project No. 034-32005, a section 220 project. FHA determined that this project contained 2,425 rooms which permitted a mortgage loan not to exceed $10,114,300. However, under the old criteria this project consisted of only 1,947 rooms. Had the previous method of counting rooms been used, the maximum mortgage would have been $7,587,300, or about $2,500,000 less than was actually insured. Project No. 122-32020 is another section 220 project. FHA determined that this project consisted of 3,176 rooms which permitted a mortgage loan of $16,702,500. However, by excluding balconies, terraces, and other nondwelling space, this project consists of 2,610 rooms which would have reduced the mortgage limitation by about $2,400,000.

I continued reading from this same report:

During our review of mortgagors' and builders' cost certifications, we found several situations which we believe indicate the need for FHA to make tests of these cost certifications submitted by sponsors.

In New York we reviewed the records of the sponsor of six projects insured under section 220. Our review disclosed that the actual cost of the land on which these projects were constructed was $1,543,000, or $452,000 less than the estimated cost of $1,995,000 which FHA used for cost certification purposes. An audit by FHA would have disclosed this large variance between actual and estimated land cost. However, as previously stated, FHA has never made an audit of a sponsor's costs in New York. We noted also that the sponsor of these six FHA projects was also constructing some commercial structures in the urban renewal area, which were conventionally financed, at the same time the FHA-insured projects were being built. The same subcontractors were working on both the FHA projects and the conventionally financed commercial buildings. We believe that where a situation of this nature exists FHA should consider making reviews, on a test basis, of the sponsor's distribution of construction costs between the FHA-insured projects, each representing a separate corporation and a separate mortgage, and the conventionally financed projects.

At the Philadelphia office we reviewed a section 220 project located in Harrisburg, Pennsylvania. The original insured mortgage for this project amounted to $4,462,000. During construction of this project, the Philadelphia office approved certain changes in the plans and specifications which FHA estimated would increase total construction costs by about $200,000. When this project was completed the sponsor had unpaid bills totaling about $500,000, and the sponsor requested FHA for an increase in the mortgage amount. The Philadelphia office reprocessed this case and granted an increase of $364,000 for a total insured mortgage amount of $4,826,000. No audit of the sponsor's costs was made before approving the increase, although officials of the Philadelphia office informed us that they planned to request that the Washington office make an audit of the sponsor's costs.

What did the Commissioners say in reply to the criticism in this report? They advised that in the future the agency regulations would be revised to require sponsors of urban renewal projects to include land at its actual acquisition cost. That is a wonderful promise had it been carried out.

In 1964, a year later, we find another report from the Comptroller General, No. B114860, dated January 30, 1964. I shall quote briefly from that report to show that the same pattern continued:

We found excessive delays in acquiring defaulted multifamily properties and in obtaining control over project operations from the time defaulted mortgages were assigned by the mortgagee until their final acquisition by the Federal Housing Administration. In many of these cases, mortgagors collected rents and made no payments on the mortgage indebtedness while the Federal Housing Administration paid the real estate taxes and hazard insurance on the properties.

For example, in the case of project No. 054-42047, FHA records showed that the mortgagor was collecting the rents from the property since the mortgage had been assigned to FHA in June 1960 and that during this period FHA had been paying the real estate taxes and hazard insurance on the property. A receiver for this project was not appointed until August 1962. Also, FHA records show that in March 1961, 9 months after the mortgage had been assigned, this project was considered to be improperly maintained. In the case of project No. 054-42043, we estimated that, on the basis of the financial statement submitted by the mortgagor prior to default, there would have been about $318,000 in net income available to the mortgagor from the date of default in February 1957 through June 1962. Not only were no payments made on this mortgage since default, but FHA paid the real estate taxes and hazard insurance premiums of about $43,000 so as to protect its residual interest in the project.

FHA incurs a loss on the sale of multifamily properties, and, to the extent that available project income is not applied to the mortgage indebtedness, FHA's losses are increased. For example, project No. 113-42077 went into default in July 1960 and was referred to the Department of Justice for foreclosure in October 1960. A receiver was not appointed, and, in November 1961, FHA acquired the property through foreclosure. FHA estimated that between the date of default and the date of foreclosure the mortgagor collected income from the project in excess of $125,000. FHA indicated also that only a few meager remittances were made on the mortgage indebtedness. The unpaid principal balance of this mortgage at the date of default was about $718,000, and FHA estimated that it would sustain a loss of about $118,000 upon disposition of this property.

This is brought about by virtue of the fact that after the project has defaulted they permit the sponsor to continue to collect the rent even though between

that time and the date of foreclosure the FHA pays the taxes and other charges. In this manner they make an extra windfall profit out of the rent.

There is no excuse for this laxity. In private industry someone would be fired.

In this same report the Comptroller General cites one FHA insuring office where he reviewed several projects built and owned by the same sponsor. This is on page 32 of the report.

Mr. President, I ask unanimous consent that an excerpt from the report be printed in the RECORD at this point.

The PRESIDING OFFICER (Mr. MONTOYA in the chair). Without objection, it is so ordered.

The excerpt is as follows:

Following are examples of charter violations and imprudent financial practices of mortgagors which we noted during our review.

At one FHA insuring office we reviewed the following projects which were built and owned by the same sponsor:

Project No.	Insured		Number of units
	Date	Mortgage amount	
113-42061	Oct. 24, 1950	$1,029,100	160
113-42062	Sept. 29, 1950	505,800	80
113-00029	Apr. 1, 1952	1,489,700	228

The sponsor owned 100 percent of the common stock of the three projects, and FHA held 100 shares of first preferred stock in each of the project corporations.

FHA had determined that for two projects, Nos. 113-42061 and 113-42062, the sponsor obtained "windfall profits"; that is, obtained mortgage proceeds in excess of his actual cost of constructing the projects. A review of the settlement files showed that FHA was able to recover $15,750 of these profits and apply it against the mortgages. The sponsor's original investment in the third project, as shown by the sponsor's financial statements, was $18,000 which was paid for stock in the corporation.

The FHA Internal Audit Division made an examination of the financial records of these three projects in October 1960. This examination showed that from inception of the projects (February 6, 1950, February 6, 1950, and June 7, 1951, respectively) to September 30, 1959, funds of the projects amounting to $317,908 were distributed to the sponsor or other affiliated companies. Of this amount, $141,563 was determined by the FHA Internal Audit Division to be in excess of the amount which would be authorized under the surplus cash concept used by FHA for measuring the amount of funds available for distribution in accordance with sound financial management practices. In addition to these distributions, the mortgagor corporations had paid management fees amounting to $117,508 to an affiliated company of the sponsor.

As of June 30, 1962, FHA's net investment (acquisition cost plus net expenses incurred in operating the properties) in the two acquired projects was $1,262,348. The sponsor, however, as a result of "windfall profits" (see p. 33) had no cash invested in these two projects. FHA, on the other hand, has estimated that upon disposition of these properties it will incur a loss of about $509,000.

At another insuring office we reviewed the following projects which were owned by the same sponsor.

Mr. WILLIAMS of Delaware. This report lists three projects costing $1,029,100, a second costing $105,800, and a third costing $1,489,000. Windfall profits were involved in all three projects.

The same sponsor had all three projects.

Here is another report, dated March of 1965. Again the Comptroller General cites the same type of examples. One could substitute the names of the sponsors and projects, and one would think that he was reading the same reports.

I have suggested that it would be cheaper for the Comptroller General and those in Congress who wish to comment on the reports, to mimeograph many of the reports and speeches, leave blank spaces in them; we could fill in the names and addresses of the sponsors and the projects and we would have the speech ready.

This pattern continues right through the years.

In this report they outline numerous cases of windfall profits, how they inflate land values, and all that one can get from the FHA is, "We are going to do better and correct it."

Mr. President, I ask unanimous consent that excerpts from the report, No. B-114860, dated April 5, 1965, be printed at this point in the RECORD.

There being no objection, the excerpts were ordered to be printed in the RECORD, as follows:

Our review of the sponsor's records pertaining to project construction was made before all the subcontracts had been completed, and therefore we were unable to determine the actual profits which would be realized by the sponsor-owned companies. However, on the basis of the costs recorded at the time of our review and estimates of the additional costs to be incurred, it appeared that upon completion of the project the sponsor-controlled subcontractors would realize profits of about $1 million in connection with the construction of the project. Furthermore, our review disclosed that much of the work subcontracted to the two sponsor-owned companies was not performed by them but was, in turn, subcontracted by them to outside firms. As a result, the cost of the project was pyramided by multiple layers of contracting and subcontracting and included not only the profits realized by the sponsor's companies but also the profits realized by the outside firms which actually performed the work.

For example, the painting work for the project was originally estimated at $204,700 and a fixed-price contract was entered into by the joint venture and one of the sponsor's subcontracting companies for this work in the same amount. The sponsor-controlled company's records show that the actual work was sublet to a painting contractor for $129,900 and that the total costs incurred or to be incurred for painting, including overhead and other charges, amount to $144,500. Thus, the sponsor-controlled company will realize a profit of about $60,200, or 42 percent of cost, on this subcontract.

Another example concerns the furnishing and installation of carpets. This work was included in a subcontract between the joint venture and another sponsor-controlled company. This sponsor-controlled company's records show that the amount related to this work was $348,200. The company's records show also that the actual costs incurred or to be incurred, including overhead and other charges, total $219,800. As a result, the sponsor-controlled company will realize a profit of about $128,400, or 58 percent of cost, on this subcontract. Moreover, we found that the sponsor-controlled company had purchased the carpet materials and had, in turn, contracted with an outside firm for the installation.

Garage paving, which was included in a subcontract between the joint venture and a sponsor-controlled company, provides another example of pyramiding of profits. The sponsor-controlled company's records indicate that it was to receive about $96,000 for garage paving. However, the actual costs incurred or to be incurred by the company, including overhead and other charges, total about $37,400 leaving a profit of about $58,600, or 157 percent of cost. We found that the sponsor-controlled company had sublet the actual paving work to an outside firm.

Mr. WILLIAMS of Delaware. Mr. President, I shall read one paragraph of the Comptroller General's letter to show that the same pattern exists.

Our review of two high-rise multifamily housing projects financed by mortgages insured by the Federal Housing Administration disclosed that subcontractors controlled by the promoters of the projects performed a large part of project construction and that charges to project costs included substantial and possibly excessive and unwarranted profits realized by these subcontractors.

When these windfalls are considered it gives them, not 90 percent and not 100 percent, but a mortgage far in excess of 100 percent. Yet the Department keeps on approving them.

I cited earlier in my remarks here today a report dated in March 1966. The pattern is the same, and the response from the agency is nearly identical. We always get the same promise that they are going to take adequate steps to correct this abuse.

My question is when?

The FHA ought to mimeograph its letters since they are the same; it would save much time.

There is another joker in these bankrupt projects to which I should call attention. I shall cite another example of three projects in Florida. I have commented on these before.

Three projects were built in 1963 and 1964 by the McCloskey interests, of Philadelphia. The first was the Pendleton, at Daytona Beach, FHA mortgage $2,700,000; the second was Twin Towers, at Cape Kennedy, FHA mortgage $2,903,400; and the third, Lucerne Towers, at Orlando, mortgage $3,449,400. A total of more than $9 million in mortgages was involved.

After payments of about $6,572, on these mortgages all three of the projects went bankrupt. The properties were turned over to the Federal Government, and the sponsor is not responsible at all.

If John Doe buys a home for his family under this same program he and his wife are required to sign the mortgage. He is required to pledge as collateral his salary, his current assets, and all that he will own or inherit hereafter—all toward the repayment of the FHA mortgage that he obtains.

But in the case of multifamily projects, all that is required is to form a separate corporation for each project. One group may form numerous corporations. The group gets one separate loan for each corporation, and if one corporation goes broke it does not at all affect the second corporation. If the group happens to build one project that is profitable it keeps it. Those that are not profitable go bankrupt, and the

properties are turned over to Uncle Sam. In the meantime, as builders, the group has received its building fees, markups in land values, and profits, if any.

Mr. LAUSCHE. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. LAUSCHE. The Senator mentioned three transactions of the McCloskey interests. Did I understand the Senator to say that they involved about $9 million?

Mr. WILLIAMS of Delaware. The Senator is correct.

Mr. LAUSCHE. How much was paid to the Government in interest and principal?

Mr. WILLIAMS of Delaware. The report shows that the payments toward principal totaled $6,572.31. This was paid toward the liquidation of the mortgage of more than $9 million.

Mr. LAUSCHE. Then the company went broke?

Mr. WILLIAMS of Delaware. They turn it over to the Government, and the Government will have to take the loss.

Mr. LAUSCHE. It is simply unbelievable that $9 million was put into this operation and only $6,500 was paid back to the Government and then it becomes defunct. How can anyone argue that there was prudence and care exercised in making the original loan under such a shocking situation?

Mr. WILLIAMS of Delaware. It cannot be defended. There is another gimmick used. Each one of these corporations can be controlled by a wholly owned corporation of the parent organization, and if the promoter happens to have some profitable operations in the parent company he can, by filing a consolidated tax return and paying a slight premium, claim depreciation on the bankrupt projects during the period they were in his name and prior to the time they were actually taken over by the Government. This gives him a windfall tax deduction of sometimes another million dollars. Corporations are in the 50-percent bracket; that is one-half paid by the Government. They can take depreciation on their bankrupt projects on which they have never made payments and offset the tax on their profitable operations. This is a shocking state of affairs and the FHA keeps right on approving such operations.

As I discussed yesterday, this is not a homeowner's bill. Far too often we hear it mentioned as a homebuilder's bill. Let us get it in our minds that we are not supposed to take care of this kind of building operation.

I now refer to another case in Texas where a particular project was applied for under the sponsorship of a church, to build a home for the elderly. The sponsors were unable to get a mortgage as high as they wanted. They had estimated the potential rentals would come from the elderly people who would rent apartments in this project which the FHA was financing. No one under the age of 65 would be eligible. These apartments were to be sold and they estimated the life expectancy of the individuals who would occupy the apartments for X number of years. The apartments were sold to these elderly people on the basis that they purchased lifetime rights for the apartments and then they paid a monthly rental for upkeep and services.

At death the occupant would not have any equity in these apartments; this apartment would revert back to the management. The occupant purchased only lifetime rights, on which the sponsors had figured the life expectancy and then averaged it over a 30-year period. Assuming that the life expectancy averaged 10 years this would give them a turnover of three times during a 30-year period. This they had figured in computing the mortgage, but standard rates did not come out to a figure high enough to get the mortgage they wanted. So, what did they do? They revised the life expectancy estimate below the insurance tables down to say 7½ years. This would give them a rollover of four times during that same 30-year period. That would give them an extra million dollars for the mortgage. In other words, they get an inflated mortgage by estimating that the occupants—the elderly citizens who rented apartments in this particular project—would die 25 percent faster than they would if they lived in any other project.

What kind of promotions are we running?

Here is a home for the elderly approved by the FHA on the basis that the people who live there are going to die 25 percent faster than they would if they lived in a conventionally financed project.

Mr. President, if that is the Great Society's philosophy I am glad I am not a member of it. I do not want to live in one of their projects.

This case is a matter of record. An outline of this reasoning is in their own files. They approved it on this basis.

The question is asked, Why do we not offer amendments to this bill? How can we offer an amendment telling the Administrator to exercise some degree of good commonsense?

The only way we can get these indefensible practices stopped is to start a wholesale housecleaning of some of the incompetent personnel and political hacks on the payroll of the FHA.

Mr. LAUSCHE. Does there run through the transactions to which the Senator has been calling attention this technique: first, of overvaluation of property in order to procure the Government's approval; second, frequently subcontractors are hired to do the job for an amount substantially below what was set forth as the cost in the original estimate that was submitted to the Government; third, the supposed investor or owner is allowed to take as compensation a percentage of the cost which become his earnings in the construction of the building?

Mr. WILLIAMS of Delaware. That is correct, plus promotional costs which he is allowed in the mortgage.

Mr. LAUSCHE. Then does it mean this, that he gets all of these benefits without being tied down at all against the contingency of anything going wrong, except that the corporation is tied down?

Mr. WILLIAMS of Delaware. They start out on many of the projects with an actual cash profit and no money of their own invested.

Mr. LAUSCHE. The profits have begun. They already have their profits?

Mr. WILLIAMS of Delaware. Yes. They construct the building, take their profits, and then turn the mortgage back to the Government saying, "It is yours."

There is another loose practice which has been discovered in the last couple of years. It is beginning to fan out and is on the verge of becoming a wholesale operation. The committee should take a position on it. I refer to section 202 of the National Housing Act under which private nonprofit corporations established for the purpose of providing housing and related facilities for elderly citizens are eligible for loans.

I am quoting now from a bulletin, a report put out by a Washington promoter. Promoters are going around leaving these pamphlets which are marked "Strictly Confidential." I do not think it is really confidential except they do not want Congress to see it. Perhaps they did not intend to give one to me.

HIGHLIGHTS OF SENIOR CITIZENS HOUSING DIRECT LOAN PROGRAM—SECTION 202 OF THE NATIONAL HOUSING ACT

ELIGIBILITY

Private non-profit corporations established for the purpose of providing housing and related facilities for elderly citizens are eligible for a loan under Section 202 of the National Housing Act.

Applicants will be asked to demonstrate that the corporation exists in perpetuity, i.e., that it has an assured life at least equal to the maximum term of the loan.

In the case of a church sponsored corporation, this perpetuity can be demonstrated by having responsible church officials such as the Rector and/or Bishop serve as permanent trustees or members of the Board of Directors. Additional board members and officers elected by the Vestry or other official body of the sponsoring church also illustrates perpetuity by the method of selection.

In this manner, the sponsoring church is relieved of any financial obligation of the corporation while retaining control and administration of the project.

Section 202 provides for a 100% mortgage which includes the cost of the land. Therefore, a site which is owned by the church upon which the church wishes to develop a project may be sold or leased to the (church sponsored) non-profit corporation.

Many innocent churches and nonprofit organizations, with the best of intentions and motivations, are getting caught in this operation. I do not criticize their good intentions. I have examined many of these projects. They think they are providing homes for the elderly and in doing so are charitably motivated. They are being told there is no risk to the church. When it is paid off it will belong to the church. If it is not paid off the membership of the church is in no way responsible for it. Nonprofit organizations, including many members and some officials of the churches, are being involved and sold on the idea that they can get this 100-percent financing. When they get 100-percent financing the promoter who takes charge of construction, and so forth, has a gravy train. He can scalp his profit and then leave it in the laps of the sponsoring organiza-

tions, and they take responsibility for the failure.

I have cited examples of churches in Arizona, in Texas, and in other States. I am going to cite one example of how this works, and this one is typical. I think it shows what happens when a church finds itself caught. I should state again that I am not saying that the sponsoring church organization enters this arrangement with any ulterior motives. They have the highest motives. They are disgusted when they find they are being used. Some of them have tried to repudiate it after the project was started, but they were told it was too late and that they had to go ahead.

They do not have the financial responsibility, but they do feel a moral responsibility.

Mr. LAUSCHE. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. LAUSCHE. How are these projects initiated? Is it done by a promoter?

Mr. WILLIAMS of Delaware. In nearly every case it is done by a promoter. He goes to the church or somebody connected with the church and paints a beautiful picture of how homes can be built for the elderly under church sponsorship. They are told that it will not cost them anything and explains how they can get a Government loan. The promoters do not say they are going to profit, but when the church gets the loan the promoter gets his fees.

I have discussed the Clarewood House project in Houston, Tex., before, and I will not discuss it in detail again. But it is a typical example of what happens. In this instance they sold the pastor the idea of writing them a letter that the church would lend its moral support. No doubt, it would.

With that letter the promoters had the project well on the road to approval. An announcement came out in the local papers that the project had been approved. The project had been approved under the sponsorship of the First Methodist Church in Houston. This announcement shocked the officials of the church. They knew nothing about it. They called a special official board meeting together.

This is all documented in the CONGRESSIONAL RECORD of March 10, 1966, and also in the Comptroller General's report of February 23, 1966, which is available to anyone who wants it.

The First Methodist Church in Houston called its official board together. They were told that by having that project church sponsored it was eligible for 100-percent participation. The minutes of the official board meeting show that this church had not approved the project and had no intention of being any part of it. A copy of the minutes of the church board meeting show that it flatly repudiated this project. Notwithstanding that repudiation the project was approved. Among the sponsors of this project were members of the church, but the church itself was not the sponsor.

To clear up any possible misunderstanding there was printed in the official church bulletin of Friday, August 24, 1962, an announcement entitled "The Pastor's Message." I quote from that bulletin, which was given wide circulation both to the membership and to the public:

> Recently there has appeared in local newspapers, stories that might give the inference that First Methodist Church of Houston, our Board of Stewards, or our Board of Trustees, were involved in some manner with an apartment or residential venture in this community. This is to advise our membership and the public generally that this Church, its Board of Stewards, and its Board of Trustees, have never had any connection whatsoever, directly or indirectly, with any such venture, or any other similar project. Any such affiliation or promotion is contrary to the stated policy of the Board of Stewards, the governing body of the First Methodist Church of Houston.

It is interesting to note that the director of the Houston FHA office was not only a member of the church but a member of the stewards of this same church which had repudiated the project. He was a member of the board and present at the meeting when it disapproved the project. However, the project was approved by FHA on the basis it had the sponsorship of this church and over the solid objections of the underwriters. These local underwriters said it was overappraised, it was not economically feasible, it should not be constructed, and it did not have the church sponsorship.

They took the trouble of sending reports to Washington over the heads of their director. But that project was still approved, over their objections.

The project was soon in financial difficulty.

Why do they approve these projects?

After this controversy arose as to the manner in which this project had been approved and in order to settle the controversy Washington picked one of their chief intelligence men from the Midwest.

This agent was instructed to go to that area and investigate the conditions in the Houston office with particular reference to the manner in which the Clarewood project had been handled.

This underwriter sent his report to Washington under date of October 22, 1962. The report was promptly classified and not given to the Banking and Currency Committee. The excuse was that it was confidential and did not deal with the manner in which the Clarewood decision had been made.

It just so happens that I have a copy of that report. This report is a most devastating report on the competency of the officials making these decisions. They bitterly denounced the project.

Valuations for the land had arbitrarily been raised by the director.

The recommendations of his own underwriters had been ignored.

The director had known that the church had withdrawn its sponsorship of the project; yet he withheld the information from his superiors until after the mortgage had been approved.

Mr. President, I ask unanimous consent that excerpts from the report prepared by Mr. Carl D. Whitney, general underwriting officer in the FHA, under date of October 22, 1962, may be printed in the RECORD at this point.

There being no objection, the excerpts were ordered to be printed in the RECORD, as follows:

OCTOBER 22, 1962.

To: Mr. Richard J. Canavan, Assistant Commissioner for Technical Standards; Carl D. Whitney, General Underwriting Advisor.

THE PROBLEM

Evidences of administrative disregard of established procedures and outstanding instructions here have been abundant.

Upon my arrival in the office there was no denial by the director of the violations previously reported. The effort to defend them was "lack of cooperation by the Underwriters". Everything I learned subsequently disproved that contention.

NARRATIVE

From reports of General Advisor McCallum and of Zone Advisors covering recent reviews of all phases of underwriting activities there seemed to be no doubt that the underwriting staff has been performing capably despite extreme pressures from outsiders, compounded by additional pressure from the director.

Before leaving Central Office for Houston, Deputy Commissioner Ferraro and Zone Operations Commissioner Arrington briefed me on their very recent joint visit to the Insuring Office. They stated candidly that the Director's usurpation of underwriting prerogatives was clearly in evidence, without reference to Central Office of cases in controversy.

I found numerous memos from the Director to the Underwriter and Section Chiefs instructing them to reverse their prior decisions on processed cases. Central Office review of some of the cases involved supported the underwriting decisions.

Probably the most flagrant instance of the Director's preemption of the underwriter's prerogatives involved a Section 231 case, application number 114-38001-NP, Clarewood House, Houston, Texas. Because of the nature and the magnitude of this case, and because it illustrates so thoroughly the type of arbitrary and improper procedures pursued by the Director, I decided to base this report primarily upon it.

The Clarewood House Project was presented as a formal application on August 6, 1962 by American Mortgage Company of Houston on behalf of the Sharpstown Tower Corporation, also of Houston. It involved the proposed construction of an eleven-story building on 8,388 acres of land opposite the large Sharpstown Shopping Center, twelve miles from downtown Houston. The Corporation purported to be non-profit in character.

It was alleged by the corporation that the project had the active sponsorship of the First Methodist Church of Houston. In support of this claim a letter dated July 13, 1962 to our Director was presented. The letter, on the stationery of the church, was signed by its minister. This is a two-page letter. Among other things stated were: "I feel sure I speak for my Board of Trustees, my Board of Stewards and my congregation in this connection." Also, "This will be another worthwhile project sponsored by my church." It has been definitely established that the minister was wholly unjustified in making these statements.

When it was learned by the Board of Stewards (the Official Board) of the church that the claim of participation and sponsorship by the church had been made, a special Committee of the Board was appointed by its chairman to look into the matter and report on it. The Committee was headed by Mr. Ewing Werlein, a prominent local judge. The minutes of the Official Board meeting of June 20, 1962 state that "Judge Werlein made a report to the Board" and that, among

other things the report stated, ". . . the committee felt that our church could not become financially involved or interested in the building project contemplated."

Despite this disclaimer of involvement or interest by the church the formal application, as I have stated, was accepted by our Houston office on August 6, 1962. At the insistence of our director and over objections of the chief underwriter that the Sharpstown Tower Corporation was not an eligible non-profit corporation, the application was processed and a commitment was issued. The underwriter had contended that the Corporation could not be construed to be non-profit in character without a resolution of the Trustees of the Church. However, the director was insistent that the case was eligible for processing and, unfortunately, the Multifamily Division supported the director's opinion that the minister's letter alone was evidence of church sponsorship of the project.

It should be added that during preapplication consideration of the proposal the director was also insistent that the land be valued, contrary to specific instructions on that point. I have a copy of a memorandum to the File dated July 9, 1962 by the Assistant Chief Underwriter concerning a meeting on that date attended by our director, Mr. Frank Sharp (Seller of the proposed land) and him. He said in the memo, "Mr. Sharp then stated it was his understanding some time ago that our land appraisal would be $2.00 per square foot. The director stated that this was also his understanding. I then re-stated the Manual instructions and informed them that we had not established a land valuation at this stage of consideration. My statement appeared to disturb Mr. Sharp and the director. The director stated that he thought the land might be a minimum of $2.00 per square foot.

The foregoing memorandum also called attention to the fact that the Underwriter had on July 3, 1962 filed a memorandum indicating the sponsoring group and their attorney had been informed of the additional information which would be needed to establish the non-profit eligibility of the proposed project and that, "the conference concluded with the attorney and the sponsor group proposing to present additional information for determination of eligibility of non-profit sponsor under Section 231. . . ." No additional information was ever received and, as you will see later, none is at all likely to be forthcoming.

On July 25 and 26, 1962 the Houston Post carried stories about the proposed Clarewood House project, with illustrations of the proposed building. In the July 26 issue the President of the Sharpstown Tower Corporation was quoted as saying, "Directors of the Corporation were chosen by the board of trustees of the First Methodist Church." I was informed by an important official of the Church organization that when the Sharpstown Corporation President was challenged on this statement by another prominent official of the Church, he alleged that he had been misquoted. At any rate, to clear this matter beyond doubt the following statement was prepared and executed by officials of the Church and was printed in the August 14, 1962 issue of the Church paper under the heading, "The Pastor's message." The statement was as follows: "Recently there has appeared in local newspapers stories that might give the inference that First Methodist Church, our Board of Stewards, or our Board of Trustees, were involved in some manner with an apartment or residence venture in this community. This is to advise our membership and the public generally that this Church, this Board of Stewards, and this Board of Trustees, have never had any connection whatsoever, directly or indirectly, with any such venture, or any other similar project. Any such affiliation or promotion is contrary to the stated policy of the Board of Stewards, the governing body of the First Methodist Church of Houston."

I am perfectly sure the Church organization will not under any circumstances support this project nor be identified with it in any way.

I will say here that General Underwriting Advisor McCallum had already furnished to Central Office almost all of the documentation to which I have referred. In my estimation he should be given full credit and commendation for his thoroughness in this matter. What he had already done so well saved me a great deal of time on this mission and enabled me to go quickly to the most authoritative local source for the confirmations I obtained.

THE SOLUTION OF THE PROBLEM

This is not by any means a simple matter. I believe I understand pretty well at least some of the perplexing elements which make a solution difficult for the Commissioner. Certainly, no solution can be provided by an Underwriter.

I believe you will agree with me that this project is wholly ineligible and worthless as a non-profit venture. I was informed by the director that it is intended to hold the initial closing of it in his office this week, perhaps by October 24th. In my opinion, the closing should be prevented and the outstanding commitment voided.

I also believe this should be made a needed lesson for the Multifamily Division which was willing to sanction this project as a non-profit venture merely upon the strength of the Pastor's letter of July 13, 1962, but without confirming action by the Church Board of Stewards and its Board of Trustees. I would like to ask what we have a right to expect from the staffs of insuring offices in matters such as this if they are to be treated so lightly by a Central Office Division? And, perhaps better still, where would the Underwriting staff of the Houston office be left if this Clarewood House deal is permitted to proceed in its present subterfuge as a non-profit project? The way would be clearly open to others like it.

This prompts me to say also that my review of this matter indicated inept participation in it by the Zone Multifamily Office.

I will not burden this report further with a discussion of my findings with respect to to director's personal handling of the land valuation in this Clarewood House case. However, I will be pleased to discuss it later if you wish. I will merely say about it that the director ordered the case processed with land at $2.00 per square foot after the insuring office valuation of $1.25 per square foot. I was told by the Assistant Chief Underwriter that a piece of land adjoining the one on which this project was proposed was very recently sold for less than one-half of the $2.00 per square foot price.

Just one or two more important things. I made 1½ days of field review in metropolitan Houston. I observed a very large volume of conventionally financed new apartment construction. I read with great interest the splendid report of our Market Analyst on "The Current Housing Market Situation, Houston, Texas Standard Metropolitan Area", August 1962. He advised caution in the face of the high vacancy ratios. He stated he believed an annual rate of 750 units of new apartments per year for the next two years would be "the most desirable volume." Our Houston director does not hold with this estimate, but is aggressively pushing for a great deal more apartment construction. He does not seem at all impressed by the fact that in the Houston area building permits have been issued for 16,418 dwelling units for the first 8 months of 1962; in the City of Houston permits have been issued during the first 9 months of 1962 for a total of 16,768 dwelling units (5,430 single family units and 11,338 multifamily units). As of July 31, 1962, the inventory of acquired properties in this jurisdiction was 1340 homes and 1338 apartment units (21 projects).

In closing, I consider the key underwriting personnel of the Houston office to be competent, devoted men. They are working under extreme and unwarranted pressure from the director.

The principal thing I regret is that it isn't possible for me to do more for the Underwriting Division of this office. Perhaps I had better say do something for them. Under the circumstances, and in view of the conditions which prevail there, I seriously doubt that anything constructive can be done for them. They are indeed carrying heavy packs on a long, uphill pull. The Commissioner's interests are, in my estimation, being wantonly disregarded.

CARL D. WHITNEY.

Mr. SALTONSTALL. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. SALTONSTALL. Is that director still in office?

Mr. WILLIAMS of Delaware. He is still in office. He should be fired. He is nothing but a political hack. Why they do not fire him I do not know. The reports and his decisions show he is incompetent. Some Dallas newspapers recognized this fact when the man was appointed; they said that he was wholly incompetent for the job and should not be confirmed.

Why is he still in charge of this office? I say the man should have been removed long ago.

Why did not the officials in Washington pay more attention to this report?

Perhaps it was too embarrassing.

Mr. SALTONSTALL. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. SALTONSTALL. Who appoints the Director? Who has the responsibility of keeping that Director in order?

Mr. WILLIAMS of Delaware. I would assume the President or the Administrator here in Washington.

I point out that this devastating report was written before the money was disbursed on this particular project mentioned. The underwriters said it was not economically feasible.

The report of the man who was sent down to examine this office further confirmed their decision and recommended that Washington stop before the funds were disbursed.

They ignored this warning. Why?

I shall not delay the Senate by reading the remainder of the report. It is in the RECORD and will speak for itself. But this is the report of the disinterested man Washington selected.

But what did they do? They sealed the report, approved the project, and disbursed the money; and the taxpayers will be holding the bag.

I say again, passing these bills will not rectify the situation. There is no amendment I could offer to this bill that would stop bad management. If they do not have sense enough and gumption enough to remove an incompetent man they do not have gumption enough to administer the program anyway. I do not see why they continue such a course

in the face of this record, but they continue to approve these projects.

We do not find it just in Houston. We find this pattern all over.

I have a report here on Arkansas, Mr. President, which outlines the same pattern of loose practices being followed in that State. At this time I wish to discuss a series of FHA multifamily projects in Arkansas and show the manner in which these projects were approved with inflated land and mortgage valuations over the recommendations of its own underwriters.

Summit House Apartments, Little Rock, Ark., Project No. 082–00012: On November 20, 1961, an application was filed, and on September 26, 1962, the FHA made a commitment to insure the mortgage in the amount of $3,100,800.

The sponsors of the project were: Paul Kapelow and Lester Gross, 136 South Derbigny Street, New Orleans, La.

No payments were made on the mortgage, and by January 13, 1966, the project was declared bankrupt with the Department of Justice starting foreclosure proceedings on March 28, 1966.

FHA records indicate an approved land valuation of $289,866, and the agency reported that its files do not reveal the cost to the sponsors.

A summary of this project as furnished by the FHA is as follows:

SUMMIT HOUSE APARTMENTS, LITTLE ROCK, ARK., PROJECT NO. 082–00012

1. Date of Processing Approval: September 1961. Date of application: November 20, 1961. Date of commitment: September 26, 1962. Amount of mortgage: $3,100,800. Term of mortgage: 39 years. Rate of interest: 5¼%. Mortgage percentage: 87.9% of estimated value.

2. Payment Data: Mortgage was assigned to FHA on January 13, 1966. Mortgagor has made no remittances to FHA. Payment records have not been received from the mortgagee. (a) Foreclosure: This case was referred to the Department of Justice for foreclosure on March 28, 1966. (b) Resale: None.

3. Modification Agreements: None.

4. Approved Land Valuation: $289,866. Files do not reveal cost to sponsors.

5. Sponsors: Paul Kapelow and Lester Gross, 136 South Derbigny Street, New Orleans, Louisiana.

6. Sponsors' Obligation: Not applicable. Project is profit motivated.

7. Total construction costs allowed by FHA, including land: $3,484,590.

But this report, furnished by the Department, does not include all the information. The FHA files on this project show that there was a glaring overappraisal of the land. The actual cost of the land to the sponsors was less than half that allowed by the FHA.

These facts were reported to the FHA at the time and before the proceeds of the mortgage had been disbursed.

In 1963 there was a critical report sent to the home office not only concerning this Summit House project but also severely criticizing the operations of the Little Rock office. I quote from that underwriters' report:

I am dubious of the competency of our processing of multi-family housing cases in the Little Rock jurisdiction. Cursory review of two large project dockets led me to believe that the office felt it was incumbent upon them to manipulate processing so that the Commitment Amount would coincide with the Amount Applied for. The similarity between amounts specified in the applications Form 2013 and Form 2264 Project Income Analysis & Appraisal of factors ordinarily adjusted by intelligent sponsors in "mortgaging out" is certainly no coincidence. I refer to (1) amount of application, (2) Land Values, (3) Legal & Organization Expense, (4) Builder's Fees, (5) Architectural Fees. Time did not permit a complete review and analysis of these projects but I think that the following two comparisons will suffice to establish my point.

I now quote from this same report the underwriters' comments on the land appraisal of the Summit House project:

The "Write-Up" estimate of $300,000 for this land over a 9 months period since acquisition is in my opinion highly questionable. The office, in my opinion, is subject to criticism for its inept contribution to promoter's inordinate profit from sale of this land to the corporation, and, FHA.

1. Form 2013 "Application" was filed by Sponsor Herbert Storthz and the Prudential Insurance Co. as Mortgagee on Nov. 20, 1961 for $2,999,000, with an Available Market Price of Land (180,000 s.f.) of $300,000.00.

a. Commitment was issued Sept. 26, 1962 for $3,100,800, or slightly in excess of the original application, which included $300,000 for Land.

The public records show that this land had belonged to an estate.

Prior to its purchase by the sponsor, on September 6, 1961 two independent appraisals were made for the court on this same land.

September 5, 1961: Weinstein-Baldwin & Block, Realtors, $125,000.

September 26, 1961: Selz-Meeks & Thom, Realtors, $125,000.

One month later on October 16, 1961, sale by Guardian Lloyd Locks on Estate of Stephen Breyel to Herbert Storthz for $135,000.

Book 777 Page 53 shows SALE on October 16, 1961 by the Guardian Mr. Lloyd Locke of Stephen Breyel Estate to Mr. Herbert Storthz (sponsor of Summit House) for $135,000 (Stamps for $148,000 at 55¢ per $1,000).

Book 814 Page 591 shows on November 5, 1962 a Sale from Herbert Storthz to Paul Kapilow and Lester Gross for $140,000 (Stamps indicating $154,000 at 55¢ per $1,000).

The following listing is for the purpose of more graphically portraying dates as related to actions taken in this project:

September 6, 1961: Appraisal by the Probate Court of Land by two independent appraisers at $125,000.

October 16, 1961: Herbert Storthz purchased land for $135,000.

November 20, 1961: Storthz filed Application Form 2013 under Sec. 207 for $2,999,000, listing land value as $300,000 (1 month 4 days after purchase)—Architectural Fees 6% or $157,800—Builder Fees 6½% or $169,893—Legal & Organization Expenses $25,000.

March 12, 1962: Form 2401 FHA Appraisal of Land $300,000.

Thus, here we find that in addition to an overappraisal of the land by $165,000 the sponsors were allowed builder's fees of 6½ percent or $169,893, architect's fees of 6 percent or $157,800, and legal and organization expenses of $25,000, or a total allowance of $517,693.

When the land overappraisals and these other allowances are considered it means that the sponsors actually had none of their own capital invested. When the project went broke the sponsors had made their profits, and the Government was left holding the bag.

Next I refer to the second project mentioned in the underwriters' report: Village Square, Inc., Little Rock, Ark., Project No. 082–55001–NP.

The sponsor of this project was the Philander Smith College, Little Rock, Ark.

On this project the FHA lists the mortgage as $2,891,600; dated November 16, 1962; terms, 40 years, 5¼ percent through endorsement and 3⅛ percent thereafter. This was a 100 percent mortgage with total construction costs listed as the same amount as the mortgage, $2,891,600.

Again this report does not tell the full story. An FHA underwriter in 1963 wrote a highly critical report on this project.

In the first application the sponsors listed builder's fee as 6½ percent, $148,711; architect's fee, $100,000; legal fees, $23,000; organization expenses, $6,000; land, $145,000; financing expenses, $43,527.

After this application had been filed and the project plans, and so forth, "supposedly examined" by the Little Rock office, it amazingly came up with and approved substantially the same figures.

I quote from the underwriters' report concerning this unusual coincidence:

The above recital of identity of figures as prepared by the sponsors, with FHA figures and estimates leave much doubt in my mind as to the competency of the Little Rock office in processing multi-family housing cases; there seems to have been blind acceptance of everything requested by sponsors. It seems to me that someone in Underwriting should have had curiosity enough to investigate and document findings concerning many of the underwriting facets of deal of this size.

The laxity of procedures in the Arkansas office in handling these two projects is summed up in the following quotes from reports in the FHA files:

CONCLUSIONS RESULTING FROM A REVIEW OF THE SUMMIT HOUSE AND VILLAGE SQUARE PROJECTS

1. Office processing of these multi-family projects has been both inadequate and inept.

2. Office was mislead or perhaps deluded by the expert presentation and documentations of the promoters, whose only interest was the making of quick profits.

a. The validity of "fees" claimed by sponsors and accepted by FHA in its processing is questionable.

3. Land appraisal was inept and permitted quick exploitation of FHA in allowance of inordinate profits.

4. The identical or close similarity between figures prepared by the sponsor in Application Form 2013, and FHA's subsequent processing figures suggests a lack of knowledge. Intelligent promoters such as those indicated in these two projects, without exception, present liberal or high estimates, anticipating downward negotiations.

5. FHA could be subjected to criticism by the processing employed in these two cases. Underwriting training is needed.

6. Excessive profits to the promoters indicated by the rapidity with which sales have been effected or attempted and the major withdrawals permitted in the First Advance at time of initial closing.

There is another Arkansas project that needs mentioning: Baptist Golden Age Home, Hot Springs, Ark., project No. 082–38001–NP.

The sponsor of this project was the Second Baptist Church, Hot Springs, Ark.

This project has every appearance of being a "bail out" for the owners of an old, dilapidated hotel. The loan was approved on the basis that it could be used to convert this old hotel into a model home for the elderly.

It has been an utter failure both financially and otherwise, and the latest report was that its main occupants now are transients who stop over during the racing season. It is not air conditioned, and generally the rooms and location are unfit for permanent residents.

The FHA insured a mortgage in the amount of $666,000, covering the original price plus conversion of the old hotel.

This mortgage was approved July 13, 1960; terms, 30 years at 5¼ percent. The mortgage went into default September 1, 1962, and in foreclosure sale on April 20, 1964, the FHA took possession with total amount due, $707,063.32.

As usual the sponsoring church is not obligated to underwrite the losses or the repayment of the mortgage.

Once again the FHA in issuing the above report forgot to present all the facts about this case as they were reported by its underwriters. I quote from the underwriters' comments on this project:

It is recommended that Assistant Commissioner Lester Thompson's Audit Division be requested to thoroughly review and audit this project from its inception to date.

Allegedly one sponsor profited on the brick work, another on furniture, another on supplying food at retail prices, etc.

It is recommended that this project be referred to H&HFA Compliance Division for investigation of the propriety of negotiations between former Director and former Chief Underwriter and the promoter of this project.

I continue to read the underwriters' comments on this project:

Cursorily, the 16 new hotel rooms in the 3-story annex are fairly satisfactory, but will need showers as they have only tub bath; should also be provided with TV's. Present rates during the 60-day racing season for the 16 rooms are $12 single, $16 double. The 73-year-old Park Hotel rooms are larger than the 16 newly added rooms, but to rent them, will have to have (1) new furniture, draperies and carpeting, (2) air-conditioning units to replace the obsolete old ceiling fans. Lobby will also have to be redecorated. Rates include weekly maid service, with daily maid service $5 per month additional.

The past and recent motel-hotel construction of luxury and semi-luxury type accommodations precludes any possibility of the project competing on a commercial hotel basis, particularly so in view of the fact that the project now has no parking facilities. A capitalization approach to value, under existing structural conditions would require much study, and result in an estimated value ridiculously low, except to Southwest Hotels.

We are literally "boxed in." The highest and best use of this property is for purposes presently considered illegal.

I quote excerpts from the underwriters' summary of this project:

SUMMARY

In reviewing the dockets pertaining to FHA's insurance of a mortgage for $666,000, under Section 231-NP "Housing for the Elderly" involving the rehabilitation of this obsolete old Park Hotel I was unable to reconcile many of the processing aspects leading to our purchase of this "old dog," and, its subsequent operations. A few of the questionable items include,

1. Why did FHA ever agree to buy this obsolete old third rate hotel?

2. Why did we ever agree to "bail out" the owners by paying $371,250 for this small parcel of land (14,175) s.f. (.33 acres) and allow them $30,051 as our appraised value plus $336,428 for the 30 year old improvements, and then to augment our stupidity by paying $3,750 for the Old Furniture in the hotel rooms.

a. For several years prior to FHA's purchase the owners had been trying unsuccessfully to sell this old Park Hotel, which had a reputed outstanding loan balance of about $345,000.

3. As of March 1963 this project had 56 "permanent" guests and 25 "transient" guests, with only 8 vacant at this time, however, this is the "Racing Season" which runs 60 days a year and ends April 6th, with many vacancies expected after the close of the racing season.

(a) The rates are at substantial variance, as in a typical hotel operation, at whatever the market will bear. Break-even point is said to be 66 tenants. For example, single rates range from $94 to $127.75 to $140 to $144.75 to $159.75 to $177.50 to $185 per month including meals, linens and furniture.

(b) The project is still using Park Hotel stationery, upon which they have reproduced their Application For Reservation which states:

Daily Rate, for single occupancy is $6.00 per day or $10 per day with two in a room—This includes three meals a day. Ceiling fan.

During the Racing Season transient guests are charged whatever the traffic will bear, the 16 new rooms being listed at $12.00 single and $16.00 double.

This of course in violation of the Regulatory Agreement. There is no age limit requirement.

4. Last August 1962, the Directors and Manager Delmah Cook informed our Office that the Second Baptist Church will not provide any financial assistance, and, the present preacher is not interested in the project.

The Southern Baptist Convention have denied having anything to do with this project and will accept no responsibility.

As a result this "so-called" church sponsorship is valueless and leaves doubt in my mind as to its being able to continue operation as a nonprofit organization with consequent relief from payment of ad valorem taxes, which, if assessed, places FHA in an even greater potential loss position than the probable $250,000 to $300,000 now predicted.

5. Physically, this is an obsolete old hotel located on a dead-end street, plus a 3 story addition containing 16 new but mediocre rooms. Upper floors of the old hotel are unbearably hot, as a result of a sheet metal fire escape on the exterior of the south side wall, with no ventilation; heat comes thru and around doors making the south end of the building unbearably hot and with no cooling other than ceiling fans.

a. The building still has the character of an old third-rate hotel. FHA has been unable since commitment was issued (7-13-60) to induce the management to remove "The Park Hotel" signs which still hang in front of the building and a large sign on the roof of the building. Management says the tenants refuse to accept any name in any way suggesting "Housing for the Elderly," or, "Home."

6. Why we ever accepted this proposal with no parking facilities is beyond my comprehension, but, we did, which forced the management to go down the street about 200' and rent a vacant lot for $100 a month, for parking space for 18 cars, which they rent for $5.00 each per month.

Competent architectural processing would have resulted in rejection of this proposal at its inception. Architectual requirements totally inadequate.

Credit.

On 2-19-60 the Baptist Golden Age Home showed "Net Worth" of $30,000, but, they only had $1,050 in money, plus $28,950.00 in pledges.

A summary of the last two projects as furnished by the FHA are as follows:

VILLAGE SQUARE, INC. LITTLE ROCK, ARK., PROJECT NO. 082-55001-NP

1. Date of processing approval: December 20, 1961. Date of application: January 22, 1962. Date of commitment: November 16, 1962. Amount of mortgage: $2,891,600. Term of mortgage: 40 years. Rate of interest: 5¼% through final endorsement, 3⅛% thereafter. Mortgage percentage: 100% of estimated replacement cost.

2. Payment data: Payments of interest began on May 4, 1964 and of principal on March 1, 1965. The account became delinquent for February 1966 installment. (a) Foreclosure: None. (b) Resale: None.

3. Modification agreements: None. However, there is a request for a modification agreement to defer principal payments now being considered.

4. Approved land valuation: $137,403. The land was purchased from the Housing Authority of the City of Little Rock for $137,403.

5. Sponsor: Philander Smith College, Little Rock, Arkansas.

6. Sponsor's obligation: The sponsor is not obligated to underwrite losses sustained and repayment of the mortgage.

7. Total construction costs allowed by FHA, including land: $2,891,668.66.

BAPTIST GOLDEN AGE HOME, HOT SPRINGS, ARK., PROJECT NO. 082-38001-NP

1. Date of feasibility recommendation: January 5, 1960. Date of application: February 19, 1960. Date of commitment: July 13, 1960. Amount of mortgage: $666,000. Term of mortgage: 30 years. Rate of interest: 5¼%. Mortgage percentage: 92.6% of estimated rehabilitation cost plus "as is" value of property.

2. Payment data: Payments of principal and interest were made from February 1, 1962, through August 1, 1962. The mortgage went into default for failure to make the September 1, 1962, mortgage payment. The mortgage was assigned to FHA on February 12, 1963. After assignment, FHA received on March 23, 1963, a payment of $9,380.94 for interest. (a) Foreclosure: Sale on April 20, 1964; total amount due FHA $707,063.32 (b) Resale: None.

3. Modification agreements: Date of first principal payment was deferred from October 1, 1961 to February 1, 1962, because of delay in completion of construction.

4. Approved land valuation: $366,479, including land and improvements before rehabilitation. The sponsors paid $371,250 for the land and improvements prior to rehabilitation. FHA records reveal no identity of interest with the seller of the property.

5. Sponsor: Second Baptist Church, Hot Springs, Arkansas.

6. Sponsor's obligation: The sponsor is not obligated to underwrite losses sustained and repayment of the mortgage.

7. Total construction costs allowed by FHA, including land: $705,075.27.

Many of these projects were reported not to be economically feasible, and they should not have been approved. Notwithstanding that, because of political pressure—which is the only way I can account for it—they approve these proj-

ects in the face of warnings that they will be bankrupt before they are finished and the record shows many of them are now bankrupt.

We have here another project in Arkansas involving inflation of land values, which is fully documented in the report.

The court records were available if they had wanted to check them. On September 5, 1961, the court record shows that the land was appraised at $125,000. On October 16, 1961, Herbert Storthz purchased the land for $135,000, and on November 20, 1961, he and his fellow sponsors filed an application for an FHA loan claiming a valuation for the land of $300,000. The agency approved not only this increased valuation of the land but also a 6½-percent builder's fee, which came to $169,893; architect's fees of $157,800; legal and organizational expenses of $25,000, accepting a total markup of $517,693 on this particular project.

It might interest Senators to know that the FHA is operating a nursing home right now in Dallas, Tex.—the Cliff Towers Nursing Home. This nursing home again was built in the face of a recommendation that it was not economically feasible, at a cost of $1,911,600. The final endorsement date of the mortgage being August 19, 1964. There have been a few mortgage payments. I have the report here showing payments and also our disbursements. I ask unanimous consent that the entire report furnished by the FHA on this project, under date of June 8, 1966, be printed in the RECORD at this point followed by a report furnished by Mr. Brownstein under date of April 15, 1966, outlining the details of a defaulted project in Portland, Oreg.

There being no objection, the report was ordered to be printed in the RECORD, as follows:

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, FEDERAL HOUSING ADMINISTRATION,
Washington, D.C., June 8, 1966.

Hon. JOHN J. WILLIAMS,
U.S. Senate,
Washington, D.C.

DEAR SENATOR WILLIAMS: I am replying further to your inquiry of May 13, 1966, concerning the Cliff Towers Nursing Home in Dallas, Texas.

The information which you requested is attached.

Sincerely yours,
P. N. BROWNSTEIN,
Assistant Secretary-Commissioner.

CLIFF TOWERS NURSING HOME, DALLAS, TEX., PROJECT NO. 112-43002-EC

1. Date of first contact between FHA and sponsor: September 21, 1961.

Application date: May 11, 1962.

Commitment date: September 11, 1962, reissued October 11, 1962.

Initial indorsement date: January 3, 1963.

Final endorsement date: August 19, 1964.

Mortgage amount: $1,911,600.

Status of mortgage: The mortgage went into default because the mortgagor failed to make the September 1, 1964, mortgage payment. The mortgagee assigned the mortgage to FHA on August 3, 1965. The mortgagor made no payments after assignment of the mortgage to FHA. A request to foreclose was sent to the Department of Justice and FHA acquired title to the project on January 27, 1966.

Sponsors: L. B. Holaday, John B. Mills, Cecil Mills, and C. A. Mohrle, all of 1520 Mercantile Securities Building, Dallas 1, Texas.

2. Mortgage interest payments:

Feb. 5, 1963	$2,984.04
Mar. 4, 1963	3,100.62
Mar. 29, 1963	3,157.82
May 3, 1963	3,334.42
June 6, 1963	3,572.30
July 8, 1963	3,681.99
Aug. 2, 1963	4,080.52
Sept. 11, 1963	4,344.28
Oct. 2, 1963	5,090.44
Nov. 7, 1963	5,713.11
Dec. 5, 1963	6,040.58
Jan. 3, 1964	6,477.68
Feb. 7. 1964	6,771.89
Mar. 6, 1964	7,116.95
Apr. 6, 1964	7,479.01
May 6, 1964	7,735.96
June 15, 1964	7,775.25
July 8, 1964	7,775.25
Aug. 5, 1964	7,775.25

Mortgage prinicpal payments:

Date	*Amount*
Sept. 28, 1964	$4,517.96

3. Management and advances: Since acquisition of title by FHA, The Wendemere Foundation of Texas, Inc., of which Mr. Jack Edward Counts is president, has managed the project. The advances made by FHA between the date of assignment and the date of acquisition are as follows:

	Amount
1965 State and County Real Estate, Taxes, Oct. 19, 1965	$4,560.69
First half of 1965 City and School Taxes, Nov. 10, 1965	8,880.35
Total	13,441.04

Since acquisition of title and up to and including May 11, 1966, FHA has advanced $63,707.41, to meet operational expenses of the project.

4. As a condition of FHA's mortgage insurance commitment, the mortgagor was required to assure the availability of a $150,000 operating fund to meet project operating expenses for a period of six months, the estimated time that it would take to establish a profitable operation. In accordance with this requirement, the sponsors executed an Agreement on Indemnity on August 19, 1964. In conjunction with the assignment of the mortgage to FHA, the mortgagee certified that the sponsors had advanced the total sum of $198,023.45, pursuant to said Agreement.

5. The mortgage covering Cliff Towers Nursing Home was insured under the rehabilitation provisions of Section 232. FHA's estimate of the fair market value of the land and existing structure prior to rehabilitation was $700,000. FHA allowed construction costs in the amount of $1,473,845. The total cost allowed by FHA, including land and existing structures, was $2,173,845. The insured mortgage in the amount of $1,911,600 represented 87.9% of the total cost allowed by FHA.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, FEDERAL HOUSING ADMINISTRATION,
Washington, D.C., April 15, 1966.

Hon. JOHN J. WILLIAMS,
U.S. Senate,
Washington, D.C.

DEAR SENATOR WILLIAMS: Attached is a report on the status of Hollywood Towne House, which information you requested in your letter of March 25, 1966.

You will recall the modification of the request in the last paragraph of your letter.

Sincerely yours,
PHILIP N. BROWNSTEIN,
Assistant Secretary-Commissioner.

Attachment.

RE: HOLLYWOOD TOWNE HOUSE, PORTLAND, OREG., PROJECT NO. 126-00037

Sponsors: Oreland, Inc., Allen Land & Investment Company, John A. Prag, Jack C. Nunn, George B. Malarkey, J. R. Nunn, Thomas E. Spencer.

(Portland office reports these sponsors interested in no other FHA projects.)

Date of First Discussion: July 1960. Date of Feasibility Letter: September 14, 1960. Date of Commitment: October 2, 1961 (Reissued March 19, 1962). Date of Mortgage: April 12, 1962. Amount of Mortgage: $2,444,800. Payment data: Mortgage assigned to Secretary March 11, 1966. No payments since that date. Former mortgagee has not yet submitted complete fiscal data. Preliminary information indicates that last payment was of 11-1-65 installment and that the principal balance is $2,432,151.79.

Because of construction delays which deferred rental operations until January 1964, the mortgage was modified to defer commencement of amortization from October 1, 1963 to April 1, 1964. Meager occupancy dictated two other modifications, the effect of which was to reduce the monthly payments to an amount calculated to cover interest and accruals for the period August 1, 1964 through January 31, 1966. Present occupancy is about 80%. Under the modification agreements, the mortgagor was required to submit monthly accountings to the mortgagee and to FHA, and to remit to the mortgagee all net income.

In December 1965 FHA received the mortgagor's monthly accounting for November 1965, which disclosed disbursements contrary to the mortgagor's Regulatory Agreement with FHA, and shortly thereafter learned that the sponsors had sold the stock in the mortgagor corporation to G R R Development Inc., a California corporation. Inquiry of the mortgagor concerning these disbursements resulted in a meeting, on January 10, 1966, of FHA's Portland director with representatives of the mortgagor, at which meeting those representatives assured the director that the corporation would be reimbursed for the improper disbursements.

Later in January the mortgagee reported a default for failure to make the payment due on December 1, 1965. Also in January 1966, FHA received the mortgagor's monthly accounting for December 1965, which accounting reflected rental collections of $43,160.53 of which $25,267 represented advance rentals. In February 1966 the mortgagee notified FHA of its intention to assign the mortgage and, on March 11, 1966, did so. The mortgagee reports that, during the period between the date of default and the date of the mortgagee's election to assign, representatives of the mortgagor corporation (which were those of G R R Development Inc.) were assuring the mortgagee that appropriate payments would shortly be forthcoming.

At FHA's request, the Department of Justice, on March 16, 1966, instituted a foreclosure action, which includes a prayer for a deficiency judgment. On the same date the court appointed a receiver, who took possession of the property on March 17 and who will operate the property during the pendency of the litigation. The Department of Justice is conducting an investigation to determine what criminal or civil liability resulted from the actions of G R R Development Inc. and its representatives. Upon completion of the investigation, recovery will be sought of any funds improperly diverted.

Mr. WILLIAMS of Delaware. This shows that since the mortgage on the nursing home defaulted the FHA is operating the project. The U.S. Government is paying the taxes and meeting

the payroll in order to keep it in operation. About every 30 days, sometimes oftener, it is necessary to wire more money to keep the project in operation until such time as someone can be found to take it off the Government's hands.

That is only one of the many projects that have failed. Many of these projects should not have been approved in the first place since it was obvious they were unsound. But they were approved by an agency which seems to have only one thought in mind: "Here is a huge sum of taxpayers' money. We have our hands on it. Let us get rid of it by approving any project."

What is needed is more responsibility on the part of the sponsors of the projects. No project should be approved unless actual financial responsibility on the part of the sponsors can be shown. The builders of these projects, such as McCloskey—and there are many others—should be required to place their personal endorsements on the mortgages the same as an individual does if he finances a home for his family with an FHA mortgage.

In addition, the FHA should have a master file or a blacklist of the names of all individuals who have ever dealt with the FHA and have defaulted on loans. Then, with the use of computers, when an application is received from anywhere in the United States the names could be checked through a central clearing office. The names of the sponsors could be screened quickly, and a complete record could be had so that a bad credit risk could no longer have his projects approved. As it is the individuals merely move from State to State and continue to operate under other corporate names.

Such a master file of bad credit risks should be available and interchangeable with all lending agencies of the U.S. Government because in some instances after these operators have exhausted their credit at one agency, they move on to other agencies and start borrowing. It is the nearest thing to perpetual motion that I have ever come in contact with.

The chairman of the subcommittee mentioned the ratio of losses to loans made. The percentages are sometimes misleading. These losses run into millions. In the first 9 months of the past fiscal year—1966—the losses sustained through the sale of repossessed homes and multifamily projects were over $125 million, and we still have over $1 billion tied up in bankrupt projects.

The losses sustained on multifamily projects—and that is the type of construction I am speaking of here today—has run at an average loss of over 45 percent during the last 9 months. In many instances mortgages on large projects are in default before construction is completed.

Another correction in FHA policy needs to be made quickly. If one goes to a bank to finance a mortgage privately, upon conventional terms, the banker insists that the borrower show proof of having paid the suppliers and subcontractors for the materials and services rendered.

They will not merely give a person a $15,000 check that he can stick in his pocket, because they would end up with a mortgage on property with a lot of builders' liens outstanding.

The FHA has no procedure for the protection of the suppliers and subcontractors. They very properly record their mortgages. They then proceed to disburse the mortgage money to the sponsors who can pay the promoters and subcontractors if they wish. However, if they do not pay, all the subcontractors can do is file a second mortgage. They are washed out when the project fails.

I examined one such case in the Orlando, Fla., area in which a promoter had skipped out with over $7 million owing to suppliers and subcontractors. He had gotten all of his money from the FHA, and the last guess as to the residence of that irresponsible builder was Switzerland. The Government is taking back the projects. They approved this man who already had a bad reputation as a good credit risk. I cite another case in the Orlando area which I viewed firsthand. It was a project located outside of the city limits of Orlando. This particular promoter moved out and bought at low prices a tract of marginal land. By marginal land in that area they mean land that is described in the community as being too low to warrant the construction of homes. The land had been rejected by the county zoning commissioners, who considered it ineligible for the construction of homes.

The FHA, after this promoter bought the land, promptly approved this area for homes. A sample home was built, and they agreed to insure his mortgages for about 100 homes as fast as they were built.

That man, with the FHA approval, then secured a zoning by the county commissioners. He then proceeded to build the homes. Everything was going along fine. A tropical storm developed. The rains came and flooded the entire area to a depth of about 4 or 5 feet in the homes.

Everybody fled the area, and when they came back many of the buyers, having paid their downpayments on the residences, tried to clean things up.

We can imagine what that meant. We can imagine what a job they had to clean it up. These homeowners tried to get some assistance from the sponsor, but they did not get much assistance from him.

The FHA took the position that it was a buyer-beware situation and that they were not responsible. However, the FHA did help clean up the property of those people who did not default.

The builder continued to build homes in the same area and sell them with FHA-guaranteed mortgages. However, the FHA said that in order to safeguard against a recurrence of such an incident it would be necessary that the promoter of the project protect the property.

Accordingly, the man dug a canal on the low side of the project and piled dirt on one bank next to the development. All that he did was to build an earthen dike around the low end of the project.

The FHA approved that project with the earthen dike in place. Another 50 or 100 homes were built and sold.

The project was moving along fine at that time. Practically all the reclaimed homes had been cleaned up. They were going to have a big celebration to show how a community could pull itself up by the bootstraps. They were to have the big celebration on the following day. And there was to be an outside barbecue. All supplies were purchased and everything was arranged. It then started to rain again. It was another tropical storm. The celebration was canceled.

About 3 days later the alarm was sounded. The dike broke, and everybody went to higher ground. After this, only a few people have moved back. That project is practically developing into a slum area today. Many of the people did not move back at all. Some had no choice. All they had was invested in these homes.

The FHA has most of that project on its hands today. Those people who cannot get out are living there in and area with about every third house vacant. However, did the FHA care?

The FHA was not concerned at all. They approved that same builder for another subdivision on another marginal piece of land about 10 miles distant.

That second project was not canceled until the people of the first community organized. They went over, and only with almost a threat of tearing the project down piece by piece if it was continued, was the project abandoned.

Why was this builder approved the second and third time?

We need some responsible management in this agency. We do not have it today, and until we get it we will have a situation that permits irresponsible promoters to keep moving in.

As long as we have gullible, incompetent, or inept officials—I do not know what one wants to call them—administering the program, the rat race will continue.

It is time that this committee which is responsible for this legislation paid more attention to what is happening in this agency. The answer is not merely to pour out more and more money. We have reached the stage where money will not cure the situation. It only aggravates it.

I will not delay the Senate much longer. I do want to refer to some letters that I have received from individual homeowners describing how their interests are not being protected.

I have received these letters from home buyers in many States. One group of home buyers in my own State placed their downpayments with a builder. They then made their advances for refrigerators and additions that they wanted made to their homes. They paid the builder for these items, but the FHA does not require that this money for extras be placed in escrow.

The result is that the builder is now in financial trouble, and nothing under the FHA rules will prevent the builder from commingling these advance payments with his own funds and using them for his own benefit.

That practice must stop. We are not protecting the interest of the home buyers as long as this practice continues.

That builder should be permanently barred from participating in any FHA financing program until he reimburses every advance payment collected.

The existing situation demands that these procedures be changed in this administration.

I cited the other day the example of a Texas soldier serving in Vietnam who, after paying $3,400 downpayment on his home, had the FHA foreclose on his mortgage. He had defaulted in three monthly payments.

So far they have refused to let this soldier, who is now in Vietnam, or his wife make up the backpayments so that she can keep this home upon which they have already paid $3,400. The mortgage holder wanted to foreclose and collect because through the point system a greater profit on this mortgage can be obtained.

This has got to be corrected, or the whole program will be discredited.

That is an indefensible situation. In all fairness, I should say that the local officials in the FHA office recommended that this wife be given the right to make these backpayments. But some high official has said:

No. Foreclose. We will rent it back to her, and when her husband comes back from Vietnam, if he wants to buy it we will discuss it with him.

If they would just give to the legitimate home buyer of a single-family unit a small fraction of the concern that the same agency sees fit to display for these unscrupulous builders we would have a much better housing program. I am afraid that this will not happen until we have a wholesale housecleaning in the FHA. If we do not take some action soon we will have a scandal on our hands which will make the windfall scandals of 1954 look like a Sunday school picnic.

I yield the floor.

Mr. PROXMIRE. Mr. President, the distinguished Senator from Delaware is certainly one of the outstanding Members of this body, and he always contributes a great deal to us. He is a man of courage and great probity, a man of solid intellect, and a man who has to be listened to and will be listened to. I am sure the speech that he made today will have an effect on the FHA as well as on the Committee on Banking and Currency.

I should like to make a few remarks with regard to the whole FHA program, to put it in perspective, and then point out what has been done.

It is not true that nothing has been done. The FHA has acted, and I shall try to establish a record of how it has acted. And the record was made before the Committee on Banking and Currency when this legislation was before us. It is printed in the hearings.

I ask unanimous consent to have printed in the RECORD that portion of the hearings beginning on page 52 about one-third of the way down, where Senator SPARKMAN says, "In addition, I asked that you be prepared today to answer any questions that the subcommittee might want to raise on these points"—this is where reference is made to the Reader's Digest article and accusations of the kind that the distinguished Senator from Delaware has made today—over to page 70, about two-thirds of the way down.

There being no objection, the excerpts were ordered to be printed in the RECORD, as follows:

Senator SPARKMAN. In addition, I asked that you be prepared today to answer any questions that the subcommittee might want to raise on these points.

Frankly, I was shocked by the tone of the Reader's Digest article. I recall our having covered most of the issues raised in the article 2 years ago, when this subcommittee made a study and held hearings on the subject of FHA foreclosures. From information received from the staff on recent GAO reports, I had assumed that the loopholes noted earlier in your laws and regulations had been filled.

I believe what may have happened is that GAO was requested to investigate the cases brought up by our subcommittee 2 years ago and that it took them 2 years to complete the investigations and make the reports. The Digest article in the April issue is repetitious, for the most part, of the allegations made in 1963 before our foreclosure hearings, which were dealt with in the report this committee made at that time.

One FHA weakness reported to be a continuing one is the failure of a reliable market analysis as a prerequisite for project approval, but the Reader's Digest article made very little reference to this as a cause for FHA defaults.

The six basic causes for FHA failures referred to in the Digest article involved:

First: Lack of financial responsibility of nonprofit sponsors.

Second: Excessive FHA land valuations.

Third: Milking of defaulting project.

Fourth: Mortgaging out through loopholes in cost certification requirements.

Fifth: Cancellation of promised tax exemptions.

Sixth: Political pressure.

I want to ask you specific questions on each of these, but before I do, I wish you would give us a brief summary of the FHA foreclosure and default situation on what some of your problems are and what you are doing about them.

It would be good if you could give us a little philosophy of the FHA insurance program and what it is intended to do, the risk involved, your experience to date and the soundness of your insurance reserves to take care of future contingencies. It would be appropriate for you to make comment at this time, but if you prefer, you can submit the overall answers to these for the record, because I do want you to be thorough and complete.

Mr. BROWNSTEIN. I would like to discuss the points that you have mentioned, Mr. Chairman, and they are the ones that are dealt with principally in the article.

Your review of that is entirely accurate. These do, for the best part, go back a good many years, and they were dealt with at considerable length in the hearings before this subcommittee in 1964. They deal in large measure with the one problem which the chairman suggests, which is marketability. This is one of the most difficult problems facing us today; trying to determine what the market will be several years hence is not an easy undertaking.

We are looking today at projects that will come onto the market some 3, 4, or 5 years from now. Local conditions may very well change. The economic conditions in the area may differ considerably from what they are at the present time.

We have improved our market analysis staff. We have also added a good many other factors which we believe are important in dealing with this subject.

I think we must recognize that the FHA is an insurance company and that we do take risks. This is inherent in the FHA operation. Certainly, we do not want to take undue risks. Certainly, we would be happier if we had no fatalities. But I know of no insurance company that has no losses, and FHA is typical of other insurance-type operations.

It is quite easy to judge an operation of this kind totally on the basis of its failures, but I think we ought to look at FHA also from the standpoint of its successes.

It has assisted some 8 million people in the acquisition of houses. It is largely due to FHA's efforts that the United States is now about 63 percent homeowners; that the average American, if he so chooses, can have the benefits of home ownership. The terms on FHA insured mortgages have been liberalized over the years and now, as you know, in the lower price ranges up to $15,000 a person can buy a house and obtain an FHA insured mortgage with a 3 percent downpayment.

With relative stability in real estate values and with these liberal terms, I think that we are going to continue having losses and foreclosures at about the same level. They are now at a little over 1 percent per year of the average number of outstanding mortgages.

I do not see where that is going to improve very much, Mr. Chairman and members of the committee, if we are going to continue having relative stability on real estate values.

I also believe that this is the price we pay to bring home ownership to the average citizen, and I think that the price is a worthwhile one and one that we would want to continue paying.

A second point which was made in the article dealt with nonprofit sponsors, and this is a very difficult problem. What we look for in nonprofit sponsors are continuity, motivation, knowledge, and interest.

One of the problems that faces us is that when we insure a mortgage, we are going to have to abide by that decision for 40 years, because this is the term of the mortgage on these projects. I think that Internal Revenue takes a new look at the nonprofit status of various organizations annually to see that their status continues. You may have some very properly and well-motivated nonprofit sponsors who are led by a particular group who then leave, for one reason or another. They may leave this earth. And with them goes the motivation and the interest in this particular project.

These are not the kind of things that you can foresee with great precision when you are looking at a project that is going to be mortgaged for a period of 40 years. The nonprofit sponsor also operates through the creation of a mortgagor corporation which is created specifically, in most instances, to cover the sponsorship of the particular project. Congress provided 100 percent mortgage assistance for nonprofit sponsors in some of these special purpose programs. It was believed that this is what it would take in order to make these programs available to supply the kind of housing that was aimed at, and this has been done, but the sponsorship may not have a tremendous amount in assets. They are not putting any great amounts of moneys into these because they do not have the money to do it.

What they have is the interest, the desire, the motivation, the continuity. If all of these things occur, then we are willing to go along with that kind of sponsorship and let them take the benefits of 100 percent financing. This was the program that was created by the Congress to achieve this objective and this is how we are trying to administer it.

Now, where we believe that a project has to be subsidized in order to be successful, there we look into the assets of the nonprofit sponsorship and we obtain from that

sponsorship a guarantee which gives us the kind of assurance we believe is necessary to subsidize the project.

The third point dealt principally with land values, and this is another thing that has given us a good deal of concern.

The article seems to equate land values and land costs, and this also fails to take into account the good many things that have to happen before a piece of raw land becomes eligible for a multifamily site. In some of the illustrations, this was what happened, as I have outlined in the point by point analysis.

Senator SPARKMAN. I wonder if you would just mention what some of those things are, Mr. Brownstein.

Mr. BROWNSTEIN. Yes, sir; I intend to, Mr. Chairman.

First, the land may have to be rezoned, and it may be rather expensive to do this.

Secondly, the question of how long this land has been held is quite a factor. If it has been held for a number of years, I think that all of us are quite aware of what has happened to land prices and land values in many residential areas.

Third, what it takes to prepare this land for residential construction can be very costly, and one of the illustrations cited there involved a very serious drainage problem that cost a good many thousands of dollars to correct before that land was increased in value.

But, on the other hand, we may find that the cost of the land really does not reflect the value in the other direction, and I have seen cases where we have refused to allow the entire cost of the land in our evaluation. Cost and value are not always parallel.

Nevertheless, this was troubling us and in January of 1964 we put out instructions to our offices in which we said that in every multifamily project they would determine the cost of the land in the last arm's-length transaction, and if the value to be included in the mortgage exceeded the cost—and, as I have outlined, for many good reasons this could happen—then there will be full documentation showing the justification for the increase in value.

With the committee's permission, I will introduce into the record a copy of those instructions.

Senator SPARKMAN. Without objection, that will be done.

(FHA's instructions on multifamily land valuations follow.)

"FEDERAL HOUSING ADMINISTRATION

"UNDERWRITING LETTER NO. 1955—CONTROL NO. F. 789

"JANUARY 9, 1964.

"To: Directors of all field offices.

"Subject: Multifamily land valuations.

"Field review of insured projects finds a most serious inadequacy or complete lack of documented support of the land valuations used in processing. Land valuations used in arriving at the total replacement cost of the property must be fully supported by complete and detailed evidence in the docket.

"In addition to the usual procedures and technique used to estimate available market price of site in fee simple the following steps are mandatory and are effective upon receipt of this letter:

"(1) Adequate supporting data for the available market price estimate must be in the file.

"(2) Price paid for the site by the sponsor must be ascertained. To do this the appraiser must examine the history of recent transfers of the subject site as well as the history of recent transfers of comparable sites. The purpose is to uncover all relevant data for use in arriving at a final conclusion of estimated market price of site and fair market value of land in fee simple and 'as is' for cost certification purposes.

"(3) Form 2401 LV must be completed in all multifamily cases.

"In making these determinations the valuator will recognize all of the factors involved which might tend to affect price such as rezoning, assemblage factors, changes in use of surrounding lands, firm trends of economic uses in the area which may increase or decrease the value since acquisition.

"The valuator will support his findings for permanent record in the docket. Where he finds that the land valuation ascribed in processing is at a higher figure than that paid by the sponsor, or in the latest arm's-length transaction, he will, under all circumstances, fully explain and document his reasons for the higher valuations."

Mr. BROWNSTEIN. I would like to supplement what I have said to you, Mr. Chairman, with more specific.

As far as FHA reserves are concerned, we still have $1,100 million in our reserves, and this is after we have paid all our losses and administrative expenses, and we continue to add to that reserve annually. I do not believe that any of our insured mortgages need be concerned about the safety of their investment.

Senator SPARKMAN. Let me be sure I have that figure correctly. $1,100 million in reserves.

Mr. BROWNSTEIN. Yes, sir.

Senator SPARKMAN. That represents what has been accumulated over the years since FHA has been operating, is that right?

Mr. BROWNSTEIN. Yes.

Senator SPARKMAN. That really represents a net earning after paying all expenses during the years.

Mr. BROWNSTEIN. Including the amount that was advanced to FHA initially by the Treasury.

Senator SPARKMAN. All right, go ahead. You feel that is an adequate reserve?

Mr. BROWNSTEIN. Yes. Not only I, but all of our actuaries and the actuaries from outside the agency believe this.

Senator SPARKMAN. Let me ask you this: Has it been steadily increasing throughout the years? Have you ever had a year when there was a deficit in operation?

Mr. BROWNSTEIN. There was an adjustment made last year based on the valuation of the properties that we had on hand. This resulted in a reduction. That was the first time in my memory.

Senator SPARKMAN. All right. Is there anything else you want to add?

Mr. BROWNSTEIN. I will give you more detail in the record, Mr. Chairman, as I indicated earlier.

Senator SPARKMAN. I have a series of questions here that I would ask if we had sufficient time for it, but what I would like to do would be to give them to you and let you answer them specifically in connection with your extension of your remarks.

Mr. BROWNSTEIN. I will be happy to, Mr. Chairman.

Senator SPARKMAN. Senator BENNETT, do you have any questions?

Senator BENNETT. Since I will submit questions, too, I will hold them.

Senator SPARKMAN. Senator WILLIAMS?

Senator WILLIAMS. Just one: This Reader's Digest magazine analysis, is that yours?

Mr. BROWNSTEIN. Yes.

Senator SPARKMAN. What you have was supplied to the members of the subcommittee.

Mr. BROWNSTEIN. We have made a point-by-point analysis.

Senator SPARKMAN. It is his point-by-point analysis of it.

Senator WILLIAMS. And your observations come under the title "Comment."

Mr. BROWNSTEIN. Yes, sir.

Mr. WEAVER. Might I say two things I think the record should show?

Senator SPARKMAN. Yes.

Mr. WEAVER. The first is that this whole area of getting into nonprofit groups, particularly first in senior citizen housing and more recently in housing for moderate incomes, and now with rent supplement housing for low income families is a fairly new area. Certainly for FHA and it is a pretty new area in this country in general. This has troubled us from the very beginning. We have watched it and in 1963, as a result of some of the problems to which the article of the Reader's Digest refers, and which were before this committee 2 years ago, because these are practically the same cases rehashed again, I appointed Mr. Baughman, who is the President of FNMA, and Mr. Semer, who was then the General Counsel of HHFA, to make a detailed study of this subject, and out of this came a report made to me which had certain administrative recommendations for change. When Mr. Brownstein came in, these were transmitted to him, and administrative changes were made.

In addition, in 1964 Mr. Brownstein issued a whole new set of regulations relating to the nonprofit sponsors and has constantly augmented these changes in his regulations.

The point I am trying to make is that we have not been sitting by, waiting for these things to develop, but we have, on our own initiative, taken steps to make reforms, and we are continuing to do so in a very, very unprecedented and untrod area of activity.

Senator SPARKMAN. Thank you. May I say that we try to keep up with those matters, and one thing that is a little discouraging is to see a lot of this stuff raked over 2 years after it had been freely reported by this subcommittee.

I may say that the staff of this subcommittee has standing instructions to stay right on top of all of these programs as far as we can, and when any part of our housing program, the overall housing program, goes sour or shows indications of doing so, we want to know about it and we want to get in and see what is the trouble, and if action is required in the way of legislation, we will move to bring it and get it, and we are eager to cooperate with your agency, your Department, and to do everything that we can to see that things are running right.

We want to see a good program, we want to see one that is economically sound, and my own feeling has been that the general housing program has been a tremendous success in this country in furnishing homes for American families and doing it without net loss to the Federal Government. I think it is a great tribute to all of those connected with housing that we have been able to do that, and of course, Mr. Brownstein, whatever you can do to clear this up and to let us have accurate, correct, dependable information, we shall appreciate it.

I will give you this list of questions that I ask you to answer specifically.

I shall request that you submit for the record other up-to-date regulations referring to this matter.

(The material follows:)

"DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, FEDERAL HOUSING ADMINISTRATION,

"Washington, D.C., May 5, 1966.

"Hon. JOHN SPARKMAN,

"Chairman, Subcommittee on Housing,

"Committee on Banking and Currency,

"U.S. Senate, Washington, D.C.

"DEAR MR. CHAIRMAN: As requested in the hearings of the Housing Subcommittee on April 19, 1966, I am submitting statements for inclusion in the record on each of the six points referred to as the basis for FHA failures in the April Reader's Digest article. These points are covered in the enclosed exhibits 1–6. I am also enclosing exhibits 7–15 in answer to your questions on our analysis of the Reader's Digest article.

"Much of the criticism of FHA operations is made without due consideration for the fact that we are engaged in the business of taking insurance risks. It is impossible to foresee all hazards and possible failures in any underwriting process, and the payment of claims is a normal part of insurance operations. These claims are paid by the FHA out of insurance reserves which have been accumulated from fees and premium income and from the resale of acquired properties. Our programs have been self-sustaining and the payment of all losses as well as expenses of administration have been absorbed without the use of appropriated funds.

"The FHA default and foreclosure situation was thoroughly discussed and analyzed during the hearings before your subcommittee on January 27 and 28, 1964. At that time our percentage of foreclosures was about one percent of the total number of the mortgages insured. Our present foreclosure rate is substantially the same as that in 1964. These foreclosures continue to be concentrated, as in 1964, in areas that have experienced economic setbacks. However, the overall foreclosure rate is within the range developed by FHA actuarial calculations for a period of normal business activity. Our reserves of $1,100,000,000 are adequate to meet future contingencies.

"I appreciate this opportunity to clarify the record and to explain how in recent years we have steadily strengthened procedures in our programs, some of which are still relatively new.

"Sincerely yours,

"P. N. BROWNSTEIN,

"Assistant Secretary-Commissioner."

"EXHIBIT 1

"NONPROFIT SPONSORS AND MORTGAGORS

"A. Requirements for approval

"1. The FHA publishes a form of corporate charter for the use of nonprofit mortgagors and its use is mandatory. The form may be modified only by technical changes required by state law. The guide form of charter has been examined and cleared by officials of the Internal Revenue Service who are concerned with tax exemption of nonprofit organizations.

"In January 1965, the guide form of charter was amended to require that the membership and directors of the mortgagor corporation must be persons who have the approval of the directors of the nonprofit sponsoring organization. This change assures continuity of interest and responsibility by the sponsoring organization. It eliminates possible friction between the mortgagor and sponsor by permitting the poration those persons who are no longer working in the interests of the nonprofit project.

"2. On July 7, 1961, after the enactment of section 221(d)(3), the below market interest rate program, the FHA regulations were amended to define nonprofit mortgagors as those which the Commissioner finds are in no manner controlled by or under the direction of persons or firms seeking to derive profit or gain from the operation of the project.

"3. On August 10, 1962, the FHA established a new procedure under which the sponsors of nonprofit organizations are examined in greater depth. The objective of the examining procedure is to make certain that, on the basis of the evidence presented, there will be no relationship which will subject the mortgagor to control by any person or firm seeking profit or gain. These procedures require a careful review and approval of the submitted data by field office directors and multifamily regional offices. With certain specified exceptions, Washington office review was also required.

"4. Beginning in August 1963, sponors of subsidized nonprofit elderly housing projects were required to execute Form 3436, Guaranty Agreement. Under this procedure, if the FHA finds that the anticipated income of a nonprofit elderly housing project will not support a mortgage based on 100 percent FHA's estimate of replacement cost, then one or the other of two courses of action must be followed. Either the mortgage must be reduced to an amount which the project income will support, or a Guaranty Agreement must be obtained from the sponsor.

"Under the Guaranty Agreement, the sponsor is legally bound in the case of default to make a subsidy differential payment to prepay the mortgage to an amount which the FHA has predetermined can be supported by project income. The Guaranty Agreement is executed by the sponsor with the mortgagee and is assignable to the FHA. The FHA thus acquires a right to collect the prepayment from the sponsor after a mortgage has been assigned to the Secretary. It also acquires a right to collect the prepayment from the sponsor following a foreclosure of the mortgage and a conveyance of the property to the Secretary, since the legal rights under the Agreement survive foreclosure.

"The Guaranty Agreement is acceptable to the FHA only if the sponsor's financial capacity and business background is satisfactory. This requires a determination that the sponsor has sufficient resources and assets to make the prepayment, in the amount of the subsidized differential, in the event of default. Where it appears that no subsidy will be required, we are primarily concerned with the motivation and the nonprofit aspects of the sponsoring organization rather than with its financial capacity or business background.

"The Guaranty Agreement is used in the nonprofit elderly housing program. Unlike section 221(d)(3) nonprofit projects, the legislative history of the elderly housing program indicated an intent for FHA to insure mortgages covering subsidized as well as nonsubsidized projects.

"5. On July 8, 1963, the FHA created the new position of Associate Deputy Commissioner for Operations with responsibility for the direction of all field operations and for the development of policies and establishment of operating plans, technical standards and procedures for all programs.

"Problem cases referred to the Washington office for determination are directed to the Associate Deputy Commissioner for Operations. Among such cases are those involving national policy, unsolved technical matters, and controversies requiring determination by the Washington office where there is a difference between the findings of the insurance office and the Zone Multifamily Housing Representative.

"6. On December 11, 1964, the FHA regulations were amended to require the use of cost plus contracts in substantially all nonprofit cases. This has the effect of requiring the builder, as well as the mortgagor, to certify the actual costs under the construction contract. It eliminates the use of a lump sum contract which could possibly be used by a builder to obtain control over a nonprofit mortgagor by means of donations and gifts. Experience indicates that the use of a cost plus contract lessens the possibility of an identity of interest between a builder and the sponsor or mortgagor.

"7. On December 11, 1964, we also amended the regulations to remove the prohibition against the use of mortgage proceeds for establishing the working capital in nonprofit projects. Items formerly financed out of working capital are now paid for by an allowance out of mortgage proceeds to be used for making nonprofit projects operational (AMPO). AMPO is now included in the mortgage amount and can be used as approved by the FHA. Nonprofit sponsors, therefore, are no longer dependent upon contractors and land owners to supply funds for items formerly financed by working capital.

"8. On January 18, 1965, the FHA manual instructions for nonprofit projects were changed to limit borrowing by mortgagors from contractors and others connected with the project to amounts covering the cost of items which are to be ultimately financed from the proceeds of the insured mortgage. Borrowing by mortgagors from parties not connected with the project is permitted only where the indebtedness does not subject the mortgagor to control from such parties. Any loan covering an item for which mortgage proceeds are to be advanced must be paid in full at the time the proceeds are advanced. If funds are borrowed for project purposes not included in the mortgage, the debt may only be secured by an FHA approved promissory note payable from a residual receipts account. This residual receipts account must be established from surplus funds realized from project operations and disbursements from the account are subject to FHA approval.

"9. In November 1965, local FHA insuring offices were instructed that nonprofit projects were to be processed as exempt or eligible for abatement from state or local real estate taxes only upon approval of the Washington office. In the Washington office review, every precaution is taken to assure that a mortgagor's claim of exemption has a valid legal basis.

"B. Financial capacity and responsibility

"As explained in paragraph 4 above, there are two distinct types of nonprofit projects—subsidized and nonsubsidized. A subsidized project is one which may not, under the FHA projections, produce sufficient rental income to meet operating expenses and debt service requirements. For example, it may be a project sponsored by a church or charitable organization to provide housing for very low income or indigent persons who are unable to pay an economic rent. The financial capacity and business background of a sponsor of such a project are carefully examined by the FHA with full recognition that the success of the project may be dependent upon the sponsor's subsidy. Processing instructions also require appropriate findings as to the motivation of the sponsor and a clear showing that there is no expectation of profit.

"A nonsubsidized project is one that is self-supporting and has no need for a Guaranty Agreement by the sponsoring organization. In these cases, the FHA projections must support a finding that the proceeds of the mortgage are sufficient to construct the project and also that there is a sufficient market demand for the units by persons who are able to pay the economic rents required to make the project successful. The financial capacity and business background of the sponsor are secondary considerations as long as satisfactory findings can be made as to the sponsor's motivation and there is a clear showing that there is no expectation of profit."

"EXHIBIT 2

"MULTIFAMILY LAND VALUATIONS

"Criticism of FHA land valuation is based on a fallacy that cost should at all times be equated with value.

"In any sound approach to valuation, many factors other than acquisition cost must be considered. The owner of the land may have made improvements or may have held the land for a long period of time during which value has appreciated. He may have obtained changes in zoning, permitting construction of an apartment building on land previously zoned for single-family detached housing, thereby greatly increasing the land value. He may have paid substantially more

than the land was worth because of bad judgment or, conversely, he may have obtained a bargain price. Recent sales of the property may have been made by parties having an identity of interest, in which event business or tax considerations may have brought about unrealistic sales prices.

"FHA valuations may be substantially more or less than the mortgagor's cost of acquisition. It is recognized, of course, that the cost of the land in a recent arm's length sale ordinarily has an important bearing upon proper land valuation. The consideration of such cost has always been an FHA requirement, but appraisals have not always been fully documented to explain variances between cost and value. In order to assure better documentation, special instructions were issued to field office directors in January 1964. Valuators were instructed to consider the price paid by the sponsor along with other recent prices paid for the particular site as well as for comparable sites. The instructions stressed the importance of uncovering all relevant data for use in arriving at the 'as is' value of the land and emphasized the requirement that every item of appropriate valuation forms must be completed. The additional documentation and price history considerations were established as factors in reaching the determination required by the forms. The instructions further required the underwriter to explain fully his value estimate if it is higher than the price paid in the latest arm's length transaction.

"Since the 'as is' value of the land is included as an allowance in cost certification, well-documented valuation is most important in order to avoid the pitfall of inflated land values arising from 'straw' transactions. Costs, as they relate to construction, are certified by the builder and may be allowed or disallowed by the FHA depending upon the submitted proof at the time certification is made. If the 'as is' value of the land is inflated because FHA valuators have not considered all pertinent factors, then the desired result of cost certification may be thwarted. It is for these reasons that in January 1964 underwriting instructions were strengthened as described above."

"EXHIBIT 3

"CONTROL OVER PAYMENT OF DIVIDENDS

"Through the years of operating its multifamily housing programs, the FHA has exercised a control over the payment of dividends by mortgagors. Prior to 1961, almost all mortgagors were required to be incorporated, using a form of charter prescribed by the FHA. Under this charter, only funds designated as surplus cash can be used for paying dividends. Surplus cash is interpreted as including any cash remaining after all tenants' security deposits have been funded, all operating expenses have been paid, all contributions to reserve have been made, and all mortgage payments are current.

"The FHA charter form prohibits the payment of any dividend or distribution while a charter default exists. Charter defaults include the failure of the corporation to maintain its property and equipment in good repair and condition. In some cases where dividends were paid at a time when the mortgagor was failing to properly maintain the property, but meeting the mortgage payments, the FHA has taken control of the corporation by exercising its rights as a preferred stockholder. Since this type of procedure exposes the FHA to the possibility of being held legally responsible for its actions in operating the corporation, efforts have been made to accomplish the desired results by other means. In most cases, distributions have been restored as a result of persuasion or by withholding FHA approval of a mortgagor's request involving a partial release of security, transfer of ownership, deferment of amortization, or the release of funds from the Reserve for Replacements. These efforts have been most effective where the mortgage remained current and there was a good prospect of the project's success. It has been necessary to exercise the right to take over control of the corporation in relatively few cases. The mortgagors creating our major problem are those whose income is barely sufficient to meet operating and debt service obligations. These mortgagors are unlikely to spend money for other than urgent maintenance requirements in order to assure availability of sufficient funds with which to keep the mortgage current.

"Since 1961, the FHA has generally used a regulatory agreement for controlling the mortgagor's operations. The provisions in that agreement concerning the operation of the property and the handling of income approximate those contained in the FHA form of charter. The injunctive process is available where violations of the agreement occur. Where improper distributions remain unrestored after foreclosure, the FHA has been successful in recovering distributions from the recipients. It is our practice to ask for a deficiency judgment in every case which warrants it. Where judgments are entered, we have been able to collect deficiencies from individual stockholders and other associated with the mortgagor who were responsible for improper distributions."

"EXHIBIT 4

"COST CERTIFICATION REQUIREMENTS

"Since the enactment of section 227 of the National Housing Act in 1954, FHA regulations and procedures have always required detailed cost certification by mortgagors. Where an identity of interest exists between the mortgagor and the general contractor, a similar detailed cost certification is required of the general contractor as well as the mortgagor.

"Experience gained in the administration of the cost certification requirements has led to changes in regulations and procedures from time to time. The most recent changes were made in December 1964 for the purpose of clarifying and strengthening requirements in cases where identities of interest exist between the mortgagor and a subcontractor, a material supplier or equipment lessor. Prior to the adoption of these changes, we relied upon a certification that amounts paid to subcontractors or material suppliers having no identity of interest with the mortgagor were no greater than prices prevailing in the locality for similar services or materials. We did not have specific provisions covering equipment rentals.

"Our present procedures are more comprehensive. Review by the Washington office is required in all transactions where mortgage amounts exceed $200,000. Provision is made for a detailed certification of actual costs covering amounts paid to each subcontractor, material supplier or equipment lessor having an identity of interest with the general contractor or the mortgagor."

"EXHIBIT 5

"TAX EXEMPTIONS

"The savings realized by a tax abatement or tax exemption may mean the difference between success or failure of a project. Prior to November 1965, the FHA accepted in good faith statements by sponsors and tax officials indicating that a project could receive a special tax benefit in the form of abatement or exemption. Unfortunately, in some instances, the expected tax benefits have not been received by the projects.

"In November 1965, FHA strengthened its procedure for proposals involving tax exemption or tax abatement. The new procedure requires each insuring office director to forward, for legal review by the Washington office, a full statement of facts prepared by the sponsors including a copy of the application for exemption or abatement. The sponsor is required to submit an attorney's opinion stating the basis for claiming the exemption and whether or not the project will be entitled to exemption or abatement. The opinion must also cite the state law involved and include evidence supporting the claim. Current court decisions and opinions of the State Attorney General may be submitted. Where state law requires, a certificate for exemption or abatement must be submitted. The insuring office director is required to forward any information he may have about similar projects in the jurisdiction where an abatement or exemption was allowed.

"The reviewing attorney in the Washington office is required to satisfy himself that the claimed exemption or abatement is fully supported. If approval of the application for exemption or abatement has not been given by the local authority, or if a certificate or other evidence of the exemption or abatement is required, legal approval will be conditioned upon the submission of such approval or certificate prior to FHA mortgage insurance."

"EXHIBIT 6

"POLITICAL PRESSURES

"The suggestion in the Reader's Digest article that projects are recklessly or irresponsibly approved because of political pressures and that FHA's professional staff has been replaced by political appointees is completely false.

"Applications for FHA mortgage insurance are processed by a skilled professional staff, and a well-developed system of supervised checks and balances is an effective bar to the underwriting of poor risks because of political pressures."

"EXHIBIT 7

"ITEM 1: BLUE LAKE MANOR, PASCAGOULA, MISSISSIPPI

"On this project, it is obvious that you proceeded to insure it without a commitment from the International Union and lost money in so doing. In fact, the only thing that you had in writing appears to have been an approval in policy but a refusal to be financially responsible.

"*Question.*—Was this just an oral misunderstanding or was it the agency's desire to insure this project despite the lack of a firm legal commitment that led to this loss?

"*Answer.*—There was no misunderstanding involved. A firm legal commitment was not required. The endorsement of the International Union was accepted as an assurance (later denied by the Union) that the International Union would step into the shoes of the Local Union in the event of a default.

"*Question.*—Your FHA commitment was made December 18, 1961, and final endorsement was made October 25, 1963—what rules or regulations did you have in effect on these dates regarding legal commitments of financial responsibility by sponsors of this type of project? What are your present regulations on this subject?

"*Answer.*—At the time the FHA commitment was issued, the acknowledged approval and support of a local sponsor by its central or sectional body was considered sufficient evidence of its financial strength. The central or sectional body was not required to make any legal commitment or furnish evidence of its financial strength. Since issuance of the FHA commitment, various changes, as discussed in exhibit 1, have been made in determining the eligibility, financial capacity, and responsibility of nonprofit sponsors and mortgagors. On April 1, 1966, instructions were issued expanding the review to be made by insuring offices of the authority and financial capacity of a guarantor under a Guaranty Agreement.

"The processing of a proposal for a nonsubsidized project may show that sustaining occupancy cannot be expected until the second or third year following completion. In such cases, the mortgagor or sponsor must provide a cash deposit to be used as an operating deficiency fund to meet estimated deficiencies during the early years.

"The differences between subsidized and nonsubsidized projects are significant. Exhibit 1 contains an explanation of these differences and an outline of the FHA requirements in cases involving nonprofit sponsors."

"EXHIBIT 8

"ITEM 2: WESLEY MANOR, WESLACO, TEX

"*Question.*—The Reader's Digest predicts that 'the loss FHA will sustain will be stupendous' (p. 9 of the FHA sheet) on Wesley Manor, Weslaco, Texas. Here apparently you have a commitment from the McAllen Methodist District. Did you conduct a reliable financial investigation of this sponsor?

"*Answer.*—Before the commitment was issued, current financial and operating statements of the sponsor were reviewed by the Appraisal and Mortgage Risk Division in Washington and found acceptable.

"*Question.*—What is your reply to the Reader's Digest prediction of stupendous loss?

"*Answer.*—In view of the guarantee by the sponsor, the FHA does not anticipate failure of this project. Full mortgage payments started on November 1, 1965, and are current. The District Superintendent of the McAllen District, and the Resident Bishop of the San Antonio-Northwest Texas Area of the Methodist Church, in reply to the Reader's Digest article, have reaffirmed their faith in this project. A copy of the position paper prepared by the sponsors is attached as a part of this exhibit.

"*Question.*—What are your present rules and regulations on investigation of financial responsibility of sponsors?

"*Answer.*—The present FHA requirements governing the financial responsibility of sponsors is fully discussed in exhibit 1.

"THE TRUTH ABOUT WESLEY MANOR—A SERIES OF STATEMENTS IN RESPONSE TO AN ARTICLE IN THE APRIL 1966 READER'S DIGEST (MARCH 28, 1966)

"The bishop speaks

"Wesley Manor is a project of the Southwest Texas Conference of The Methodist Church through the McAllen District and has been such a project since its inception eight years ago. Over seven of these years were spent in planning and developing this modern facility.

"During all these years a dedicated group of laymen and clergymen has joined together in a Board of Directors elected by the Southwest Texas Conference of The Methodist Church to make Wesley Manor the most desirable retirement home in one of the newest and most favorable retirement areas in this nation.

"We are proud of Wesley Manor and are most anxious that it render a Christian service to a large number of people in their senior years, side by side with the 145 other Methodist related retirement homes located across America.

"BISHOP O. EUGENE SLATER,
"Resident Bishop, San Antonio-Northwest Texas Area, The Methodist Church."

"The district superintendent speaks

"On several occasions in the past eight years the McAllen District Conference has affirmed its backing and support of Wesley Manor through resolutions at regular and called sessions of the District Conference, which is made up of the elected representatives of forty-two churches in the District.

"Far from being a fiasco, Wesley Manor is gaining new strength each week in its efforts to become a resounding success as a modern retirement facility.

"I feel that to link Wesley Manor with other apparent white-elephant projects in other areas, thereby implying the technique of guilt by association, is most unfair.

"I remember well about three years ago, in this District we were facing a similar struggle of getting another Methodist Institution going and some prophets of doom cried it was a fiasco and headed for failure. Time has proved they were wrong. Today, this fine institution stands strong, full and is providing a great helping and healing ministry.

"We know through experience in other projects that the first year is always the hardest. But with good management and the continued confidence of our residents we can render a significant Christian service.

"We have excellent management and a competent group of laymen and clergymen serving on our Board of Directors. I firmly believe that the time, talent and contribution made by Methodist people in this project will prove eventually that our efforts have not been in vain.

"Rev. SAM L. FORE,
"District Superintendent, McAllen District, The Methodist Church."

"A resident of Wesley Manor speaks

"As a resident of Wesley Manor, Weslaco, Texas, the beautiful retirement home sponsored by the McAllen District of the Methodist Church which you so roundly castigated in the April Reader's Digest in 'The Stench at FHA', may I call your attention to a few omissions and inaccuracies noted?

"In the first place, Rev. Paul A. Weiss did not seek 'to build a grandiose retire home'—he was simply the one chosen to implement the plans already made, and he consented only after much persuasion and prayerful consideration, as it meant stepping down from a successful pastorate to serve in this special way.

"Secondly, you should realize that the 'contribution' ranging from $8,000 upward for apartment space is scarcely more than half the amount now being demanded by other church-sponsored retirement homes and those backed by various organizations throughout the nation. You call the maintenance fee or 'Care Fee' rental, which it definitely is not. It pays for three wonderful meals a day in the attractively appointed dining room, weekly maid service, all flat laundry, beauty and barber shop service by professional operators, fourth floor infirmary care for as long as needed, varied recreational facilities, central heating and air conditioning, and other advantages too numerous to mention, including all the joys of home ownership with none of the attendant responsibilities—all of which you failed to mention—nor did you state that for ONE person the fee is $135; for a COUPLE, $245.

"As to the turnover, that was all a part of the original plan and right now if all those who have already contracted for deferred occupancy were to demand immediate entry, the existing apartments would be insufficient to fill the need. As new residents continue to apply for admission it becomes increasingly clear that more apartments, and cottages, will have to be constructed soon.

"Wesley Manor is not a 'fiasco', but a going concern that is helping to set the pace for retirement homes of the future, backed by all the experience gained in establishing and successfully operating dozens of such homes throughout this country under the guidance and supervision of the Methodist denomination.

"Heretofore I have always had great respect for the Reader's Digest and its effort to keep the public informed; however, in this particular case I happen to know the facts, and must say that your irresponsible reporting of half-truths and misinformation has shaken my confidence in your magazine. You should at least correct the impression you have given and assure the public that Wesley Manor is *one* long-term loan project that is destined to pay off, not only financially but also in its successful fulfillment of a vitally urgent humanitarian need.

"Respectfully yours,
"Mrs. MARIE E. WRIGHT,
"Resident, Wesley Manor."

"Administration of Wesley Manor speaks

"The Administration of Wesley Manor, Inc., Weslaco, Texas is hesitant in answering the false and exaggerated charges in the April issue of Reader's Digest. This non-profit Christian Home is provided by the Southwest Texas Conference of the Methodist Church through the McAllen, Texas District. Our records are open to the public for we fear not what any committee, organization or individual might find. Years of planning and study with Methodist Ministers and laymen, public officials—local, state and national, and counseling with other retirement home administrations gave Wesley Manor a solid foundation upon which to build. Wesley Manor was no overnight dream, rather a plan executed by men with far reaching visions who were not interested in public praise or advancement for themselves. Wesley Manor is a Tower of Strength for the Senior Citizens of our fifty states. There have been 280 other dreams by Methodist—146 Homes for the Older Citizens, 80 Hospitals, 52 Homes for Children and Youth and 2 Homes for Business Women.

"The Administration of Wesley Manor has no desire to become involved in a name-calling hassle with Mr. John Barron, author of the Digest article, or Reader's Digest. Mr. Barron visited the Administration of Wesley Manor early in 1966 and was extended every courtesy possible during his stay. He led us to believe he wanted to write an article praising the outstanding efforts of the Methodist Church and their great faith in building such a magnificent retirement home. We were deeply hurt that he would take our words and twist them to fit his own purpose. As an example Mr. Barron was surprised to learn we were half-full (occupied), since at the time of his visit we had been opened less than four months, but to our surprise in the Digest article he took the attitude we, the Manor, should be completely occupied and that we were doomed for failure. Today this Christian Home for the Retired has 81 residents in 60 apartments. In the month of March there were ten applicants for seven apartments. Presently we have 125 Deferred Residents, persons not yet retired or ready to move into Wesley Manor, but who will occupy 81 apartments upon moving into the Manor. If all Deferred Residents were to move into the Manor today, we would be two apartments short.

"Mr. Barron speaks of a monthly rental in his Digest article—there is no such thing at Wesley Manor. The Manor does have a Monthly Care Fee—$135 monthly for one person and $245 monthly for two people. The Monthly Care Fee includes the following services: lodging, food, flat laundry, weekly maid service, infirmary care, beauty and barber care, post office services, laundry facilities, recreational facilities such as: billiards, shuffleboard, carpentry shop, art classes, crafts and ceramics, ping-pong, and bowling on the green, lectures, Valley and South Texas Tours, library, guest rooms for friends or relatives with no charge up to six days, storage bins, automobile washracks, transportation for shopping, church or physicians visits, physical therapy, private intercom to each apartment, two chapels, resident counseling, and many other services too numerous to mention.

"Mr. Barron failed to mention in his article the loan to Wesley Manor in the amount

of 2.8 million dollars from the Federal Housing Administration has not yet been closed. Wesley Manor has seen fit since November 1, 1965 to make these monthly installments and has yet to miss a single payment which of course mounts into the thousands of dollars monthly. As a matter of record the Manor is now overpaid on its mortgage insurance by several thousand dollars.

"Wesley Manor has a 40 year federally insured loan through the Federal Housing Administration and it is set up on standard actuarial tables which of course means each apartment will be re-occupied three times before it pays for itself. This is no secret and Wesley Manor informs all prospective residents of this fact.

"We are tremendously proud of this Christian Retirement Home. We realize our task is not a simple one and that our financial problems will be many. We are sorry Mr. Barron could not have given the true facts about Wesley Manor but we realize no two men are alike and what one man might think a good investment another might think worthless, but that is the privilege freedom allows us all—an opportunity to dream, plan, and see our dream come true. There will be more Mr. Barron's pass our way but we have already turned our other cheek."

"EXHIBIT 9

"ITEM 3 WEEQUAHIC PARK TOWERS AND PLAZA PROJECTS, NEWARK, N.J.

"Regarding the Weequahic Park Towers and Plaza projects (p. 3 FHA sheet) in Newark, N.J., the principal issue raised in the article seems to be land valuation. On this, you state that the price paid by the developer is not controlling and that many factors including personal judgment are involved.

"*Question.*—Do you have what you might call a uniform land valuation policy or guideline by which your local and regional offices may be governed?

"*Answer.*—We have a uniform land valuation policy in that we have detailed procedures which must be followed in the analysis of the market prices paid for comparable sites providing equal appeal and utilization. This includes zoning, desirability from standpoint of location, and market demand. In large metropolitan areas where the volume of land transfers permit a pattern of prices paid, a distinct pattern will attach to land that may be used for walkup and for elevator construction. This pattern is only a guide and each case must be studied on the basis of the market data developed. The data is evaluated from the standpoint of reasonableness in relation to the pattern and trend that may exist at time of appraisal. The FHA underwriting manual provides guidelines for use in checking the accuracy and validity of market value arrived at through the square foot and comparables method. We do not, however, have a guideline in the term of dollar per square foot or per unit for the various regional areas or for insuring office jurisdictions. The general subject of land valuations is discussed in exhibit 2.

"*Question.*—If you have a comparable value site in point, do you abide by this comparable value?

"*Answer.*—Yes. A review of the prices paid in connection with a number of transfers of land will sometimes permit the selection of a representative site which reflects clearly the market value of the property being appraised. Where this occurs, the value of the comparable site is assigned to the property under study.

"*Question.*—The above-mentioned New Jersey cases raise another point—namely economic feasibility. Did you have any local or regional reports in these two cases to indicate a reasonable doubt that the developer could rent these projects?

"*Answer.*—The Park Towers Apartment building was approved in 1958 and completed in 1962. The FHA had no current market analysis report at the time this project was processed. Market analysis reports, dated July 1962 and May 1963, showed a significant vacancy in the range under consideration. These reports were not addressed to the marketability of a specific project, but to market conditions in entire metropolitan areas. In this case, they concerned the entire northeastern part of New Jersey.

"FHA insuring office directors and underwriting personnel are delegated the primary responsibility for evaluationg proposals. In the evaluation process, they are expected to exercise specific real estate and underwriting judgments in weighing the significance of special local factors against the findings of area market studies. They were not precluded by the adverse factors in the July 1962 and May 1963 area studies from considering specific proposals for the Weequahic section of Newark.

"At the time the Weequahic Park Plaza project was under consideration, the nearby Park Towers project had rented 92 percent of its efficiency units and 75 percent of its one bedroom apartments. Approval of the Weequahic Park Plaza project by the FHA insuring office in Newark was given on the basis that it was to be composed primarily of efficiency and one bedroom units, for which there was a demand in that specific area. In addition, the design and amenities of the Park Plaza project were superior to those of the Park Towers project."

"EXHIBIT 10

"ITEM 4: SAVANNAH TERRACE, INC., NORTH AUGUSTA, SOUTH CAROLINA

"*Question.*—With respect to the accusation (p. 6 FHA sheet) that promoters can 'milk' projects by excessive withdrawals of corporate funds as alleged regarding Savannah Terrace, Inc., North Augusta, S.C., would you explain what control you have both before and after default over excessive withdrawal of corporate funds?

"*Answer.*—Exhibit 3 explains the remedies available for the recovery of improper distributions of corporate funds.

"With respect to the allegations that the FHA permitted the sponsors of the Savannah Terrace, Inc. project to receive $318,000 during the foreclosure action while advancing $43,000 for insurance and taxes, we submit the following:

"1. The FHA insured a loan for advances of $947,100 on June 23, 1951.

"2. The mortgagor defaulted in its payments on January 1, 1957.

"3. The mortgage was assigned to the FHA by instrument recorded May 15, 1957.

"4. On November 7, 1957, a formal foreclosure complaint was forwarded to the Department of Justice. The complaint requested the appointment of a Receiver and the entry of a deficiency judgment. The complaint was filed in February 1958.

"5. A receiver was not appointed as the court was awaiting the decision in *U.S.* v. *Woodland Terrace, Inc.*, 293 F. 2d 505 (1961), a companion case in which the defendant appealed. The issues involved the appointment of a Receiver and provision for the entry of a deficiency judgment. The Circuit Court sustained the District Court's rulings, and petition for Writ of Certiorari was denied by the U.S. Supreme Court on December 11, 1961, 368 U.S. 940 (1961).

"6. An accounting of all income from the date of default to the date of the foreclosure sale was made by the mortgagor to the court.

"7. The United States Attorney negotiated a settlement of all claims against the various companion corporations involving 13 projects and specifically waived any right to deficiency judgments. The agreement was approved by the Department of Justice on behalf of FHA.

"8. The FHA received $146,003 in settlement of all its claims against Savannah Terrace, Inc. arising out of its handling of corporate funds.

"9. The FHA became the owner of the project on December 1, 1962, as a result of a bid in the amount of $900,000 interposed on its behalf by the Assistant United States Attorney George E. Lewis.

"10. Subsequently, $25,000 was remitted to the FHA to cover legal fees expended in Savannah Terrace (054–42043), Wales Garden Apartments (054–40006/7/8) and Washington Homes (054–42042).

"11. The General Accounting Office estimate of $318,000 was apparently calculated by multiplying by about 5½ (years) the property's 1956 cash throw-off, as adjusted. It is doubtful that this projection can be supported, since we understand that the predominant factor in the default was low occupancy by reason of the personnel reduction at a nearby Atomic Energy Installation and at Fort Gordon."

"EXHIBIT 11

"ITEM 5

"The general accusation that you let 'freeloaders live in repossessed apartment buildings' and your response on p. 7 (FHA sheet) that you are tightening up your internal structure on this matter, lead me to the general question of what is your present policy of management and also of repair of repossessed properties?

"The FHA policy with respect to acquired multifamily projects may be stated in terms of a sole objective—the disposition of the property to the best advantage of the government.

"The FHA seldom acquires a project in first class condition and 100 percent occupied. Therefore, upon acquisition of a project, we first examine the tenant market to determine whether 100 percent occupancy (or occupancy approaching 100 percent) is attainable. Since prospective purchasers of such properties are investors, a property's attractiveness lies in the return it will produce on a purchaser's investment.

"It has been our experience that judicious expenditures directed toward achieving higher occupancy enhance the property's market price by an amount greater than those expenditures. Therefore, it is our usual interim objective to place the property in such condition as to attract the occupancy necessary to attain the highest rental income conditions permit. Frequently, this involves an initial program to correct deferred maintenance, consisting of painting, guttering, glazing, caulking, landscaping, and redecorating. Occasionally there is a need to correct deficiencies or defects involving drainage, sewage disposal, walks, drives, parking areas, recreation facilities, mechanical equipment, and excessive heating costs. In some instances, additional services and amenities are provided—switchboard services, metered or free laundry equipment, attic or kitchen exhaust fans, conversion of individually operated coal-fired heating equipment to oil or gas.

"These programs for improving the property provide measures necessary to protect the physical structures, to preserve and engender the best possible public reaction to the offering of the units for rent, and to promote the retention of tenants. The yardstick by which to measure the extent of betterments to be added is the capitalized value of the expected increase in return as related to the cost of the improvement. While correction of deferred maintenance, elimination of defects and deficiencies, and the addition of betterments are for primary consideration immediately following acquisition, all of these elements are given continuous study thereafter to the end that the property may

be brought to, and kept at, its productive peak.

"The FHA operates its acquired properties through management brokers who submit bids pursuant to invitations issued to approved property management firms in the environs of the project. The FHA establishes the rental schedule and authorizes the employment by the manager of on-site personnel at stipulated salaries. The manager pays all project expenses, including such salaries, from the rental receipts, and submits monthly accountings. The manager's remuneration is usually a stipulated percentage of gross rentals. In some instances, the fee is set in the contract as a specified amount. In a few instances, the fee is set as a specified amount plus a percentage of rentals. These latter situations usually involve projects with very meager occupancy, requiring that we assure the manager a minimum remuneration while providing him with incentive to work diligently to improve the occupancy ratio.

"Items of repair and maintenance properly classified as ordinary day-to-day operating necessities are handled by the manager under the supervision of the local FHA insuring office director. Major expenditures require prior Washington approval.

"By a continuing review of the manager's accountings and his entire operation, we are able to exert control over the accumulation of delinquent rentals. Managers are authorized to take legal steps to evict tenants who are in arrears and to enforce collection of the arrearages of such tenants."

"EXHIBIT 12

"ITEM 6

"You state (p. 8 FHA sheet) that the Adam Clayton Powell Foundation case did not go through and that the project under new and different sponsors is now current. The case involved tax abatement, however, and I would like to know what your present policy on this matter is—specifically, I would like to know whether you require a certificate of tax abatement and if so, must it be by a responsible authority on whom reliance may be made?

"*Answer.*—The FHA requirements relating to tax exemption and abatement are outlined in exhibit 5."

"EXHIBIT 13

"ITEM 7: CLAREWOOD HOUSE, HOUSTON, TEXAS

"As to Clarewood House, Houston, Texas, (p. 11 FHA sheet), you state that your director in Houston 'did not follow established procedures and should not have issued the commitment until the question of sponsorship had been clarified'.

"*Question.*—Under your procedures, what action could your office have taken at that time to have vitiated this commitment?

"*Answer.*—A commitment is issued to a mortgagee, and constitutes a binding contract. It cannot be vitiated in the absence of fraud or misrepresentation by the mortgagee.

"*Question.*—You state that the final result of this project is an eligible nonprofit mortgagor and that it has 90% occupancy. If the result had been the other way and an unjustified loss of great consequences were facing you, would you place the blame on your Houston director or on your office?

"*Answer.*—While it is true that established procedures were not followed, the new nonprofit sponsorship was approved by the Washington office. The tax difficulty has resulted from a decision of the State Supreme Court and it affects all nonprofit projects. Under the decision, the tax exempt status turns on the question of whether the undertaking is for charitable purposes rather than the nonprofit sponsorship.

"*Question.*—If the tax exemption matter is not cleared, will this be the probable result?

"*Answer.*—On November 15, 1965, a rental increase was put into effect. The sponsor's budget for the calendar year ending December 31, 1966, at 95% occupancy shows a projected loss of $76,000. Included in the expenses were real estate taxes of $78,500 and payment of $64,000 on a bank loan. The bank loan is not a recurring expense. Occupancy is now 93%. Assuming the accuracy of the sponsor's projected budget, it would appear that the project can only reach a break-even point, without tax relief, through achievement of 97% occupancy or another increase in rent."

"EXHIBIT 14

"ITEM 8: THE TOWERS PROJECT, SYRACUSE, N.Y.

"*Question.*—On page 13 (FHA sheet) is appears that the Reader's Digest article stated in connection with The Towers project, Syracuse, New York, that 'Gevinson simply defaulted and walked away with his profit.' You state that this was prior to your present and more rigid requirements for cost certification. Do your present rules provide for a bond or any other form of indemnity to FHA in a case like this?

"*Answer.*—No bond or other form of indemnity is required to provide for elimination of excess profit. The FHA is, however, in a position to prevent the drawing down of such profit. This is accomplished by the reduction of the final insured mortgage in an amount sufficient to reflect elimination of excess subcontractor's profits or of other costs determined by the FHA to be unreasonable or unnecessary. Since it is standard procedure to hold back 10 percent of the estimated construction cost, the mortgage reduction is accomplished by simply refusing to approve for insurance so much of the undrawn amount as is attributed to unwarranted profit.

"There is always the possibility of fraud or misrepresentation, which is best dealt with under the criminal statutes. Mr. Gevinson has been convicted on criminal charges in connection with the Turtle Creek Square project (see exhibit 9) and we recognize the possibility that the FHA may have been misled by criminal misconduct. In the usual course of conducting business operations, however, we cannot judiciously proceed on the basis that we are dealing with criminals."

"EXHIBIT 15

"ITEM 9: TURTLE CREEK SQUARE, LTD.

"With regard to Turtle Creek Square, Ltd. (pp. 14–15 FHA sheet) you state that Washington Headquarters took this project rather completely in hand, and thereby assumes the burdens of it. You state also that this was an unusual act.

"*Question.*—Do you intend in the future to keep this policy in the 'unusual' category and would you outline a possible type of case in which your office might step in and handle the matter?

"*Answer.*—The case in question, Turtle Creek Square, Ltd., was an extremely rare instance of the Washington office assuming complete responsibility for the processing and direction of a proposal. The unusual circumstances which existed at the time made such a procedure necessary. In this case, the sponsor and the then director of our Dallas, Texas office had reached a complete impasse in their dealings. The personality clash which existed made it virtually impossible for the office to give the sponsor's proposal an objective and impartial analysis. The refusal of the Dallas office to accept the application could not be supported on the basis of the reasons given. Accordingly, it became necessary for the Washington office to provide personnel from the zone and other field offices outside the Dallas area to process this case. The final decision which was reached was a result of a thorough and careful analysis of the proposal.

"The Dallas case was exceptional, and I do not anticipate any recurrence. There are, however, from time to time situations in which decisions reached by our field offices are inaccurate or not in accord with our policies and procedures. In these situations, it is necessary that the Washington office exercise its responsibility to disagree with the conclusions or decision reached by the field office. When this occurs, the reasons for the action taken by the Washington office should be fully documented in the files by the responsible Washington official."

Senator MCINTYRE. Just as a matter of curiosity, what was the amount originally advanced by the Treasury to set up the FHA?

Mr. BROWNSTEIN. I believe it was $200 million.

Senator BENNETT. Why have you not paid it back?

Mr. BROWNSTEIN. It has been paid back, with interest.

Senator WILLIAMS. We are glad you asked the question.

Senator BENNETT. Your testimony was not clear and I assumed from what you said that you still held on to it.

Mr. BROWNSTEIN. It has been paid back with interest.

Senator SPARKMAN. He said including repayment.

Senator BENNETT. He said the amount they had was $1,100 million, including the amount originally advanced by the Treasury. I think the record will show that is what he said. That may not have been what he meant.

Senator MCINTYRE. That is the way I understood it. As I understand it now, the $200 million was paid back with interest and you have a reserve of one billion one.

Mr. BROWNSTEIN. That is correct.

Senator SPARKMAN. Now let me state it the way I remember it. I think it came as an answer to my question as to the net earnings, and he stated that the net earnings were $1,100 million, in addition to the repayment of the amount.

Senator BENNETT. I am afraid you will find he used the word "including."

Senator SPARKMAN. He said including the repayment.

Anyhow, we will see it when the printed record comes through.

Senator WILLIAMS. It is certainly clear now.

Senator SPARKMAN. Yes.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator yield?

Mr. PROXMIRE. I would prefer to finish.

Mr. President, the FHA, as we all know, is a large agency. Over the years it has provided an opportunity for 8 million home buyers to build their own homes. It is an agency which has a good record over the years, an agency which has not cost the taxpayer anything, an agency which has paid back all the initial capital which was provided by Congress and the Government. In addition, out of its net income it has built a reserve of $1,100 million. Obviously, with 8 million homeowners of one kind or another—some multifamily, some single owners—there is bound to be some loss.

This is an insurance program. It is not a program that is supposed to be conducted without risk. In any insurance program there are bound to be losses, and of course there have been losses in this program. The fact is that the loss record over the years has been fairly steady and fairly constant at 1 percent.

Mr. President, the Senator from Delaware has been very specific and definite. He deserves a precise answer.

The Committee on Banking and Currency, when it went into these charges, questioned Mr. Brownstein on the operations of the FHA, and questioned him with regard to the particular and specific transactions—at least many of them—which the Senator from Delaware has raised.

I should like to read into the RECORD what the agency has done with regard to some of the valid points which the Senator from Delaware has raised today.

First, with regard to nonprofit sponsors and mortgagors:

In January 1965, the guide form of charter was amended to require that the membership and directors of the mortgagor corporation must be persons who have the approval of the directors of the nonprofit sponsoring organization. This change assures continuity of interest and responsibility by the sponsoring organization. It eliminates possible friction between the mortgagor and sponsor by permitting the sponsor to remove from the mortgagor corporation those persons who are no longer working in the interests of the nonprofit project.

On July 7, 1961, after the enactment of section 221(d)(3), the below market interest rate program, the FHA regulations were amended to define nonprofit mortgagors as those which the Commissioner finds are in no manner controlled by or under the direction of persons or firms seeking to derive profit or gain from the operation of the project.

There are several others, but first I wish to point out that many—not all, but many—of the unfortunate situations which the Senator from Delaware referred occurred before action was taken by the FHA to prevent this kind of fraud in many cases, to which the Senator from Delaware has referred. Here are more regulations to tighten up on procedures qualifying nonprofit sponsor of FHA housing.

On August 10, 1962, the FHA established a new procedure under which the sponsors of nonprofit organizations are examined in greater depth. The objective of the examining procedure is to make certain that, on the basis of the evidence presented, there will be no relationship which will subject the mortgagor to control by any person or firm seeking profit or gain.

On December 11, 1964, the FHA regulations were amended to require the use of cost plus contracts in substantially all nonprofit cases. This has the effect of requiring the builder, as well as the mortgagor, to certify the actual costs under the construction contract.

On December 11, 1964, we also amended the regulations to remove the prohibition against the use of mortgage proceeds for establishing the working capital in nonprofit projects.

In November 1965, local FHA insuring offices were instructed that nonprofit projects were to be processed as exempt or eligible for abatement from State or local real estate taxes only upon approval of the Washington office.

Mr. President, just this year—in fact, a little more than 2 months ago—on June 28, 1966, action was taken to provide what the Senator from Delaware called for three times—at least three or four times—in the course of his speech this morning and this afternoon. He called for action to safeguard against those who have overextended themselves in a multiplicty of different ventures. This is what the June 28 order was to insuring office directors of multifamily house representatives. This is an order on record that they have to comply with or they are in violation of regulations and subject to disclipine for doing so.

I ask unanimous consent that the order be printed at this point in the RECORD.

There being no objection, the document was ordered to be printed in the RECORD, as follows:

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, FEDERAL HOUSING ADMINISTRATION

Control No. F-1155

JUNE 28, 1966.

To: Insuring office directors, multifamily housing representatives.

Subject: Implementation of FHA form 2530, Previous Multifamily Participation Certificate.

In order to provide a central source of information on participants in multifamily and land development projects, FHA Form 2530, Previous Multifamily Participation Certificate, has been developed. Use of the form will eventually produce readily accessible historical data identifying those who have been successful in previous ventures, those who may be over-extending themselves by a multiplicity of ventures, and those whose past experience is unsatisfactory. Such information will be particularly useful in instances where approval of a new venture should be accompanied or preceded by corrective action on an existing project involving the same participants. Although an inter-leaved carbon, snap-out form is being prepared, the single page certificate, a sample copy of which is attached, is being placed into effect immediately upon receipt of this letter.

All principals in any multifamily or land development (Title X) proposal submitted to the FHA will be required to complete FHA Form 2530, fully disclosing their past experience in FHA multifamily and land development programs, as well as their interest in the proposed venture. Each principal, as defined in the certificate, must list every FHA-insured multifamily or Title X project in which he has been, or is, involved; identifying the name, location, FHA case number and the nature of the principal's interest. The principal must also indicate, by an asterisk in the appropriate column, whether any project has been in default or received mortgage relief, as those terms are defined in the certificate. If any project listed has been in default or under mortgage relief, the involved principal must prepare and attach to the certificate a signed explanation of the circumstances of each such default or relief. Each packager or consultant signing a certificate must attach a signed statement disclosing the type of services to be rendered in the new proposal, as well as the fee to be received.

If a particular principal has previously filed a certificate with an FHA insuring office, a completely new listing of past experience is not necessary. The applicant need only identify, on the face of the new certificate, the date and place where previously filed. Any additions to, or changes in the status of, projects previously listed, must be reported on any new certificate.

When signing the certificate, each principal must enter his Social Security Number (Employer's Identification Number, provided by the Internal Revenue Service, if the principal is a corporation). These numbers will be used to place the information provided into our automatic data system.

When the snap-out form is printed, it will provide an original and 4 copies with a cover sheet of instructions. Until such time, however, we will require the preparation and submission of an original and 3 signed copies with each 2012 (3550 where proposal is under Title X) filed with an insuring office. Upon receipt by the office, the original certificate is filed in the project file; the first copy forwarded to the Assistant Commissioner-Comptroller, Attn: Data Processing Operations Section; the second copy, together with attached statements, to the Associate Deputy Commissioner for Operations, and the last copy to the Multifamily Housing Representative. Thereafter, format letters B and C (B-X and C-X for Title X) or commitments to insure may not be issued until authorization has been received from the Associate Deputy Commissioner for Operations. Processing, however, may proceed as far as possible. If format letter A is issued or the request for preapplication analysis withdrawn, prior to receiving a reply from the Associate Deputy Commissioner for Operations, he should be so notified immediately. It is important that these steps be taken expeditiously so as to avoid delays in the processing of proposed projects.

The following procedures are effective upon receipt of this letter:

1. Requests for Preapplication Analysis.—All Forms 2012 (3550 if Title X) must be accompanied by a properly completed Form 2530, Previous Multifamily Participation Certificate. Any request not accompanied by a certificate will be returned to the sponsor as an incomplete submission.

Upon receipt of a request for preapplication analysis, together with Form 2530, the first copy of the certificate is transmitted to Attn: Data Processing Operations Section, the second copy and any statements submitted by the principals are transmitted to the Associate Deputy Commissioner for Operations, together with a description of the proposal and any pertinent information regarding the principals which the Director may have.

Analysis may then proceed, but formal letter B or B-X may not be issued without written authorization by the Associate Deputy Commissioner for Operations.

2. Cases Now in Office on Which Commitments Have Not Been Issued: Form 2530, Previous Multifamily Participation Certificate, must be obtained immediately from all principals involved in any multifamily or Title X proposal now being considered where a commitment has not yet been issued. Format letter B or C (B-X or C-X if Title X), or a commitment to insure, cannot be issued in any case under consideration until receipt of the required certificate and authorization by the Associate Deputy Commissioner for Operations, as in No. 1 above.

3. Multifamily Housing Representatives: Immediately upon receipt of their copy of Form 2530, the Multifamily Housing Representatives will inform the Associate Deputy Commissioner for Operations of any information they may have regarding the previous operations of any principal listed on the certificate.

Procedures for making an unsatisfactory risk determination or taking a debarment action under Section 512 remain in effect and should be utilized wherever warranted. Proposals involving principals appearing on the URD or debarment list will be rejected by the insuring office without referral to the Associate Deputy Commissioner for Operations.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, FEDERAL HOUSING ADMINISTRATION,
Washington, D.C., June 28, 1966.

To: All approved mortgagees.

Subject: Implementation of FHA Form 2530, Previous Multifamily Participation Certificate.

In order to provide a central source of information on participants in multifamily and land development projects, FHA Form 2530, Previous Multifamily Participation Certificate, has been developed. Use of the form will eventually produce readily accessible historical data identifying those who have been successful in previous ventures those who may be over-extending themselves by a multipilicity of ventures, and those whose past experience is unsatisfactory. Such information will be particularly useful in instances where approval of a new venture should be accompanied or preceded by corrective action on an existing project involving the same participants. Although an interleaved carbon, snap-out form is being prepared, the single page certificate, a sample copy of which is attached, is being placed into effect immediately upon receipt of this letter.

All principals in any multifamily or land development (Title X) proposal submitted to the FHA will be required to complete FHA Form 2530 fully disclosing their past experience in FHA multifamily and land development programs, as well as their interest in the proposed venture. Each principal, as defined in the certificate, must list every FHA insured multifamily or Title X project in which he has been, or is, involved; identifying the name, location, FHA case number and the nature of his interest. Each principal must also indicate, by an asterisk in the appropriate column, whether any project has been in default or received mortgage relief, as those terms are defined in the certificate. If any project listed has been in default or under mortgage relief, the involved principal must prepare and attach to the certificate a signed explanation of the circumstances of each such default or relief. Each packager or consultant signing a certificate must attach a signed statement disclosing the type of services to be rendered in the new proposal as well as the fee to be received.

If a particular principal has previously filed a certificate with an FHA insuring office, a completely new listing of past experience is not necessary. The applicant need only identify, on the face of the certificate, the date and place where previously filed. Any additions to, or changes in the status of, projects previously listed, must be reported on any new certificate.

When signing the certificate, each principal must enter his Social Security Number (Employer's Identification Number, provided by the Internal Revenue Service, if the principal is a corporation). These numbers will be used to place the information provided into our automatic data system.

When the snap-out form is printed, it will provide an original and 4 copies with a cover sheet of instructions. Until such time, however, we will require the preparation and submission of an original and 3 signed copies with each 2012 (3550 where proposal is under Title X) filed with an insuring office.

All forms 2012 (3550 if Title X) must be accompanied by a properly completed Form 2530, Previous Multifamily Participation Certificate. Any request not accompanied by a certificate will be returned to the sponsor as an incomplete submission.

Form 2530, Previous Multifamily Participation Certificate, must be obtained immediately from all principals involved in any multifamily or Title X proposal now being considered.

Sincerely yours,
PHILIP N. BROWNSTEIN,
Assistant Secretary-Commissioner.

PREVIOUS MULTIFAMILY PARTICIPATION CERTIFICATE

(Submit Original and Three Copies to FHA Insuring Office)

The purpose of this certificate is to provide FHA with a full disclosure of past multifamily experience of all principals involved in the proposal so that FHA may determine the feasibility of considering the proposal involving these principals. Any doubts concerning applicability should be resolved by a full disclosure at all previous participation.

FHA Insuring Office _____
Case Number _____
Proposed Project Name _____
Location _____

The undersigned request consideration of a multifamily housing or Title X land development proposal (identified above) to be financed with a mortgage insured under the National Housing Act. The undersigned, individually and collectively, represent that to the best of their information and belief they are the sole "Principals" in the project and they have not had any "interest," by way of financial interest, employment, or otherwise, in an FHA-insured multifamily or land development project, except as shown below. The undersigned agree that any change of the "Principals" listed herein, or additions thereto, will be reported to FHA and they will inform and advise new "Principals" of the requirement to file a similar certificate with the appropriate FHA insuring office.

DEFINITIONS

The term "Principals" includes, but is not limited to, corporations, partnerships, joint ventures, general contractors, sponsors, "packagers," or "consultants." It also includes architects and attorneys who have any interest in the project other than the normal, "arms-length" fee arrangement for professional services to be rendered, other than as a "packager" or "consultant," and stockholders having more than 10% financial interest in the proposed project.

The terms "Packagers" and "Consultants" mean a person or firm, including attorneys, engaged to furnish advisory services in connection with the financing, construction or operation of a multifamily project, including, but not limited to, the selection and negotiation of contracts with a general contractor, architect, attorney or managing agent, securing, financing, and meeting FHA requirements.

The term "Interest" is not limited to a financial interest in the sense of profits, dividends, fees, and legal guarantees, but also includes nonfinancial interests such as a pledge of support, not constituting a legal or financial obligation, given by a parent organization to its member groups or a pledge of other nonfinancial support designed to convince the FHA that a proposal will be feasible.

The term "Default" includes any FHA-insured mortgage transaction which is or has been in breach of a regulatory agreement or delinquent for failure to meet required mortgage payments or, which has resulted in assignment of a mortgage to the FHA, foreclosure of a mortgage or a deed in lieu of foreclosure.

The term "Mortgage relief" includes any FHA insured mortgage transaction which involved a modification of the mortgage, forbearance agreement or other similar relief.

Previous project: Name and location _____
FHA No _____
Name of principal _____
Type of interest _____
Default _____
Mortgage relief _____

(With respect to each listed project which resulted in "Mortgage relief" or "Default," as identified above by an asterisk in the appropriate column, the interested principal must attach a signed statement explaining the relief or default. "Packagers" and "Consultants" must attach a signed statement describing the services they have rendered or will render in the proposed transaction and stating their fee. They must also include a statement that they have not and will not receive any fee or other compensation, direct or indirect, from any party connected with the proposed project, except as reported.)

		EMPLOYER IDENTIFICATION NO. OR SOCIAL SECURITY NO.
Date	Signature and interest in proposed project	□□□ □□ □□□□
Date	Signature and interest in proposed project	□□□ □□ □□□□
Date	Signature and interest in proposed project	□□□ □□ □□□□
Date	Signature and interest in proposed project	□□□ □□ □□□□
Date	Signature and interest in proposed project	□□□ □□ □□□□

Warning: Section 1010 of Title 18, U.S.C., "Federal Housing Administration transactions," provides: "Whoever, for the purpose of . . . influencing in any way the action of such Administration . . . makes, passes, utters, or publishes any statement, knowing the same to be false . . . shall be fined not more than $5,000 or imprisoned not more than two years, or both."

Mr. PROXMIRE. Mr. President, that was on June 28 of this year.

Mr. President, with regard to multifamily land valuations, there was a considerable amount of criticism of this in the remarks of the Senator from Delaware. The FHA asserts in its letter that the criticism of FHA land valuations is based on a fallacy that costs should at all times be equated with value.

In order to assure better documentation, special instructions were issued to field office directors in January of 1964. Valuators were instructed to consider the price paid by the sponsor along with other recent prices paid for the particular site, as well as for comparable sites. The full statement on this regulation regarding land valuation may be found on page 60 of the 1966 hearings record.

With regard to cost certification requirements:

Since the enactment of section 227 of the National Housing Act in 1954, FHA regulations and procedures have always required detailed cost certification by mortgagors. Where an identity of interest exists between the mortgagor and the general contractor, a similar detailed cost certification is required of the general contractor as well as the mortgagor.

Experience gained in the administration of the cost certification requirements has led to changes in regulations and procedures from time to time. The most recent changes were made in December 1964 for the purpose of clarifying and strengthening requirements in cases where identities of interest exist between the mortgagor and a subcontractor, a material supplier or equipment lessor. Prior to the adoption of these changes, we relied upon a certification that

amounts paid to subcontractors or material suppliers having no identity of interest with the mortgagor were no greater than prices prevailing in the locality for similar services or materials. We did not have specific provisions covering equipment rentals.

Our present procedures are more comprehensive. Review by the Washington office is required in all transactions where mortgage amounts exceed $200,000. Provision is made for a detailed certification of actual costs covering amounts paid to each subcontractor, material supplier or equipment lessor having an identity of interest with the general contractor or the mortgagor.

With regard to tax exemptions, and that was in another case raised by the Senator from Delaware [Mr. WILLIAMS]:

The savings realized by a tax abatement or tax exemption may mean the difference between success or failure of a project. Prior to November 1965, the FHA accepted in good faith statements by sponsors and tax officials indicating that a project could receive a special tax benefit in the form of abatement or exemption. Unfortunately, in some instances, the expected tax benefits have not been received by the projects.

In November 1965, FHA strengthened its procedure for proposals involving tax exemption or tax abatement. The new procedure requires each insuring office director to forward, for legal review by the Washington office, a full statement of facts prepared by the sponsors including a copy of the application for exemption or abatement. The sponsor is required to submit an attorney's opinion stating the basis for claiming the exemption and whether or not the project will be entitled to exemption or abatement. The opinion must also cite the State law involved and include evidence supporting the claim. Current court decisions and opinions of the State attorney general may be submitted. Where State law requires, a certificate for exemption or abatement must be submitted. The insuring office director is required to forward any information he may have about similar projects in the jurisdiction where an abatement or exemption was allowed.

With regard to political pressures:

The suggestion in the Reader's Digest article that projects are recklessly or irresponsibly approved because of political pressures and that FHA's professional staff has been replaced by political appointees is completely false.

Applications for FHA mortgage insurance are processed by a skilled professional staff, and a well-developed system of supervised checks and balances is an effective bar to the underwriting of poor risks because of political pressures.

These new FHA regulations have been inserted in our housing hearings record. Futhermore the record contains detailed accounts of FHA cases which have been publicized because of defaults and so-called irregular practices.

One of the more spectacular and perhaps most shocking cases recorded by the Senator from Delaware [Mr. WILLIAMS] was with regard to a Mr. Gevinson, who is involved in a series of projects to which the Senator from Delaware alluded.

It is true that in the Gevinson case, the FHA, as the Senator from Delaware properly said, was slow in moving. They were very slow in moving. The General Accounting Office said so. Our committee believes this strongly, and I believe they were.

But the fact is that action finally has been taken and the case would not be complete if we did not recognize that this man has been indicted, tried, convicted, and he is broke. This is not a man who enriched himself and who is living off the fat of the land without action having been taken by the Government to correct the situation or to secure a penalty against the perpetrator of these crimes to which he referred. Action was taken.

Now, I should like to refer to the dates of the cases raised, because this was borne out in the hearings.

Senator DOUGLAS said, with regard to the dates of these cases, many of which were referred to by the Senator from Delaware [Mr. WILLIAMS]:

I find that in the case of the Blue Lake Manor this seems to have been first discussed on the 1st of October 1959. Commitment was made on the 18th of December 1961. Is that correct?

Mr. BROWNSTEIN. Yes, that is correct, Senator DOUGLAS.

Senator DOUGLAS. The application on Weequahic Park Tower was made in August 1958 and approved in October 1958. Is that correct?

Mr. BROWNSTEIN. The commitment was issued November 10, 1958.

Senator DOUGLAS. November 10?

Mr. BROWNSTEIN. Yes.

Senator DOUGLAS. The Weequahic Park Plaza. Commitment was made on the 24th of November 1963?

Mr. BROWNSTEIN. Yes.

Senator DOUGLAS. The Bishop Apartments. Commitment made in 1957?

Mr. BROWNSTEIN. That is correct; yes, sir.

Senator DOUGLAS. 3900 Lakeshore Drive was processed June 1958?

Mr. BROWNSTEIN. Yes.

Senator DOUGLAS. Savannah Terrace. Prior to 1957?

Mr. BROWNSTEIN. Yes.

Senator DOUGLAS. Commander Apartments. Feasibility requested on the 16th of June 1959, commitment issued on the 21st of June 1960?

Mr. BROWNSTEIN. That is correct, Senator DOUGLAS.

Senator DOUGLAS. Hotel 2400. Is it true there was no FHA action on Hotel 2400?

Mr. BROWNSTEIN. There was. The comment there dealt with a proposal that had been submitted by the Adam Clayton Powell Foundation. That proposal failed because they were unable to get the tax adjustment that they decided was necessary.

Senator DOUGLAS. So no FHA commitment?

Mr. BROWNSTEIN. A completely new group came in with a completely different proposal for rehabilitating Hotel 2400. It has since been rehabilitated. The mortgage is current.

Senator DOUGLAS. The mortgage is what?

Mr. BROWNSTEIN. The mortgage is current.

Senator DOUGLAS. No default?

Mr. BROWNSTEIN. No default.

Senator DOUGLAS. Wesley Manor. Application May 22, 1961?

Mr. BROWNSTEIN. Yes, sir.

Senator DOUGLAS. Clarewood House. Application August 7, 1962. Commitment August 27, 1962.

Mr. BROWNSTEIN. Yes, sir.

Senator DOUGLAS. The Towers. Commitment August 31, 1960?

Mr. BROWNSTEIN. Yes, sir.

Senator DOUGLAS. Turtle Creek Square. Application 1960?

Mr. BROWNSTEIN. Yes, sir.

Senator DOUGLAS. I think this dating is very important, because if there were any errors made I think it should be clear when and where they were made and by whom. And I would say that on the whole most of these applications seem to have been made prior to January 20, 1961, and commitments made prior to January 20, 1961.

I am sure that I agree with the observation by Senator DOUGLAS, which refers to a Reader's Digest article and would apply here, but it is true that most of the cases referred to were cases approved long before the corrective action taken by FHA, which I have just referred with regard to safeguarding the public money.

There is no doubt about our common interest in making this a more sound program and a good program in which violators could be prosecuted and in which unsound investments would not be made. I should like to remind the Senator that the subcommittee looked into these cases and held hearings in 1964. In 1963, 1964, and 1965 the subcommittee requested the General Accounting Office to investigate FHA laws specifically and as I understand it the committee staff worked right along with the GAO. Most of the new regulations put out by the FHA come as a consequence of the hearings and investigations of the committee.

The reason I am answering the Senator from Delaware [Mr. WILLIAMS] at length is that I think the chairman of the Subcommittee on Housing, the Senator from Alabama [Mr. SPARKMAN], has been alert and aware of this problem of FHA, has investigated it thoroughly, has studied all that there was available, and has taken action to see that practices that have been practiced in the past would be corrected. They have been corrected, and he expects to continue to do so. Those of us on the committee believe in the integrity of the Senator from Alabama [Mr. SPARKMAN], and we believe in his ability and his altertness in this regard. I feel that he has set an excellent example of oversight, of watching and reviewing the FHA, and that he is going to continue to do a good job.

Mr. President, the Subcommittee on Housing has an oversight function regarding housing programs but it has also a responsibility to legislate in the public interest to carry out the national housing policy which calls for an eventual goal of a decent home for every American family.

I believe that it is proper and our duty to bring to the attention of the Senate and the public any irregularities or questionable practices involving FHA housing, however, it is not fair to give the impression that these are commonplace or that they reflect in any way on the integrity of the great majority of FHA loyal and dedicated staff. The committee is interested in encouraging more housing and year after year we legislate to encourage homebuilders to help meet the housing needs of our people. Recently

we have been receiving complaints that the FHA local directors are "running scared," so to speak, and are turning down applications because they are afraid to take a chance on approving a large multifamily project for fear something might go wrong. The committee has not investigated this reaction but I think it is important for all of us to remember that FHA is an insurance operation and is expected to take certain measurable risks. They have staff to make market studies and to examine the underwriting involved and I know the committee would not like to see a sudden change of policy to refuse bona fide approvals because of some adverse publicity coming from a few bad projects.

Mr. President, I ask unanimous consent to place in the RECORD further material on this issue regarding an article in the Reader's Digest.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT,
FEDERAL HOUSING ADMINISTRATION,
Washington, D.C., April 12, 1966.

HON. JOHN SPARKMAN,
U.S. Senate, Washington, D.C.

DEAR SENATOR SPARKMAN: Thank you for your letter on the April 19 hearing by the Housing Subcommittee of the Senate on proposed housing legislation.

As you suggested, I will be prepared to discuss on a point-by-point basis the article in the April issue of Reader's Digest magazine. As you noted, many of the points raised in the magazine article were covered in 1964 when the subcommittee held its foreclosure hearings.

I also will be prepared to discuss the adequacy of existing law in protecting the public interest while meeting the objectives of FHA programs.

Sincerely,

P. N. BROWNSTEIN,
Assistant Secretary-Commissioner.

READER'S DIGEST MAGAZINE, APRIL 1966

The following is a point-by-point analysis of the article in the April 1966 Reader's Digest regarding the Federal Housing Administration.

ITEM NO. 1

Reader's Digest quote

"FHA guarantees repayment of loans for all manner of housing projects it decides to label 'feasible' and 'economically sound.' So in Pascagoula, Miss., FHA approved a loan for Local 693 of the International Brotherhood of Boilermakers to build a $2.4 million old folks' home. Nowhere were union members clamoring to retire to a remote Mississippi town. The international brotherhood made perfectly clear to FHA that it would furnish no money whatsoever. The local itself was to confess that it was not 'financially able to put money into the project.' But, rhapsodizing that this would be 'a model facility,' FHA skirted its own regulations requiring that a sponsor have resources to 'assure meeting debt requirements and operating expenses.'

"According to FHA documents submitted to the Senate rules committee, this was the result: when the home was finished in 1963, subcontractors cried they had not been fully paid, creditors were after the furniture, there was no money to turn on the lights. And neither the union nor anyone else could persuade a single soul to move into this 'model facility.' Two months later the union abandoned it, leaving FHA to pay off the $2.4 million loan and thus become the hapless owner of this 194-apartment haunted house" (p. 61).

Description of case

Project No. 065-38001-NP—Blue Lake Manor, Pascagoula, Miss.

Sponsor: Local 693, International Brotherhood of Boilermakers, Iron Shipbuilders, Blacksmiths, Forgers and Helpers, Pascagoula, Miss.

First discussed October 1, 1959.

Application received Sept. 28, 1961—206 units	$2,511,500
Commitment issued Dec. 18, 1961—194 units	2,451,800
Amended May 9, 1962—194 units	2,451,800
Initial endorsement May 18, 1962—194 units	2,451,800
Final endorsement Oct. 25, 1963—194 units	2,485,400

Comment

The FHA insuring office was not receptive initially because of the single union sponsorship. On December 9, 1960, the Director advised the sponsor that the proposal needed the endorsement of the international union and a willingness for the international to step into the shoes of the local in the event of trouble. In response, the FHA Director was given a copy of the following motion which was passed by the international executive council at a meeting during the week of November 10, 1960:

"I move that this council authorize the use of the name 'international brotherhood' to the project development outlined to this council by Business Manager Pat Sullivan contingent on the determination that there will be no financial liability and that it is a worthy cause with which to have our name connected; if investigation determines this to be the case, a letter or resolution as may be required to indicate that the international brotherhood will pledge itself to the operation and management of the proposed project in Pascagoula, Miss., in the event that lodge No. 693 is for any reason unable to operate and run the project."

On December 27, 1960, FHA advised this was "entirely satisfactory."

Date of first payment was February 1, 1964. No payments were ever made and the project never occupied. FHA headquarters tried to get the international to take over as promised. The new international president, Mr. Russell K. Berg, advised that, while the executive council had endorsed the project, it had never agreed to step into the shoes of the local in the event of default. The motion had never been authorized. On December 10, 1964, this matter was referred to HHFA compliance. Subsequently, an FBI investigation was made, but the Department of Justice found insufficient evidence to warrant continuation of the investigation.

The mortgage was assigned to the Commissioner on March 13, 1964, foreclosed, and title to the property taken on May 28, 1965. The project was sold to Care Centers of Mississippi, Inc., a nonprofit group, on September 16, 1965, for $1,950,000, with a $50,000 downpayment, and a $1,900,000 purchase money mortgage.

ITEM NO. 2

Reader's Digest quote

"In Newark, N.J., after wealthy builder Arthur H. Padula had obtained land costing $33,000, FHA appraised it for $125,000 and guaranteed a $2.9 million construction loan on a high-rise apartment building. After the structure was completed in 1962, FHA let Padula go 3 years without making payment on the principal of his loan" (p. 62).

Description of case

Project No. 031-00204—Weequahic Park Towers, Newark, N.J.

Date of feasibility, spring of 1958.

Application received August 1958.

Commitment issued November 10, 1958. Commitment successively amended culminating in a final amended commitment September 25, 1961.

Comment

The FHA estimate of land price was made in the summer of 1958. The FHA estimated the land to be worth $125,000. The sponsor's acquisition cost was not a good indication of value as he held a big piece for many years. The appraisal was appealed and on September 30, 1959, FHA headquarters reviewed and concurred in the price as set. The sponsor's contention at the time of appeal was the land had a market value of in excess of $200,000. This was considered excessive by the local office. The local office's estimate of $125,000 was approved.

The loan was closed September 12, 1960, and completed in 1962. The property did not produce sufficient earnings to be self-sustaining and modification of the mortgage permitting a deferment to payment to principal was permitted until September 1965. The mortgage has been current from that date to present (April 1, 1966).

ITEM NO. 3

Reader's Digest quote

"This was just the beginning. Padula had paid $36,339 for another tract of Newark property which FHA in 1963 appraised at $300,000—a jump of 800 percent. The FHA guaranteed a loan of $4.5 million to build a second apartment house" (p. 62).

Description of case

Project No. 003-00289—Weequahic Park Plaza, Newark, N.J.

Commitment issued October 24, 1963.

Comment

In June 1963, the Newark office found a market value of $123,750 for the site, but the sponsor appealed this value because the zoning variance he obtained permitted 10 stories additional to the number of stories ordinarily permitted in high-rise construction in that area and allowed a 50-percent decrease in the on-site parking requirements. The sponsor sought a value of $365,000.

An adaption of a per unit valuation formula by the multifamily valuation adviser from the Philadelphia multifamily office produced a figure of $300,000, and this market value was agreed upon in a conference between the sponsor, the director, chief underwriter, and chief valuator of the Newark office, representatives of the Philadelphia multifamily office, and a representative from Washington headquarters.

The problem of land valuation following ordinance variances, which give certain advantages to a particular site, is a difficult one. There are many approaches to estimating these values, depending upon the absence or presence of comparable properties. The ultimate finding is one of personal judgment on the facts assembled. In reviewing this case, Washington headquarters also believed the allowance for land value was questionable.

ITEM NO. 4

Reader's Digest quote

"In Boston a promoter bought a tract for $8,971; the following year, FHA appraised it at $131,531" (p. 62).

Description of case

Project No. 023-00029—Bishop Apartments, Inc., Boston, Mass.

Commitment issued in 1957; 108-unit walkup.

Comment

The Boston office judgment, to the effect the land had appreciated in value to the point where $131,531 was, in fact, the estimated fair market value at time of commitment for mortgage insurance, was based on

two major changes directly affecting the land involved:

1. The land when acquired was not zoned to permit high-density apartment units. A change in zoning from single family to apartment was obtained.

2. A drainage problem which severely limited the value of the land was corrected which in turn made the land more valuable than the cost of the solution to the drainage.

The judgment of the Boston office was reviewed by the chief of headquarters valuation section and approved October 15, 1963. The mortgage is current as of April 1, 1966.

ITEM NO. 5

Reader's Digest quote

"In Chicago the FHA said it would allow $300,000 for a particular tract so a promoter went out and bought it for $212,000 and proceeded to cash in" (p. 63).

Description of case

Project No. 071-00137—3900 Lakeshore Drive, Chicago, Ill.

Comment

The project is a 25-story, high-rise 207 processed in June 1958, at which time the land value was estimated at $8.99 a square foot, or $300,000. The estimate was supported by sales of five comparable sites. The site was originally optioned by representatives of two of the sponsors in March 1957 for $212,000, subsequently purchased at this price in October 1958. The price of $212,000, while the major portion of the cost of acquisition, does not include the cost of the option or any allowance for required additional investment on the part of the sponsors for taxes, interest, or other carrying charges. The cost of this type of site was rising rapidly in Chicago at that time.

In January 1964, the land value of this case was reviewed by headquarters personnel and the original estimate of value was found to be warranted. The project was well received by the market and has been a successful operation from its completion with virtually no vacancies. The mortgage has been kept current and the building is well maintained.

ITEM NO. 6

Reader's Digest quote

"FHA has approved marginal or hopeless projects, let promoters milk them through what GAO calls excessive withdrawal of corporate funds, and then abandon them * * * GAO estimated that one promoter pocketed $318,000 while FHA paid taxes and insurance for his defaulted project" (p. 63).

Description of case

Project No. 054-42043—Savannah Terrace, Inc., North Augusta, S.C.

Comment

We are unable to determine how GAO estimated that net income of $318,000 was available to the mortgagor from February 1957 through June 1962.

The GAO report of January 1964 makes reference to FHA having paid $43,000 in real estate and hazard insurance premiums. We reviewed FHA records and found in the period 1957-62 FHA paid $26,272 in real estate taxes and $16,848 in insurance premiums.

ITEM NO. 7

Reader's Digest quote

"Moreover, FHA has been letting freeloaders live in repossessed apartment buildings, then writing off their unpaid rents as uncollectible" (p. 63).

Comment

FHA has experienced a large increase in its property acquisitions beginning in 1960. The increase was primarily in single-family home properties, but the impact was felt by the agency in its overall property management and disposition activities. During this period of increased property acquisitions, FHA had the problem of increasing and improving its own property management staffs in the field and headquarters. We also made very concerted efforts to improve the quality of the contract brokers who manage our rental properties and to improve our supervision of these brokers. Inevitably, the quality of brokers will vary according to circumstances, but for the most part we have made improvements in our total property management activity. We have advised the GAO that since receiving their first reports on this subject, FHA has made many internal changes to tighten and improve the procedures to control rent delinquencies and collections. Much of the delinquent rental had accrued before FHA took over the projects. Some very positive steps have been taken along these lines and GAO has been completely informed.

The Reader's Digest neglects to point out that a GAO report dated January 17, 1966, entitled "Need for Increased Efforts to Minimize Rental Delinquencies on Acquired Properties," states, on page 3:

"These specific actions, if effectively implemented, and the increased emphasis now being directed toward solution of the problem should, in our opinion, help to minimize losses and improve control over delinquent rental accounts. Therefore, we are not recommending further action by the agency at this time. We plan to make further reviews of the management of acquired properties and the control over rental delinquencies."

ITEM NO. 8

Reader's Digest quote

"In Jacksonville, Fla., for example, Senator GEORGE A. SMATHERS' old college roommate and close friend, Charles E. Commander, Jr., asked FHA to help him build an apartment house. FHA evaluators opposed the project, declaring it 'doomed from the start.' But one evaluator reports he received 'at least a dozen telephone calls' from a Smathers assistant demanding approval. And though SMATHERS denies he had any interest in the project, pressures exerted in his name ultimately prevailed. FHA guaranteed a $1.9 million loan, and the 76-unit apartment was built. Naturally enough, it failed; FHA had to pay off the mortgage. For nearly 3 years now FHA has owned this white elephant" (p. 63).

Description of case

Project No. 063-00023—Commander Apartments, Jacksonville, Fla.

Initial request for feasibility June 16, 1959.

Site approval August 19, 1959.

Application received November 4, 1959.

Commitment issued June 21, 1960—90 units, $1,926,500.

Comment

FHA is unable to verify the allegation made by the Digest that Senator SMATHERS asked FHA to help Commander to build an apartment house. FHA has been unable to identify the alleged "evaluator" said by the Digest to have received "at least a dozen telephone calls from a Smathers assistant." The mortgage is now held by FHA and the project is operating under a deferment agreement.

ITEM NO. 9

Reader's Digest quote

"FHA in 1962 also did its best to produce for another politician, Representative ADAM CLAYTON POWELL. POWELL's nonprofit corporation sought to buy and 'rehabilitate' a Washington hotel on sale for $2,250,000. FHA obligingly decided that a $4,500,000 loan—twice the price of the hotel—would be 'feasible' even though a month later FHA had to admit it had no idea what the 'rehabilitation' actually would cost. The deal fell through after Senator WILLIAMS took the Senate floor to expose the outrageous handout" (p. 64).

Description of case

Hotel 2400, Washington, D.C.

Comment

Initial contact with District of Columbia office April 1962. In May 1962, the sponsor was advised of the need for subsidy of $69,000 per year. The proposal by the Adam Clayton Powell foundation on August 1962 reported a total for all rehabilitation costs in the amount of $2,117,500 plus a total acquisition of $2,295,000. This, plus financing charges, produced a total of $4,850,000.

Preliminary processing indicated that a sponsor subsidy would be required of approximately $12,000 annually provided tax abatement could be obtained. FHA would not proceed with processing unless a tax exemption was obtained for the project and a cosponsor brought in. This was intended to be the Minister's Council for Senior Citizens of Washington. Efforts to get tax abatement were unsuccessful. On March 19, 1963, the application was withdrawn for processing under section 231. A new proposal for insurance under section 207 was submitted. There is no identification of the Adam Clayton Powell foundation with the new proposal. The proposal by the new owners was accepted and committed and insured as Project No. 000-00123, Envoy Towers. Construction has been completed and the mortgage is presently current (April 1, 1966).

ITEM NO. 10

Reader's Digest quote

"In the little Texas town of Weslaco, Methodist Preacher Paul A. Weiss sought to build a grandiose retirement home which FHA technicians declared was predestined to certain failure.

" 'If this project is built, one and all who see it will categorize it as an FHA folly,' a regional examiner warned Washington. 'And the loss FHA will sustain will be stupendous' " (p. 64).

Description of case

Project No. 115-38005-NP—Wesley Manor, Weslaco, Tex.

Sponsor: McAllen District of the Southwest Texas Conference of the Methodist Church.

Application May 22, 1961—248 units	$4,750,000
Revised Aug. 17, 1962—248 units	5,044,400
Revised Oct. 10, 1962—248 units	4,660,500
Revised Feb. 20, 1963—150 units	2,827,000
Commitment May 20, 1963—150 units	2,827,000
Initial endorsement Aug. 30, 1963	2,827,000

Final endorsement expected approximately April 14, 1966. Mortgage amount to be endorsed is $2,733,100, the unit limitation. Reduction is due to change in unit composition during construction.

Comment

The office found the original proposal not feasible because of the disparity of about $900,000 between the maximum mortgage and the cost of the project. FHA also had concern about the number of units because of a lack of market demand. FHA also had a question about whether the Methodist district was backing the sponsor churches.

There were many meetings with the sponsors here and in the field. On May 25, 1962, Washington headquarters authorized continued processing, but advised the Director to encourage the sponsors to recast their plans because the project was overdesigned. The office continued processing and came up with two alternatives, concurred in by the zone multifamily housing representative. Either the McAllen Methodist District and the Southwest Methodist Conference would

agree to subsidize the project, or else submit an application for approximately 116 units. An application for 150 units was submitted on February 10, 1963, and rejected on March 14, 1963, because it was not subsidized.

Subsequently, a meeting was held in Washington headquarters on March 27, 1963. It was agreed to consider the application for 150 units, provided the McAllen Methodist District agreed to subsidize the project. The financial data of the district, as guarantor, was reviewed by Washington headquarters and found acceptable. The district, by resolution of April 9, 1963, advised that "In the event that Wesley Manor, Inc., incurs deficits in the operation of the project, the district guarantees to subsidize the financial deficiencies in operation."

The project is completed, final inspection in November 1965, and final endorsement of the mortgage is expected soon. Initial payments to principal and interest were deferred from February 1 to November 1, 1965. Mortgage payments have been made since November 1, 1965.

ITEM NO. 11

Reader's Digest quote

"But in Washington on January 23, 1962, a special FHA assistant, ex-Senator Gerald P. Nye, wrote: 'Vice President Johnson has revealed a large interest in the Wesley Manor project, and this office has assured him that everything possible would be done to expedite the hour when constructions could begin'" (p. 64).

Comment

The quote is an accurate quotation taken from a letter written by ex-Senator Nye, then the Special Assistant for Housing for the Elderly, to the Rev. Paul A. Weiss, executive director, Wesley Manor project. Mr. Nye has the following comment to make with reference to the Digest quote:

"The Reader's Digest article would, as is probably intended, have the reader to believe that Vice President Johnson had personally used his influence to win FHA approval of the church-sponsored project in his State of Weslaco, Tex. Such was never the case. To the best of my knowledge, neither I nor anyone in my office had any communication with Vice President Johnson relating to this case.

"The quotation in the article from my letter of January 23, 1962, would have been more revealing of fact if only my reference had been to 'a member of the Vice President's staff' instead of 'Vice President Johnson.' At this time I have no positive recollection of any call having been made by a member of the Vice President's staff concerning the Wesley Manor project. However, in view of the fact that I referred to the Vice President in my letter of January 23, I am quite certain that I probably had had some type of a telephone communication from a staff member inquiring as to the status of the case. Some inquiry of this nature would have to have been made in order to prompt me to use the reference to the Vice President."

ITEM NO. 12

Reader's Digest quote

"Next year, Pickett's friend Sharp and others urged Houston's First Methodist Church to sponsor a retirement home on a large tract Sharp was developing. With Pickett present, a church committee rejected the proposal. The entire board of stewards ratified the committee's decision, and the pastor, Dr. Charles L. Allen, published a declaration that the church had no 'connection whatsoever, directly or indirectly,' with the project.

"Next, Pickett overruled FHA professionals who had valued the retirement homesite at $1.25 to $1.35 a square foot" (p. 65).

Description of case

Project No. 114-38001-NP—Clarewood House, Houston, Tex.

First contact approximately July 1962.

Application received August 7, 1962.

Commitment issued August 27, 1962—288 units, $4,700,000.

Mortgagor: Sharptown Tower Corp.

Comment

Land value.—FHA Houston staff had arrived at a land value of $1.35 per square foot ($493,263 total value). A subsequent FHA review made by the FHA zone office produced an appraisal figure of $1.75 per square foot. Neal Pickett, FHA Director, Houston, overrode both land value figures and instructed the appraisal to be set at a figure of $2 per square foot ($730,760 total value). The $2-per-square-foot figure represents a high figure of the reasonable appraisal range for the land. It is believed that the $2 figure can be supported. The Director did not adequately document the case with data to support his $2-per-square-foot figure.

Sponsorship.—The case was initially processed on an assumption that the First Methodist Church of Houston would be the sponsor of the project. A commitment was issued on August 27, 1962, based upon the assumed sponsorship of the First Methodist Church. At the time the commitment was issued, the Director was aware of the fact that the First Methodist Church would not legally sponsor this project. Subsequently, a nonprofit corporation was created to serve as sponsors and the case was processed on the basis the mortgagor corporation would provide an operating deficit fund of $300,000. Sharpstown Realty Co. issued a letter of credit guaranteeing to FHA that the realty company would advance funds to meet the operating deficit for the first 4 years up to the amount of $300,000. The Director did not follow established procedures and should not have issued the commitment until the question of sponsorship had been clarified. Nevertheless, the final result would have been the same, i.e., eligible nonprofit corporate mortgagor.

Present status.—Clarewood House is completed; has 90-percent occupancy. The mortgage is in default for failure to make the December 1, 1965, and subsequent payments. The mortgagor had requested a deferment of principal from December 1, 1965 to June 1, 1966. The request is being deferred pending further consideration of the $300,000 guarantee of Sharpstown Realty Co. At the present, Sharpstown Realty has paid to the mortgagor $210,000 in cash. It also has been instructed to make demand upon the Sharpstown Realty Co. either to pay the balance of the $90,000 or pay $35,000 and give FHA a certification by the bank holding the note that the mortgagor is not liable thereunder.

ITEM NO. 13

Reader's Digest quote

"But since opening February 1, 1964, Clarewood House continuously has been in such difficulty it has yet to make a payment on the principal of its loan" (p. 65).

Comment

The project has 90-percent occupancy March 1966. Rents were increased January 1, 1966. Taxes are $75,000 per annum. Unless tax exemption is obtained, this and other similarly affected projects will be in difficulty.

ITEM NO. 14

Reader's Digest quote

"And its manager, E. Bruce Sledge, reports that 'there is little hope of breaking even' unless the project wins tax exemptions denied it when the Texas attorney general ruled it was not nonprofit" (p. 65).

Comment

Competitive projects used in the processing of Clarewood House were tax exempt. Everyone assumed this project would be tax exempt.

The court decision places the tax exemption position of Clarewood House in exactly the same position today as it would have been if the First Methodist Church of Houston had not withdrawn its sponsorship. Even if the church had continued its sponsorship, the project would have been owned by the mortgagor rather than the church. The mortgagor is a nonprofit organization, established with our approved form of nonprofit charter in the same identical manner as it would have been established under church sponsorship. Unfortunately, the submission of proof that the mortgagor-owner is a nonprofit corporation is insufficient to meet the criteria for tax exemption under the 1963 court decision.

The attorney general did not rule that this project was nonprofit. On June 26, 1963, the Supreme Court of Texas handed down a 5-to-4 decision in the case of *River Oaks Garden Club* v. *City of Houston*, interpreting a Texas constitutional provision as authorizing tax exemption only where a nonprofit organization is "an institution of purely public charity." It appears that this decision was much stronger against tax exemption for nonprofit organizations than any previous court interpretations. FHA is advised that several nonprofit organizations in Texas are attempting to have the decision reversed, and that this mortgagor is taking part in these efforts.

ITEM NO. 15

Reader's Digest quote

"Yet in 1960 with another FHA loan—this time for $6 million—Gevinson began a 13-story apartment project in Syracuse, N.Y. A Gevinson company picked up $258,000 by getting $1,145,700 for subcontracting work which cost only $887,700, according to GAO. And GAO further found that Gevinson made an additional $225,360 through a joint venture with a local construction company. After the apartment building was finished, Gevinson simply defaulted and walked away with his profit. The FHA estimates that it will lose $2,300,000 on this deal" (pp. 65–66).

Description of case

Project No. 013-00027—The Towers, Syracuse, N.Y.

Property acquired by FHA July 1, 1964.

Found to be feasible on April 4, 1960.

Site approval issued July 7, 1959.

Application received July 11, 1960.

Commitment issued August 31, 1960.

Comment

At the time this case was processed, FHA procedures were weak because they did not require a thorough examination of the costs of controlled subcontractors. In September 1963, procedures were changed to provide for Washington headquarters review of all cost certifications and to require full disclosure of all identities of interest with subcontractors, suppliers, and equipment lessors (January 1964). Regulations have been changed, effective December 1964, to make it clear that FHA has the right to require any subcontractor, supplier or lessor to certify as to the actual costs.

ITEM NO. 16

Reader's Digest quote

"Meanwhile, Gevinson had applied for an $8.7 million FHA loan to build an apartment project. Turtle Creek Square, Ltd., in Dallas. Ellis Charles, Director of FHA's Dallas office, twice rejected the proposal. Then Charles received a telegram from headquarters in Washington: 'You are directed to accept and process application for 363-unit Turtle Creek project.'

"Charles reminded FHA headquarters of bitter experiences with Gevinson, but in vain. The Turtle Creek site cost $2.52 a square foot, and FHA appraised it at $2.60. When Gevinson demanded far more, the Dallas office again rejected his application. Still, Washington decreed that the Dallas Director had provided 'no basis for rejection.' And FHA Assistant Commissioner C. Franklin Daniels instructed Charles to 'resolve' the valuation at $4—a 53-percent jump which inflated the land price to $1,051,614. To help Gevinson further, the FHA ordered four extra men to Dallas—two from Washington and two from Houston—and even authorized overtime pay.

"Next, Daniels waived a requirement limiting commercial space to 10 percent and allowed Gevinson 39 percent. On September 29, 1961, Washington telegraphed Charles to guarantee Gevinson approval by October 16. But Gevinson repeatedly had refused to supply required financial data, and the processing was far from complete, so Charles courageously wired back: No. By telegram, another FHA man was ordered to Dallas—from Oklahoma City—to push the deal. 'This assignment is urgent and has approval highest authority. Any questions telephone,' the wire said.

"FHA processors kept uncovering irregularities in Gevinson's plans. The Dallas chief, backed by his conscience and other FHA evaluators, could not bring himself to surrender. But on October 16 he received an ultimatum: 'You are hereby authorized, instructed and directed, as of this date, October 16, 1961, to insure advances in amount of $9 million on Turtle Creek.' Assistant Commissioner Daniels wired. 'You are hereby released from all responsibility in connection therewith' " (p. 66).

Description of case

Project No. 112-00038—Turtle Creek Square, Ltd., Dallas, Tex.

Initial contact 1960.

Authority to accept application 1960.

Comment

The initial direction to accept the application for mortgage insurance was issued in 1960. The office refusal to accept the application could not be supported on location or market demand. The location was prime and market demand excellent. The sponsor was eligible though he was difficult to deal with and created a strained working relationship with the FHA staff.

Dr. Gevinson appealed the decision of the Dallas office as to land value and site desirability, and requested that consideration be given to an increase in the maximum mortgage amount per room. On June 21, 1961, Washington headquarters' review had developed a value for the land of approximately $4 per square foot. This $4 valuation was placed on the land after submission of appraisals at $4.50 per square foot and after a zoning variance had been obtained permitting high-rise apartment and commercial use, as opposed to the residential "A" (three-fourth acre individual homesites) zoning effective at the time of land purchase agreement.

Washington headquarters detailed zone personnel to the Dallas office to process the case because of the unwarranted delay and the clash between sponsor and Dallas FHA. Director Charles was instructed by Washington to issue the commitment.

This is one case where Washington officials found it necessary to override a Director. This unusual act was done with full knowledge and support of the then Commissioner.

The commitment for insured advances carried nearly 90 special conditions developed by the zone technicians after their analysis and processing. The objection, deficiencies, called irregularities was the subject of these special conditions. The plans were corrected and the conditions complied with prior to insurance.

ITEM NO. 17

Reader's Digest quote

"Then, incredibly, the closing of the loan was transferred half a continent away to Albany, N.Y., where none of the Dallas staff could watch what happened" (p. 66).

Comment

The closing was held in Albany at the insistence of the construction lender, the National Commercial Bank of Albany. The permanent lender, New York State Teachers' Retirement System, is also located in Albany. The commitment for $9,997,100, the amount for which the loan was initially closed, was signed by the then Assistant Director of the Dallas office, Mr. Gasaway, upon authorization from H. Earl Rosamond, then Multifamily Housing Supervisor at Fort Worth, Tex.

It is not unusual for New York State lenders to refuse to go out of the State for mortgage closings and similar transactions. The implication that there was any attempt to hide anything from the Dallas office is without foundation.

ITEM NO. 18

Reader's Digest quote

"Of course, Turtle Creek Square when completed never was able to attract enough tenants to break even. And, as in Syracuse, Gevinson defaulted and abandoned it to the FHA" (p. 67).

Comment

FHA does not own the Turtle Creek project. The loan was closed November 1964. The mortgagors are 21 Turtle Creek Square, Ltd. In 1964, occupancy was poor due to mismanagement and a poor rental campaign. In June 1965, there had been some improvement and by January 1966 there had been appreciable improvement in the occupancy. It is very well located and well designed. Physical inspection of the property shows it to be in excellent condition with a much more aggressive rental program. The mortgagee holds the mortgage under the forebearance agreement approved by FHA.

ITEM NO. 19

Reader's Digest quote

"And FHA will be in the thick of it. Consider what it can do with the rent subsidy program alone. No matter how poor an apartment project, no matter how promoters plunder it, FHA or DHUD can fill it up with tenants at Government expense, and no one will be the wiser" (p. 67).

Comment

The statement is entirely inaccurate. Only new projects or projects that have been extensively rehabilitated are eligible. Approval will only be given after careful screening to make sure that there is a need for such a project in the community. The law specifically provides that each project must be sponsored by one of three kinds of organizations: nonprofit, limited distribution, or cooperatives. There will be no profits in the case of nonprofit sponsors or a cooperative. In the case of limited distribution, sponsors' profits will be strictly controlled and regular audits will be made.

Mr. WILLIAMS of Delaware. I wish to call to the attention of the Senator from Wisconsin [Mr. PROXMIRE] that I am familiar with the projects he outlined, and I am familiar with the time that they happened, but only three of those are in the list of projects I discussed today.

Mr. PROXMIRE. I wish to differ with the Senator.

Mr. WILLIAMS of Delaware. I know which ones I discussed. The three that I discussed were Clarewood House, the Towers project, and Dr. Gevinson. But I am willing to discuss all of these other projects which were a part of the Reader's Digest article. They were just as bad, and some even worse.

Let us get the record straight as far as Dr. Gevinson and his operations are concerned. First, let me say I hope that we are not going to hear a defense of what happened. Surely everybody would agree that there is an abuse. But let us review Dr. Gevinson's operations:

The Towers project was approved in 1960. There was a $6 million loan.

Mr. PROXMIRE. Would the Senator give us the date again?

Mr. WILLIAMS of Delaware. December 1960. The amount was $6,013,800 FHA loan to the Towers. In October 1961 they approved 21 Turtle Creek Square in Dallas for $11,012,150.

Mr. PROXMIRE. Is this another one?

Mr. WILLIAMS of Delaware. Yes. That is the one that the Comptroller General said had a million-dollar windfall profit.

Mr. PROXMIRE. The date of the Turtle Creek was what?

Mr. WILLIAMS of Delaware. October 1961. And they had a million-dollar windfall in profits. On December 12, 1962, they had given a commitment for another project for Dr. Gevinson, Poinsard Towers in San Antonio, for $8,573,000.

But, as the Senator said, the FHA did get around to completing that loan. I placed in the RECORD a letter dated in May of 1963 signed by Mr. Cunningham addressed to Mr. McCloud, in which they stated they would stop this project due to the fact that a suit was contemplated against Dr. Gevinson. Now let us set the record straight about the suit, and the action taken by the FHA against Dr. Gevinson. I commend the Department of Justice for its prompt action, but the FHA deserves no commendation—it was still approving this latter project for Dr. Gevinson in 1962. The FHA had it on the approved list in 1962 and 1963. It was not until after it had been called to my attention and I had taken it up with the Comptroller General that they got concerned. Upon my request, the General Accounting Office made a special report. This was largely as a result of my inquiry and not FHA actions.

The Comptroller General's Office, after this report was completed, came to my office and suggested that the report be held up until the Department of Justice could proceed with the indictment, and I agreed. It was then that the project was stopped. I am not giving the FHA much credit for what they did in this particular case. The exposure of this abuse was in spite of the FHA and not as a result of any action they voluntarily took. I do pay tribute to the Comptroller General's office for the excellent job it did in digging up these facts and putting them in a form which could be presented to the Department of Justice, which later led to a conviction.

I am not saying that the Senate committee has not been interested in these violations, but I think we should get that

record straight. It is true that there have been some reforms put in by Mr. Brownstein this year and the record will show that I complimented the Commissioner on these reforms.

There was one additional reform which the Senator from Wisconsin did not mention; namely, the escrow payments on downpayments of a home. They now insist they be put in escrow, but we need more. They should insist that the escrow payments involving, for example, the payment of a new refrigerator, or a different stove, to be added. Payments for these items should likewise be placed in escrow, and until this is done the home buyer is not fully protected.

I complimented the Commissioner on June 28 when he announced his first step, but significantly it was not until after my criticism that they ruled that each sponsor of the project file with the application a list of his previous experience with the agency. That was a constructive step, but they were forced to take it. At that time I complimented the Commissioner. I agree he should be complimented on what he has done; but let us face it, it has not all been corrected. For example, some of the same officials who were approving these unsound projects I was speaking of are still on the public payroll. Some of these projects of which I speak were in Arkansas, for example, where again there was a general overvaluation of land.

I was not referring to the projects mentioned in the Reader's Digest article because I knew that they had been referred to before, but since it has come up, let us get the record on that complete. I ask unanimous consent to have the article which appeared in the April 1966 Reader's Digest to which reference has been made, printed in the RECORD.

This article should be read by every home buyer in America.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

THE STENCH AT FHA

(By John Barron)

(NOTE.—Skyrocketing losses and bankrupt housing projects across the country attest to disgraceful bungling—or worse—within the Federal Housing Administration. Yet this agency now is being entrusted with a key role in the plans of the President's new Department of Housing and Urban Development.)

To remake American cities, Congress has created a Department of Housing and Urban Development which President Johnson calls "an exciting adventure." But already LBJ's new DHUD, or HUD, is infected by scandalous mismanagement within one of its vital agencies, the Federal Housing Administration.

FHA guarantees repayment of loans for all manner of housing projects it decides to label "feasible" and "economically sound." So in Pascagoula, Miss., FHA approved a loan for Local 693 of the International Brotherhood of Boilermakers to build a $2.4-million old folks' home. Nowhere were union members clamoring to retire to a remote Mississippi town. The International Brotherhood made "perfectly clear" to FHA that it would furnish no money whatsover. The local itself was to confess that it was not "financially able to put money into the project." But, rhapsodizing that this would be "a model facility," FHA skirted its own regulations requiring that a sponsor have resources to "assure meeting debt requirements and operating expenses."

According to FHA documents submitted to the Senate Rules Committee, this was the result: when the home was finished in 1963, subcontractors cried they had not been fully paid, creditors were after the furniture, there was no money to turn on the lights. And neither the union nor anyone else could persuade a single soul to move into this "model facility." Two months later the union abandoned it, leaving FHA to pay off the $2.4-million loan and thus become the hapless owner of this 194-apartment haunted house.

In Newark, N.J., after wealthy builder Arthur H. Padula had obtained land costing $33,000, FHA appraised it for $125,000 and guaranteed a $2.9-million construction loan on a high-rise apartment building. After the structure was completed in 1962, FHA let Padula go three years without making payment on the principal of his loan. This was just the beginning. Padula had paid $36,339 for another tract of Newark property which FHA in 1963 appraised at $300,000—a jump of 800 percent. Then FHA guaranteed a loan of $4.5 million to build a second apartment house.

A PROUD SUCCESS CORRUPTED

These are not isolated examples. Rather, they are samples of the kind of decisions that have caused blunders costing hundreds of millions of dollars. The stories behind many FHA failures are all the more appalling because they show how politics and bureaucracy can corrupt even the best-conceived government programs.

Created in 1934 to help families realize the American dream of home ownership, FHA long was a proud success. Its management was entrusted to competent, nonpartisan professionals working out of field offices throughout the country. Assured they could not lose, private lenders increasingly advanced any amount FHA said was okay. Home buyers, builders and the country benefited.

But, in time, patronage-happy politicians began filling top-level FHA jobs with their own cronies. And the political appointees in turn promoted lackeys of their own. The result by the early 1950's was a national scandal. With FHA approval of loans for far more than projects cost, predatory promoters were given immense "windfall" profits. Estimates of money squandered ran as high as one billion dollars. Investigations led to 200 indictments, the firing of 21 FHA officials, and loudly promised reforms.

UNHEEDED BUNGLING

But look what FHA is doing now. Impartial investigators from the General Accounting Office—Congress's watchdog over federal spending—have found that all over the country FHA has been handing promoters vast profits by overvaluing land. "For 87 of 89 projects reviewed, FHA's estimates of land value exceeded the costs of the land to the sponsors," the GAO reported.

Among the examples cited: In Boston a promoter bought a tract for $8971; the following year, FHA appraised it at $131,531. In Chicago the FHA said it would allow $300,000 for a particular tract. So a promoter went out and bought it for $212,000 and proceeded to cash in. Such inflated appraisals help kite loan guarantees beyond actual project costs. "Our review clearly shows," GAO reported, "that in many instances a sponsor can construct a project with little or no actual cash investment."

FHA has approved marginal or hopeless projects, let promoters milk them through what GAO calls "excessive withdrawal of corporate funds" and then abandon them. And while FHA has sat dumbly by, other promoters have gone from city to city defaulting on project after project. It has permitted still others to default on loans but continue to collect rents for up to five years. GAO estimated that one promoter pocketed $318,000 while FHA paid taxes and insurance for his defaulted project. Moreover, FHA has been letting freeloaders live in repossessed apartment buildings, then writing off their unpaid rents as uncollectable.

In the last 30 months, the GAO has submitted to Congress 11 reports indicting FHA for derelictions ranging from misrepresentation of its income to slovenly neglect of its own foreclosed property. Strangely, Congress has paid little heed. The FHA might have continued its scandalous bungling indefinitely had it not been for crusading Sen. JOHN J. WILLIAMS (R., Del.) [1] and some honest civil servants within the agency.

Disgusted by what they saw, the government workers secretly began talking to the Senator, who on his own already was amassing devastating records and entire case histories of FHA deals. "These records are as shocking as anything within my experience," Senator WILLIAMS said. "They document incredible incompetence, if not a lot worse, at the highest levels. In case after case the FHA has shown little concern for the housing needs of our people. It has seemed interested, instead, in pandering to politicans or slipping money into the pockets of questionable speculators."

FHA FOLLIES

In Jacksonville, Fla., for example, Sen. GEORGE A. SMATHERS' old college roommate and close friend, Charles E. Commander, Jr., asked FHA to help him built an apartment house. FHA evaluators opposed the project, declaring it "doomed from the start." But one evaluator reports he received "at least a dozen telephone calls" from a Smathers assistant demanding approval. And though SMATHERS denies he had any interest in the project, pressures exerted in his name ultimately prevailed. FHA guaranteed a $1.9-million loan, and the 76-unit apartment was built. Naturally enough, it failed; FHA had to pay off the mortgage. For nearly three years now FHA has owned this white elephant.

FHA in 1962 also did its best to produce for another politician, Rep. ADAM CLAYTON POWELL. POWELL'S nonprofit corporation sought to buy and "rehabilitate" a Washington hotel on sale for $2,250,000. FHA obligingly decided that a $4,500,000 loan—twice the price of the hotel—would be "feasible," even though a month later FHA had to admit it had no idea what the "rehabilitation" actually would cost. The deal fell through after Senator WILLIAMS took the Senate floor to expose the outrageous handout.

WESLEY MANOR FIASCO

In the little Texas town of Weslaco, Methodist preacher Paul A. Weiss sought to build a grandiose retirement home which FHA technicians declared was predestined to "certain failure."

Depending upon the size of the quarters occupied, the elderly were to make a "contribution" of $8000 to $22,000. The home was to keep these savings, then when a tenant died, sell his or her space to someone else. Additionally, tenants would have to pay monthly rentals of $135 to $245. Worse still, an FHA analyst calculated that even if every room was filled and maximum charges were collected, the home would be perpetually in the red.

"If this project is built, one and all who see it will categorize it as an FHA folly," a regional examiner warned Washington. "And the loss FHA will sustain will be stupendous."

FHA professionals in San Antonio long fought the project. But in Washington in January 23, 1962, a special FHA assistant, ex-Sen. Gerald P. Nye, wrote: "Vice President Johnson has revealed a large interest in the

[1] See "Incorruptible JOHN WILLIAMS—'The Conscience of the Senate,'" The Reader's Digest, May '64.

Wesley Manor project, and this office has assured him that everything possible would be done to expedite the hour when construction could begin." And later, the San Antonio office received a copy of a letter in which FHA headquarters promised a "Congressman" approval. FHA kept its political promises and guaranteed a $2.8-million loan.

The imposing five-story home, with its 139 apartments, palatial public rooms and elegant furnishings, was completed last fall. Today it stands half-empty. Some sincere churchmen around the area are doing their best to make it succeed. But its manager, Lawson W. House, says that it cannot pay off the mortgage unless it resells every apartment at least three times. In other words, if the home is to support itself, its occupants must die, and be quick about it.

MORE PRODUCTIVE WORK

Then there's the notorious case revolving around C. A. Neal Pickett. Although Pickett had gone through a variety of jobs, he had been a one-term mayor of Houston, and he did have influential friends. He was the brother-in-law of Sen. RALPH YARBOROUGH and a pal of the big Houston developer, Frank Sharp. Labeling him "extremely well qualified," FHA on July 17, 1961, made Pickett—the only candidate civil service recommended—director of its Houston office.

Next year, Pickett's friend Sharp and others urged Houston's First Methodist Church to sponsor a retirement home on a large tract Sharp was developing. With Pickett present, a church committee rejected the proposal. The entire board of stewards ratified the committee's decision, and the pastor, Dr. Charles L. Allen, published a declaration that the church had no "connection whatsoever, directly or indirectly," with the project.

Still, Pickett approved the project! When FHA's Houston chief underwriter, George D. Humphreville, tried to tell him this could not be done, Pickett wrote back: "I suggest that in the future you devote your time and that of your secretary to more productive work."

Next, Pickett overruled FHA professionals who had valued the retirement-home site at $1.25 to $1.35 a square foot. He jumped the valuation to $2—an increase of $237,000. A respected FHA examiner, Carl D. Whitney, reported to Washington that Pickett was guilty of flagrant maladministration. He denounced the project as a "subterfuge" which was "wholly ineligible and worthless as a nonprofit venture." He urged immediate withdrawal of FHA approval.

But the FHA in Washington hid the report, disregarded its recommendations, whitewashed Pickett, and approved the $4.7-million project called Clarewood House. Then it exiled Humphreville to west Texas.

Last spring Senator WILLIAMS asked FHA how the project was doing. "The outlook for success is favorable," Commissioner Philip N. Brownstein blandly replied. But since opening February 1, 1964, Clarewood House continuously has been in such difficulty it has yet to make a payment on the principal of its loan. And its manager, E. Bruce Sledge, reports that "there is little hope of breaking even" unless the project wins tax exemptions denied it when the Texas attorney general ruled it was not nonprofit.

WINDFALLS FOR THE DENTIST

But the most revealing picture of what has gone on inside FHA emerges from its deals with Dr. Daniel Gevinson, a onetime Washington, D.C., dentist. These have been piling up ever since 1947 despite this unbelievable record: FHA itself openly admitted Gevinson had grabbed windfall profits. Next, Senate investigators publicly branded him as a recipient of a "kickback" from an FHA project. Then an FHA field director warned that he repeatedly had flouted FHA regulations. Finally, in an official report an FHA examiner denounced him for "unethical and sharp practices," "misrepresentations" and "violations of agreements."

Yet in 1960 with another FHA loan—this time for $6 million—Gevinson began a 13-story apartment project in Syracuse, N.Y. A Gevinson company picked up $258,000 by getting $1,145,700 for subcontracting work which cost only $887,700, according to GAO. And GAO further found that Gevinson made an additional $225,360 through a joint venture with a local construction company. After the apartment building was finished, Gevinson simply defaulted and walked away with his profit. The FHA estimates that it will lose $2,300,000 on this deal.

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FHA processors kept uncovering irregularities in Gevinson's plans. The Dallas chief, backed by his conscience and other FHA evaluators, could not bring himself to surrender. But on October 16 he received an ultimatum: "You are hereby authorized, instructed and directed, as of this date, October 16, 1961, to insure advances in amount of $9 million on Turtle Creek," Assistant Commissioner Daniels wired. "You are hereby released from all responsibility in connection therewith."

Charles soon resigned in disgust. Then, incredibly, the closing of the loan was transferred half a continent away to Albany, N.Y., where none of the Dallas staff could watch what happened. However, a copy of the contract shows that Gevinson got a $9.9-million loan—$1.2 million more than he first sought.

Gevinson employed much the same subcontracting schemes in Dallas as he had used in Syracuse. "It appeared that the sponsor (Gevinson)-controlled subcontractors would realize profits of about one million dollars," GAO said.

Of course, Turtle Creek Square when completed never was able to attract enough tenants to break even. And, as in Syracuse, Gevinson defaulted and abandoned it to the FHA. Yet *despite Gevinson's past depredations, FHA approved still another $8.7-million apartment loan for Gevinson in San Antonio.* He never got around to using it. After GAO investigation, a Texas jury convicted him of kiting his costs.

JEWEL OF A DEPARTMENT?

These FHA follies represent only some of the cases which have been documented. Still waiting to be told are the stories behind hundreds of other FHA failures. FHA boasts that in comparison with all the loans it insures, its losses are very low.

The staggering fact obscured by this claim is that *nearly one out of every ten* FHA apartment or multi-family projects across the country now has gone bankrupt. At the end of the last fiscal year FHA was saddled with 575 of these failures which had cost it $536 million. It was also still stuck with 46,261 homes which cost $520 million.

True, it will try to sell these homes and apartments, but, by its own calculations, it expects to get back only about 70 percent of what it put into them. GAO reports, "FHA's actual losses on the sale of small homes have risen sharply in recent years—from about $6.4 million in 1961 to $21 million in 1962 and to $46 million in 1963." In 1964 they jumped to $94 million, and last year skyrocketed to $142 million!

Here is a record which should cause the President to pause. The new Department of Housing and Urban Development will dispense billions in subsidies for rents, recreation, public housing, urban renewal and other city-salvation schemes. And FHA will be in the thick of it. Consider what it can do with the rent-subsidy program alone. No matter how poor an apartment project, no matter how promoters plunder it, FHA or DHUD can fill it up with tenants at government expense, and no one will be the wiser.

A White House aide says President Johnson is determined that DHUD will be "a jewel of a department." Indeed, Johnson himself says, "much of our hope for American progress" will depend upon DHUD. But lest his hopes and promises evaporate in more scandal, the President first had better clean house in the Federal Housing Administration.

Mr. WILLIAMS of Delaware. Mr. President, let us give them credit for what they have done, but at the same time if anyone has the idea that the FHA has corrected the situation let me say that it has not.

I quoted from the Comptroller General's reports beginning with 1963, 1964, 1965, and in February 1966. And the same miserable pattern prevails. Now what do we hear from the committee. I am amazed at the apparent defense that is being made of these practices. This situation will not be corrected until we clean out those responsible.

Mr. PROXMIRE. Let me say to the Senator from Delaware—and I say this in good humor—I think he has made my case. He cited only three cases. He said that these cases took place after the actions taken by the FHA. He named cases in 1960, 1961, and 1962.

The fact is, action was taken on the ones I referred to in January 1965, December 1964, December 1964, January 1965, December 1964, January 1965, November 1965, and June 1966.

I challenge the Senator from Delaware to indicate which of his cases, how many of his cases, and what proportion of them, were approved after December of 1964, when virtually all of these reforms were put into effect.

Mr. WILLIAMS of Delaware. Is the Senator satisfied with the reforms thus far made? As the Senator from Wisconsin points out, it is apparent that the committee feels no reforms are needed.

Mr. PROXMIRE. The committee does feel that these reforms are needed. The committee is deeply interested in them.

Mr. WILLIAMS of Delaware. I cited a case the other day in Tucson, Ariz., in April 1964 and 1965, where there was an overvaluation of land. The projects were Christopher City and Green Valley.

This project failed in March 1966.

My remarks on the Christopher City and the Green Valley projects, both located in Tucson, Ariz., were made on June 21, 1966, and appear on pages 13780–13783 of the RECORD of that date.

Mr. PROXMIRE. I do not deny that there have not been cases and that there will not continue to be cases of this kind.

Mr. WILLIAMS of Delaware. Also in Alaska——

Mr. PROXMIRE. I do not deny that there will not continue to be violations. I think the Senator from Delaware is very much to be congratulated for pointing out these violations, but what I am saying is that the great bulk of the cases to which the Senator from Delaware referred are cases that took place before the reforms, which I have listed at great length which the FHA has taken, were instituted.

Mr. WILLIAMS of Delaware. Wait a minute—certain reforms took place in June, but there is much still to be done.

Mr. PROXMIRE. This was before the present Dr. Brownstein ever came to FHA.

Mr. WILLIAMS of Delaware. The report I placed in the RECORD speaks for itself. The Senator from Wisconsin can defend them as long as he wishes. I say that these abuses are continuing. The other day I discussed a bad situation in Anchorage, Alaska, where six out of seven projects failed. As if this were not bad enough, they approved another multifamily project in spite of the six failures. That was just a couple of months ago. When were these reforms put into effect? Perhaps one of the reasons we are not getting anywhere in correcting these abuses is that there are too many people who think there is nothing wrong.

Mr. PROXMIRE. Let me say to the Senator from Delaware that I am certainly not one of those who think there is nothing wrong. There have been many errors and serious mistakes and real blunders made. FHA should be severely criticized for this. I commend the Senator from Delaware on what he has done this morning, and also in the past; but I do say as a matter of fairness and in truth, that we have a situation here in which action has been taken since December of 1964 on most of these reforms. Since that time, there have not been many instances, according to the record of the Senator from Delaware, in which he gave case after case after case, but there were many, a great majority were before December of 1964, and I think the RECORD will show that.

Mr. WILLIAMS of Delaware. There were many approved in the 1963 and 1964 period. It takes a couple of years to finish construction on a multifamily project before it gets a chance to go broke.

Mr. PROXMIRE. That is right, and some took place afterward.

Mr. WILLIAMS of Delaware. I am not criticizing the Senator from Wisconsin. He has a right to his position, but I am certainly not taking the position that all has been cleared up.

I will cite another case which is developing right now in Texas if the Senator wants something recent. I will go into greater detail on it. I was going to put it in the RECORD, but I am——

Mr. PROXMIRE. No, no, I have not said that. I say that there are violations now. With 8 million homeowners involved, there are bound to be violations. The Senator from Delaware has performed a real service on this matter, but I do say that reforms have been put into effect and that the great bulk of the cases that were listed by the Senator from Delaware were before the reforms went into effect. Furthermore, the reforms went into effect after the 1964 hearings of the Committee on Banking and Currency, led by the distinguished Senator from Alabama [Mr. HILL], who focused attention on it.

Mr. TOWER. Mr. President, will the Senator from Wisconsin yield?

Mr. PROXMIRE. I am happy to yield to the Senator from Texas.

Mr. TOWER. Let me say that I am aware of some of the continued abuses. I certainly support the idea of the Committee on Banking and Currency exercising close oversight scrutiny. I think I can speak for the distinguished chairman of the subcommittee when I say that he also maintains a continuing interest in this subject. I think that the coming next session will find us going further and deeper into the matter. We have made some progress and we are still openminded to the fact that we need to progress some more.

Mr. WILLIAMS of Delaware. I can cite another example—even today the FHA is operating an old and dilapidated hotel in Hot Springs, Ark., which its underwriters recommended against ever being approved in the first place. It was renovated on the basis that it would be a home for the elderly.

This was a complete failure; the FHA has had to take it over, and in order to keep it open they are operating it now as headquarters for racing fans in that area. The underwriters point out that such use is in violation of the law. That is a 1966 project the Senator may wish to review. That report was first discussed here today.

There is a case in Texas of a sergeant now in Vietnam who lost his home a couple of months ago. This is another 1966 case that merits study and surely is recent enough to be interesting.

This sergeant, who is now in Vietnam, had paid over $3,400 in payments on his home. He met his payments over a period of 3 or 4 years. True, he was in default. The investment house said he was in default for 5 months. His wife has shown certified copies of money orders with dates showing that they covered 2 of the 5 months. But anyway, under the rules, if anyone defaults for 3 months they can be foreclosed, and accordingly the mortgage can be turned back to FHA.

FHA now claims that they have no choice except to foreclose, notwithstanding the fact that this lady claims that the delinquency was due to her husband having to go to Vietnam, having to get her children settled, and so forth. She is willing and able to make all of the delinquent payments and a payment in advance, and they refused to accept it. Why?

Mr. President, I do not intend to delay this discussion too long, but here is another new case for the Senator from Wisconsin. This is one that happened in West Virginia. A homeowner purchased a home in an area that was FHA approved.

The home was on the side of a hill. The first rain came, and the hill slid down. The people have to move out. The owners are stuck now with homes they are afraid to use and cannot sell. I think the FHA has a responsibility to protect the homeowners and not merely sit back and say, "Well, with your signature, the mortgage is good."

Their policy seems to be buyers beware. But what are these FHA inspectors for?

I had another case called to my attention last week.

The FHA should have a rule that all downpayments made by prospective homeowners must be put in escrow until such time as the individual gets title to the home. This regulation should cover additions as well as downpayments.

We have a case in New York where a home was sold in a project named the Middle Village. I have here a picture of the cracked wall in that development, a defect resulting from poor construction. The FHA gave approval to this construction; but there was a poor foundation and the walls collapsed. The city has condemned the property for family use. The people have to move out; but where will they go? They have their money invested in those homes and FHA mortgages. Why was not that defective construction discovered by the inspectors at the time? Somebody should be held responsible for the construction for these elderly citizens who are buying the property. They certainly are entitled to better protection than they are getting.

Then there is the argument that this program is not going to cost the taxpayers any money. I get that argument every time I bring this issue up. The FHA says, "What are you kicking about? This program does not cost the taxpayers."

Nonsense. Who is buying the homes? The taxpayers of America. Who is paying the cost of the mortgage insurance? American home buyers. They are paying it in additional assessments on mortgage insurance to cover the losses sustained on these unsound projects. If that money is not adequate to pay for it then it is the American taxpayers in general who pay. Who guarantees these mortgages and notes sold by FNMA and FHA should there be a default? The American taxpayers. If that is not true why were we in the Senate yesterday

being asked to approve $3 billion to back up this Government guarantee?

The argument that it does not cost the taxpayers anything to have the Government guarantee these mortgages is a silly argument. I refuse to accept it. Suppose the contribution or guarantee by the Government is not used, there are salaries and payrolls for the FHA administrator and his employees. Who pays his salary? He is on the Federal payroll. He is working for the U.S. Government, and his salary is paid by the taxpayers.

That is the problem—some of these high officials and directors do not think they work for the Government even though they are on the Federal payroll.

Perhaps sometime we should accept their argument and stop their salaries.

They had better wake up to the fact that they are employees of the taxpayers and are accountable to the people. So far as I am concerned they are working for the Government, and they are accountable. As long as our Government is underwriting billions of dollars for this program it is the taxpayers' money, and I shall continue to demand a full accounting.

As to the argument that there is a $1 billion reserve and there is nothing to worry about—it is also true that there are $1,193,242,943.76 tied up in repossessed multifamily homes and mortgages which the agency has had to take over because of bankruptcy. There is another possible $1 billion in deferred or modified agreements on mortgages which they have not taken over yet. So do not brag too much about the reserve. It is getting dangerously low; that is why we had to replenish the funds yesterday.

Yes, some of these cases discussed here today happened a few years ago, but those who were responsible for those mistakes are still on the public payroll and making the decisions. One of these men who was criticized most vigorously by their own inspector is still working. This man was condemned by one of their own investigators, yet he is still serving as a director. Why keep this political hack on the payroll? I have no confidence that the situation confronting this agency will be corrected in that area until he is out. Furthermore, we cannot correct the many abuses confronting this housing agency until Congress recognizes what is causing it.

Mr. JAVITS. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. JAVITS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. JAVITS. Mr. President, I ask for the yeas and nays on my amendment.

The yeas and nays were ordered.

Mr. JAVITS. Mr. President, I understand that Senators are anxious to get away, and I am sorry that we have been detained until this hour——

Mr. LAUSCHE. May we have order, Mr. President? This is important.

The PRESIDING OFFICER. The Senate will be in order. Senators will please take their seats.

Mr. JAVITS. But there was nothing that anyone could do about that; and Senator WILLIAMS quite properly had a very important thesis which he wished to present.

Mr. President, the essence of my amendment is that I seek to obtain an allowable authorization for college housing of $300 million for the current fiscal year and $300 million for each of the next 2 fiscal years, provided that the interest rate is not the arbitrary 3-percent interest rate which is fixed by the present law, but shall be what is called, in Federal parlance, the "going rate," based upon the average rate on all Federal indebtedness plus one-quarter of 1 percent; which as I understand it, brings the rates to either 4¾ or 4⅝ percent at this time.

Mr. President, the reason I am making this effort is that the agency responsible for the administration of funds for college housing—which is indispensable to enabling institutions of higher education to keep up with their very materially increased enrollments—is really out of money. That is what it comes down to, in essence. I shall explain in detail why that is; but that is the practical fact, it is out of money, and since January 31, 1966, the agency has not even taken applications.

So when I speak of applications, I am referring only to applications which were on hand up to January 31, 1966.

Mr. President, about two-thirds of our States, even before the freeze on applications since January 31, 1966, had applications pending. The pending applications filed before January 31, 1966, total about $300 million.

I am advised by the Department that all of these applications are approvable; that is, they have had preliminary screening. But there is just no money to lend.

Lest Senators have an idea, Mr. President, that it is again the big, rich States which are in here for money, I dispel that thought at once. The young man is now distributing a table showing the applications on hand. My own State, for example, has an application for $500,000, which happens to be for a small Catholic college called D'Youville College. But Colorado, for example—which certainly does not qualify as a big State—has $14 million in applications pending; Texas has almost $26 million in applications; and Minnesota has some $15 million. Mississippi, for example, has almost $8 million. So this is not a problem which is unique to the big States.

As a matter of fact, the big, rich States have very little involved in the applications which could be approved if $300 million were made available. It is mainly the smaller States—the States which have, in general, less financial capability—which are involved.

Mr. CARLSON. Mr. President, will the Senator yield?

Mr. JAVITS. I yield.

Mr. CARLSON. Mr. President, I fully appreciate the need for these funds, but I should like to ask the Senator from New York how his amendment would actually obtain money and make it available to take care of these applications for the construction of housing. I wish to know how it works. I realize the need for it, but I should like to know how the Senator's amendment would be helpful.

Mr. JAVITS. Like so many of the housing authorizations, this is a borrowing proposition. The money is borrowed from the Treasury through the HUD and loaned to the institutions; and the institutions repay on varying terms, under what is equivalent to a mortgage.

The amendment fits into the statutory scheme. The only part of the present statutory scheme that I do not carry out in the amendment is the 3-percent fixed-interest rate provided by law, because I feel that under present circumstances, we cannot lend money at that rate. So my amendment specifically calls for a higher rate of interest on these particular resources, going up to almost 5 percent, by reason of the fact that money is at such high cost right now.

Mr. CARLSON. Will the Senator yield further?

Mr. JAVITS. I yield.

Mr. CARLSON. Under the present tight money situation and the present high interest rates, unless we do something like this, there will not be any building; is that not about right?

Mr. JAVITS. That is exactly right. All these people have got is $50 million.

Our original intention was that they should have $300 million a year. When the Participation Sales Act was passed not long ago, this particular agency came in for the sale of about $800 million of its paper, as a part of that $2 billion mass of paper which was to be sold. The only difficulty is that because of the very sharp difference between the interest rate on the paper which this agency has in hand—3 percent—and the going interest rate, which is almost 6 percent, the Federal Government is very reluctant to let any of this paper be sold. The sufferers are the colleges, because there is just no money in the basket. All the money they have obtained has been the small amount of repayments received from past accumulations on loans.

There is $200 million in such repayments at the disposition of the Budget Bureau. They have not even retained that. The Bureau of the Budget has allowed them $50 million of that amount. That is all there is.

They have lowered the boom on all applications after January 31, 1966. As of that date, there are some $300 million of applications pending. I understand that, if they had continued to receive applications, they would today have approvable applications in the amount of $1,100 million, so big is the demand.

Mr. SALTONSTALL. Mr. President, will the Senator yield?

Mr. JAVITS. I yield.

Mr. SALTONSTALL. Mr. President, I am a member of the Appropriations Committee. Is there not some money in the budget for college housing?

Mr. JAVITS. The budgetary money for college housing, I say to my colleague, is the money that has already been used. They have completely committed that as of June 30, 1966.

They were supposed to get the $300 million out of the participation sales deal—that is, the authorization for fiscal year 1967. The authorization was canceled in the Participation Sales Act on the theory that they would get the participation sales money. However, because this particular kind of paper carries a very heavy cost from the Federal Government, as the Senator can see, at a time of high interest rates, they have not sold them. Hence, they are out of money.

The situation is one in which this college housing is caught in the squeeze between the high money rate and an exhaustion of the money they had available.

The only place in which they can look for money is the Bureau of the Budget, which has $200 million of repayments under its control.

The Bureau of the Budget, for reasons of its own, which I assume are valid, has allowed them only $50 million, and that is it.

The whole college housing field, insofar as any Federal help is concerned, is starving. As a practical matter, the law provides, very wisely, that they will not get any Federal loans unless there is no capability of getting money anywhere else. That is what is happening now. Bank money is extremely short and so is any other source of lending.

Of all times when they need help, this is the time when they need it the most. I am told that even if colleges could get money, it would be at a rate in excess of 6 percent.

Mr. SALTONSTALL. Mr. President, what the Senator is telling us now is that from the Federal Government point of view, there is practically no money available for college housing.

Mr. JAVITS. The Senator is exactly right. The only money available is the $50 million which, from the point of view of the current situation, is practically nothing.

Mr. SALTONSTALL. The purpose of the Senator in offering this amendment would be to make the interest rate sufficiently high so that the Government could borrow the money and relend it.

Mr. JAVITS. The Senator is correct. I realize all of our financial problems. We have to balance the needs at a time like this. Hence, I have not gone haywire as to the amount.

I seek to have $300 million authorized—and that is pretty much a classic figure—for the next 3 years, rather than to go to any extremes and secure a much larger amount.

Under present conditions the institutions would be better off to have the interest rate raised across the board. They have got 3-percent money, but they have no money. In other words, they have a 3-percent interest rate on this money, but no money is available to them at 3 percent. Hence, it is of no use whatever if they cannot get the money in any way.

We are really lowering the boom on college housing construction, except to institutions of great wealth that can raise the money either by endowment or by borrowing it on investments. However, the small colleges are being hurt the most in this situation.

Mr. SALTONSTALL. The Senator may or may not know this, but in the independent offices appropriations bill, language is contained—and it is very complicated—that would allow the loans that the Federal Government now holds to be sold to FNMA, and the FNMA would put them out as interest certificates at going rates.

As I understand it, you are saying that no money would be available from that. Has the Senator studied that matter?

Mr. JAVITS. From what I have been able to determine—I have not studied that in a negative way—I am not prepared to say no, that no money will be available. However, I have studied it in a positive way. I have consulted with the authorities and gotten all the facts and details from the agency.

The positive sources of money are those which I have described. They do not include the ones to which the Senator refers. So my answer is that I cannot see that any money will come from that source.

I told this to the committee yesterday. This bill will go to conference.

I wanted to accomplish two things.

First. The Senate should be for the principle that college housing needs some help. It has not received any help. Second. Being seized of the problems—as we lawyers say—I was confident that once they had the view of the Senate that we wanted some money for college housing, they would work it out compatibly with the various problems involved.

No individual Senator, except in rare cases, can have researched these matters through to the ultimate in such a way as to say to the committee: "You must take this, or else."

I do no such thing. Once they ascertain that the Senate wants them to do something about college housing, so that money will be available for this purpose, I am sure they will work out the details compatibly with all the things we have provided. I hope and pray they can find some other way than mine. However, there is no mandate now from either body of Congress to do anything.

I am trying to put them in a position in which they are responsible and have a mandate from the Senate that we want something done about it.

However, I have no slavish adherence to this particular scheme.

I have advanced it because I think it makes sense in the particular circumstances.

Mr. President, I shall conclude my argument by outlining the needs.

I think we can say with fair certainty that for practical purposes—though there may be money in the Bureau of the Budget which they are not releasing and there may be money in the participation certificates which are unsold for very good reasons because of the broad spread of going interest rates, as contrasted to the 3-percent interest rate in college housing—the fact is that no money is available now or in the foreseeable future, at least for a time, in the college housing field.

The Department has applications in excess of $300 million. On the desk of every Senator is a list of the States with the amount of the applications from each State. I am advised by the Department that these are approvable applications. It is information of the same character that the Department would give to any other Senator or Member of the House. They are approvable applications, but nothing can be done about them because the resources are just not available. These applications are only those that have been received up to January 31, 1966; the Department has not taken applications since that time. Requests have been received for these funds from almost 400 institutions out of 2,350 eligible institutions in the United States.

I examined into the question of the way in which this program could be administered, and the way in which it could be administered would be as a mix. In other words, any money which the Department might have available on a 3-percent basis would be mixed with what it has available on a high-interest basis, and anyone who was granted a loan, if the amendment should become law, would have to take his share of low-interest money, which is infinitesimal, and of high-interest money which would be made available by the amendment.

This is the worst time of all for these institutions to get any money, if they do get it. There is really no chance to get it anywhere. If they were able to get it, they would have to pay more than 6 percent for it. Bank money is not available. The closest to these rates for money is being paid by States having high credit standing, such as California, a State which has just issued privately a bond issue on which it paid a coupon of 4.98 percent. But such funds are available only under unusual circumstances to a large State university having excellent credit, where the State is borrowing money on tax exempts, even though the State had to sell its bonds at a rate of 4.78 return, which is an extremely high return. But that is the financial situation as it affects colleges.

There are two factors which indicate that we ought to act on the bill. The first is the size of the demand. Second, I am reliably advised that young people will actually be barred from admission to colleges beginning in September 1967, because housing will not be available. There is a period of 2 years between the time when money is made available and the time when the housing is available. Therefore, unless we act now, we shall lose a real opportunity to cope with the burgeoning college population, namely, in the housing field.

The loans proposed by the amendment would be essentially housing loans. Only a very small part of the loans made are for dining halls and student centers, which are ancillary to housing. These would be housing loans.

Only two States, I have ascertained, have any kind of dormitory authority—my own State of New York and the State of Connecticut. New York figures in this proposal very little; it is mainly a problem that affects many other States.

The burgeoning college population is shown by a table which I ask to have printed in the RECORD, showing that today we have, as of September enrollment, something like 6 million students in college—5,924,000. That increases, in round figures, about a half million a year, until about 1970 it would be 7.25 million.

There being no objection the table was ordered to be printed in the RECORD, as follows:

Degree credit enrollments

	Total degree credit
1966 (actual 1965, 5,570,271)	5,924,000
1967	6,410,000
1968	6,820,000
1969	6,966,000
1970 (15 percent low)	7,225,000

Source: Proj. of Ed. Stat. to 1974–75 (O.E. 10030–65).

Mr. JAVITS. I am reliably informed that if we do not move now, a material number of young people will be barred from college because they cannot get housing.

Finally, my own interest in this matter is attributable to the fact that I am the ranking member of the Committee on Labor and Public Welfare, which handles education, and I am thoroughly alerted and informed as to the problems of higher education.

In offering this amendment, it is really my purpose to deal with a problem of higher education in another field—but in a very related field—in order to facilitate these colleges in their problem.

I say to Senators that everything in our country today, when we have almost full production, in terms of the facilities which are available—about 97 percent of our resources are being used for production today—and when we have an inflationary situation—is in relationship to priority: What is more important than something else?

I respectfully submit that this is a field of critical importance to the future of the Nation, ranking with anything that we are doing in the normal housing field or any other field, and therefore we should give it a fair allocation of our resources.

As I said before, I have not strained the matter. I have tried to propose something to the Senate which is reasonable in terms of its size, certainly apportioned to the need. I respectfully submit that on a deserving priority basis, we ought to do something in the college housing field, where, if nothing is done today, apparently nothing will happen unless conditions change materially.

Mr. TOWER. Mr. President, will the Senator yield?

Mr. JAVITS. I yield.

Mr. TOWER. Will the distinguished Senator from New York comment on what effect this might have on the current problem of the Government going into the money market and bidding up interest rates to the extent that we have a tight money situation from so many classes of loans.

Mr. JAVITS. I just stated that I believe that one must understand that problem and one must deal with it on a question of priorities.

We are appropriating money for roads, for dams, for housing, for many other things. We are appropriating money for mass transit. We are appropriating billions upon billions of dollars. We must now look at everything in terms of its urgency to the Nation. That is why I am not asking that we make this a billion dollars. There is a demand for it, and a provable demand. We cannot do that kind of thing. But I believe that within the fact that we are raising money for many other things, the question is whether this rates consideration in this kind of time. I respectfully submit that it does rate consideration, to the reasonable extent that I have proposed to the Senate.

My argument is not based upon saying that what the Senator says is not so. There is tremendous competition within the Federal Establishment for money. Money has to be raised, and every dollar that is raised has a tendency to raise the interest rate. But I point out that we are raising billions of dollars and that this matter rates some treatment, some consideration, in terms of national interest.

Mr. TOWER. This would be phased over a period of 3 years?

Mr. JAVITS. The Senator is correct.

Mr. TOWER. So that there would not be an immediate impact of the $300 million?

Mr. JAVITS. No.

Mr. TOWER. Perhaps not even $100 million a year.

Mr. JAVITS. The Senator will be a conferee. I believe that the committee should have the feeling of the Senate, that the Senate wishes something done to loosen up some resources for college housing.

As Senator SALTONSTALL has said, we might find some comfort in the bill that the Senate passed the other day. That is fine. Perhaps the committee could loosen up the Budget Bureau. At least, we ought to have the word of the Senate that it believes that this matter deserves ratability with other things that are being done in this bill, to the extent of $300 million.

Mr. ALLOTT. Mr. President, will the Senator yield?

Mr. JAVITS. I yield.

Mr. ALLOTT. Perhaps the Senator commented on this. I was called from the floor after he commenced his remarks. I wish he would comment on it again for my benefit. In his amendment he has proposed using the average annual interest rate on Treasury borrowing. May I inquire what elements were taken into consideration in going to the higher interest rate rather than staying with the 3 percent, which is now applicable to college loans?

Mr. JAVITS. The first and most important element is practicality. Because of the very high interest rate structure, it becomes much more expensive for the Federal Government to resell this paper at the 3-percent rate, and it becomes counterproductive.

In other words, one reason why I believe that this paper is frozen and is not being put on sale is the gap which the Federal Government would have to meet in terms of money. This creates an immediate budget situation. I do not believe the colleges are being done a favor now by an academic 3-percent rate being retained.

Mr. ALLOTT. In discussing this matter with some housing officials within the last 3 days, I was informed that, with respect to the college housing loans at 3 percent, where they would have to put them on the market at somewhere around 72——

Mr. JAVITS. The Senator is correct.

Mr. ALLOTT. There is a considerable loss that the Government would have to sustain in the sale of these obligations.

Mr. JAVITS. A completely unacceptable discount. They are not selling. If they were selling them, there would be some money. But they are not selling, and they should not.

The other reason for putting it up was this: Normally, colleges might not wish to reach for money at the rate of almost 5 percent. But now, with money so expensive and tight, they are today in the position where they have to.

We might as well be frank about it: this will cause student payments in the dormitories to rise somewhat. This money is more expensive than the other money. But I would rather give the student a dormitory, so that he can attend, even though he has to pay a few dollars more, than deny him the opportunity of going to college at all because 2 years hence a dormitory is not available.

Mr. ALLOTT. Is it not true that it is up to each university to make this decision when it makes an application? If they feel that the cost of this, under the proposal of the Senator from New York, would be in excess of what would be self-liquidating, they, of course, would not make the application.

Mr. JAVITS. The Senator is correct.

Mr. ALLOTT. So they are not forced to do anything. And each university could make its own decision in view of the increase in rates.

I think the Senator from New York is properly pointing out that this may and probably will result in their having to charge more for the dormitory housing, but the alternative is no new college housing.

Mr. JAVITS. The Senator is correct. Especially with money conditions as they are.

Sometimes Senators say that something will not be built unless it is provided for, and so on. That is not necessarily so. The money situation today is such that this is really essential insofar as action on the part of the Federal Establishment is concerned. They certainly are very far down the line in terms of borrowers from institutions where money is very tight, anyway, and is being held in very tightly.

Mr. ALLOTT. I thank the Senator.

Mr. JAVITS. I thank the Senator from Colorado.

Mr. SIMPSON. Mr. President, will the Senator yield?

Mr. JAVITS. I yield.

Mr. SIMPSON. Will the Senator explain something on his chart? There are a number of institutions left blank, which, I take it, have made no application.

Mr. JAVITS. I wish to explain to the Senator that they made no application as of January 31, 1966. When the boom was lowered on applications they did not take any. The agency tells me that if they had continued to take applications from January 31, 1966, they would be up to about 800 million now and the demand is about a million. I have this in writing, and I had it printed in the RECORD yesterday. The reason they have this amount is because this is when they stopped.

Mr. SIMPSON. Mr. President, will the Senator yield further?

The PRESIDING OFFICER (Mr. BYRD of Virginia in the chair). Does the Senator yield?

Mr. JAVITS. I yield to the Senator from Wyoming.

Mr. SIMPSON. The Senator made an eloquent appeal. I agree with him. I wonder if in some instances it can be because State laws prohibit the institutions from making applications?

Mr. JAVITS. That is true, but they have applications from 35 States.

Mr. SIMPSON. It covered public and private institutions?

Mr. JAVITS. In 26 instances they covered both public and private institutions.

Mr. SIMPSON. The ones with the historic position on public institutions.

Mr. JAVITS. The Senator is correct.

Mr. SIMPSON. I thank the Senator.

Mr. JAVITS. Mr. President, I yield the floor.

Mr. MUSKIE. Mr. President, it seems to me that what we have here is a question of priorities, and second, the extent to which we should exercise restraint in our public spending in this period in our Nation's life, under the circumstances in which we find ourselves.

Certainly, I am not going to stand here and argue against the merits of the college housing program. I worked for the college housing program. When I was the Governor of my State I worked for the college housing program. I supported every college housing program that I had an opportunity to vote on in the Senate, as a member of the committee and as a Senator. I supported increases in college housing against the opposition of some Senators who voted against such increases.

The only issue before the committee and the Senate is not the merits of the college housing program, which has been proven beyond doubt, but whether or not we should lift the ceiling on present authorizations.

The current program of authorizations was established in the Housing and Urban Development Act of 1965. It is as recent as that. That legislation established a 4-year program at $300 million a year. We are in the second year of that 4-year program. There is available this year, and fiscal year 1968, and fiscal year 1969, another $300 million under that program.

It might be said that we did not authorize $600 million a year at that time. We did not because we had to set a limit somewhere, and in the context of the total housing bill of that year this seemed a reasonable figure.

Mr. JAVITS. Mr. President, will the Senator yield for a question of fact?

Mr. MUSKIE. I yield.

Mr. JAVITS. We should agree as to what the fiscal situation is in fiscal 1967. The Senator said $300 million was available in fiscal 1967. I would like to question the Senator on that point. My understanding is to the contrary. I wish to review the matter with the Senator.

Mr. MUSKIE. I wish to say at this point that I have just had a member of the staff check with the agency on that question to make sure we had the facts. I am assured through him that $300 million is programed for this year.

Mr. JAVITS. Programed, authorized, and available, are all different words. Perhaps we can agree on the facts.

As I understand the facts, they are that there was an authorization up to the time the Participation Sales Act was passed of $300 million for fiscal year 1967, but that in the Participation Sales Act—and we have it here, and that is what it says—the 1967 authorization was canceled. It was canceled for a good reason. It was canceled because they believed that they would sell participations and raise the $300 million, and perhaps more. The fact is they are not selling. They do not propose to sell them because the gap in interest is too great for the Government to absorb. For practical purposes, there is no money.

I am not arguing that they might not get it or that they might get it. For practical purposes, there is no money for college housing. That is the legal basis on which it is presented to the Senate. If we are wrong about the facts, we should know it.

I agree with the Senator that this is a question of priority and that that is the issue before the Senate.

I am only submitting from the Committee on Education this morning that the priority question deserves as much attention as the urban renewal program or seasonal housing program, or a number of other things. That is all. I do not think that we should differ on the facts.

Mr. MUSKIE. I say to the Senator only that the commitee acted on the basis of its understanding that $300 million will be put into this program.

If the words are vague and not reassuring, we understood that $300 million was to be put in the program this year. I will be happy to check back with the agency in the light of the presentation which has just been made by the Senator, because I agree that we should clarify this point and know the basis of fact on which we are acting. I am not interested in confusing the RECORD.

Mr. JAVITS. No, I am sure the Senator is not. The Senator from Maine [Mr. MUSKIE] is one of the most reliable Members of this body and the last man who would want to confuse anybody.

However, I wish to suggest that the facts are not too clear. I understood that they had $300 million for the fiscal year 1966. That was the first year of the program. They borrowed that money from the Treasury at the 3-percent rate and loaned it out.

Now there comes 1967 when, because we had passed the Participation Sales Act of 1966, the authorization was canceled out with the full expectation that the paper would be sold and the money would go into the program. Now, things happen and that is not so.

Does the Senator want to let them go back to the basis that they did before, to the Treasury, where they are sure of getting the money, but for a higher rate of interest?

Mr. PASTORE. Mr. President, will the Senator yield?

Mr. JAVITS. I yield.

Mr. PASTORE. Does the amendment make that proviso, that in the event the Participation Sales Act does take effect and the paper can be sold, that would vitiate this new authorization?

Mr. JAVITS. I will be happy to do that.

The Senator is very astute. But I wish to make a point. I am representing to the Senate that the only thing that this vote will show is that we want $300 million in this program for 1967. When they work it out in conference there may be other ways in which they can work this out in detail. The only thing that the Senate would be doing is declaring itself on the principle of considering the priorities. The Senator is right. They want $300 million in the college housing program. Then, I felt the conference would be seized of the program and do what the Senator suggests or something else. I do not have the intimate details. But this is not an "and/or" amendment. It is simply a matter of declaring the purpose.

Mr. PASTORE. I understand the Senator is not trying to raise the authorization to $600 million; all that the Senator is doing is insuring $300 million for 1967.

Mr. JAVITS. Otherwise, they are not going to get anything because the Federal Government does not want to appropriate it in 1972.

Mr. RIBICOFF. Mr. President, will the Senator yield?

Mr. JAVITS. I yield.

Mr. RIBICOFF. What proportion of this would go to public institutions and how much to private institutions?

Mr. JAVITS. I gather most is for private institutions. In a good many of the States public institutions are not included, but they are fully qualified to participate except where they are inhibited by State law. I gather that there are a few State laws which have provisions that might inhibit their participation.

Mr. RIBICOFF. I was wondering. I introduced a bill which would provide for tax exemptions in the matter of college education.

One of the great problems we have today is that many colleges would like to sell bonds for their building construction without government assistance, but

find that competitively it is too restrictive. Since we are talking about raising Federal capital, if we allowed a tax exemption on college institution financing, we might be in a good position to have the private sector and private investors buying college bonds in order to allow the college to build its own institution instead of appropriating Federal funds. I wonder whether the Senator from New York would consider this as something worth while?

Mr. JAVITS. Let me say to the Senator from Connecticut that it would not have any effect, pro or con, on the amendment, because we have to take the situation as we find it. The Senator is a member of the Finance Committee and he knows the problems with the Treasury Department on the question of exemptions.

State institutions are now capable of raising money through their States. That was done in California recently on a tax-exempt basis. I am certainly sympathetic to the idea which the Senator mentions, because I think that institutions of higher learning qualify for this kind of national consideration, but I am sure the Senator will agree with me that even if we could do that, and it was the prevailing sentiment, it is unlikely to come along in time to help us with the present situation.

Mr. RIBICOFF. My feeling is that maybe we should still consider the advisability of using the tax exemption. Since colleges have such significance in our overall program, and since we are appropriating so much money for college housing and college buildings, we might use tax exemptions in order to accomplish the same result.

Mr. JAVITS. I thank the Senator very much for his intercession.

Mr. President, No. 1, the issue is priority. No. 2, I have no desire to put the committee on an "and/or" spot, because we have a record vote coming up. I understand clearly. I hope that every Member will understand that we are certainly relying upon them as to the means by which to attain it.

Mr. COOPER. Mr. President, will the Senator from New York yield?

Mr. JAVITS. I yield.

Mr. COOPER. In the event the $300 million is not approved, either by this amendment or, finally, in conference by other means, does the Senator have any estimate of the number of students in colleges that might not be able to find housing because a proper donor could not be found?

Mr. JAVITS. I would not consider my estimate to be reliable except to point out, from the information I have been able to obtain, that a material number of college students stand the likelihood of being denied admittance to college beginning in September 1967, because there will be no dormitory housing available for them. I think the experience of individual Members indicates that this is the case on many college campuses. I think it would be fair to say that this would involve many thousands of students as soon as the bulge starts, which will be in September 1967, because we are moving up at the rate of about a half a million students a year.

Mr. COOPER. That is the point I wanted to develop. I think we are all acquainted with this tremendous increase in the number of college students. If there should be a delay of 2 years or more in beginning to build housing, not only for the present but also for the future, it would have rather tragic consequences.

Mr. JAVITS. It certainly would. We must all remember, as the Senator from Texas [Mr. TOWER] has stated, that in spite of the approval, it still takes time to raise money, to raise endowment money for maintenance use which most colleges need to actually engage in this building to about that figure of less than a 2-year lag. Thus, it is by no means premature for the Senate to act on this matter now.

Mr. MORSE. Mr. President, will the Senator from New York yield?

Mr. JAVITS. I yield.

Mr. MORSE. I want to emphasize the point which the Senator from Kentucky [Mr. COOPER] just made concerning the shortage of dormitory space which will face all college students in September of 1967. Let me point out that if there is any further delay in providing adequate dormitory space, there are not many students who are going to be able to go to college even this fall, because the colleges cannot operate without dormitory space. We cannot do anything about it, but we can do something about what the Senator from New York is trying to do by helping out this afternoon with his amendment.

I came in after debate started and I think I understand the situation, but I want to make certain that I do. The objective of the amendment I heartily support. I say to the Senate that without the assistance of the Senator from New York as the leader of the minority on my Subcommittee on Education, along with the Senator from Vermont [Mr. PROUTY] and the Senator from Colorado [Mr. DOMINICK], we would not have advanced as far as we have in regard to providing facilities for colleges. My understanding is as the Senator from Rhode Island [Mr. PASTORE] brought out, that we are not asking for $600 million but for an amendment that would leave no doubt by way of assurance that the $300 million will be made available.

Mr. JAVITS. That certainly would be enhanced.

Mr. MORSE. That is the important point and I think the position is unanswerable.

Mr. JAVITS. I thank the Senator from Oregon.

Mr. TOWER. According to the testimony given by David W. Mullins, president of the University of Arkansas——

Mr. JAVITS. On what page is that, Senator?

Mr. TOWER. On page 279.

He was speaking for most of the major organizations and institutions of higher learning. He said in part:

> Last year's freshmen class was 17.7 percent greater than the year before, and the freshman class in the fall of 1964 17 percent greater than that of 1963.

Thus, we can project what it is going to be this fall, what it is going to be next fall, and the fall after that. This is a tremendous growth rate in our college population.

Mr. JAVITS. If I may say so, interestingly enough, that particular page which the Senator has just picked out covers the key facts and figures as to precisely what happened. It is interesting that Dr. Mullins also stated there, in part:

> New loans this year are being held at the $300,000,000 level under authorization by the Congress for this amount of new Treasury borrowing.

But they did not get the money, hence we have the proposed legislation. This is the $300 million. It is all approvable—what they call approvable—the application in the Department. But, there is no money. All I want to do is to say that there is money. Whether we get it with the sale of participation certificates—which I agree with the Government seems impractical—or we have to go to the Treasury Department for it, at the higher interest rate, it has got to be done. I do not like it, either. The fact is it is something that will happen.

Mr. TOWER. Of course, participation certificates have not sold.

Mr. JAVITS. That is right.

Mr. LAUSCHE. Does the Senator's amendment cover the period of 3 years at $300 million a year?

Mr. JAVITS. It recurs on its authorization. But, I say, I want to get this off the ground. I want the Senate to express itself. We have made it crystal clear, through the conferees, what we intend, and they will do it.

Mr. LAUSCHE. Is it the Senator's position that unless we do something of the nature suggested by him, if the Government finds itself unable to finance this program through participation sales, there will not be the money available which has been expected?

Mr. JAVITS. Not even to honor the applications made after January 31, 1966, which are all here. Nothing has been done about it.

Mr. CARLSON. Is it not a fact that even if the Senate and Congress approves this money, and the money is available at the higher interest rate, the colleges themselves would determine whether they want to take advantage of it?

Mr. JAVITS. The Senator is exactly right.

Mr. LAUSCHE. There is this added factor, is there not, that it looks like the interest rate, if this program is carried out, will be larger in return to the Government than the one which has existed under the previous program?

Mr. JAVITS. I thoroughly agree. It was impractical previously.

Mr. LAUSCHE. I think that is sound.

Mr. JAVITS. I do not think we can do anything else.

Mr. TOWER. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. MUSKIE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MUSKIE. Mr. President, after discussing this procedure with the distinguished Senator from New York [Mr. JAVITS], I am going to do something a little unusual. I hesitate to do it, but I know Members of the Senate are anxious to get away.

The Senator from New York and I became involved earlier in a question of fact as to the current status of the program and the authorizations under the program.

I have obtained from the Director of the Bureau of the Budget some figures which he is in the process of checking. I am willing to use the rough figures I have, subject to later correction, and I do not think they will be too far off. I shall state these rough figures as to the current status of the program so Senators will have them as a fact basis on which they will be asked to vote this afternoon.

It is a fact that under the Participation Sales Act which we enacted earlier this year there was canceled an authorization of $350 million. That is a rough figure. But it was for the purpose of establishing a solid basis for the enactment of that legislation which some Members thought stimulated too much Federal spending.

The Bureau of the Budget said it had ample authorization to move ahead with the program at the programed levels notwithstanding the cancelation of the 1967 authorization. With that cancelation, this is the situation which the Director of the Budget has given me, subject to later correction in the RECORD.

First of all, he said he planned to sell $800 million in participations in college housing loans in fiscal 1967. Those proceeds will be used, first, to support the $300 million for this year that was already programed at levels which are authorized in the 1965 act.

Of the balance of the $500 million, $350 million has been canceled, leaving $150 million that is "free" in the words of the Budget Director.

In addition, there is an unused amount estimated to be available on June 30, 1967, of $250 million——

Mr. FULBRIGHT. Is that 1967 or 1966?

Mr. MUSKIE. Fiscal 1967.

These figures are shown on the table on page 118 of the hearings.

This would give the administration $400 million over and above the $300 million that is programed for 1967.

That could be used for this program. So that there is ample authorization under existing law not only for the $300 million programed but for an additional $450 million, if the administration wishes to use it.

The administration does not plan to use it for the same reason that it is asking the private sector to restrain itself in capital expenditures and to hold down spending across the board.

That is the situation. It is the situation I tried to point out earlier this afternoon in trying to explain the view of the committee. Each of us has to establish his own order of priority.

There are many other programs in the housing field in which each of us, in good conscience, on the merits, could wish to expand or leave as they are.

Next week, I will be asked to manage the demonstration cities program, designed to assist cities to deal with causes of unrest across the land, which are visible in the headlines of our daily newspapers.

The administration proposal for that program was $2.3 billion. The committee cut it down to $900 million for the reason that it felt it had to exercise restraint in the field of spending.

There are those who, in good conscience, and with conviction, feel that we have exercised restraint enough in our spending programs in schools and for other worthwhile causes.

So the committee, considering the actions it had taken with respect to other housing legislation which it considered the same day, and which will be before the Senate next week—demonstration cities, mass transportation, and so many others—in line with that policy of restraint, voted to hold the college housing program at the level established in the 1965 Housing Act. It is as simple as that.

As I said earlier, I shall not argue the merits of this program. There is nothing I should like better than to feel that I could vote freely, not only for another $300 million a year for college housing, but for as much as can be justified by the meritorious applications which may be received in response to that kind of a statute.

Several Senators addressed the Chair.

Mr. MUSKIE. I yield to the Senator from Rhode Island.

Mr. PASTORE. Is the Senator saying, implicitly and explicitly, that there is existing authorization which will make available $300 million for fiscal 1967 for college housing, and that the department, after the Senator has conferred with it, is going to make sure that that money will be available?

Mr. MUSKIE. That is the assurance I have been given by the Director of the Bureau of the Budget.

Mr. PASTORE. And that the amendment of the Senator from New York is unnecessary under the circumstances?

Mr. MUSKIE. The Senator from New York can answer that better than I. As I understand his amendment, he wanted to double the present size of the program.

Mr. MORSE. No, he does not.

Mr. PASTORE. He did not say that.

Mr. MUSKIE. Let me get the amendment.

Mr. JAVITS. Mr. President, if the Senator will yield, I think I can make very clear what I have in mind. I am restoring.

Mr. MUSKIE. May I read the amendment?

In addition to the total authorization provided by paragraph 1, the Secretary may issue and have outstanding at any one time notes or other obligations for purchase by the Secretary of the Treasury in an amount not to exceed $300,000,000, which amount shall be increased by $300,000,000 on July 1 in each of the years 1967 and 1968.

That is the language which I took to mean it was the intent to double the present size of the program. If I am mistaken, I should like to have the Senator from New York correct me.

Mr. JAVITS. Mr. President, if I may address myself to the Senator from Maine, what I had in mind and made very clear was that the reason I had to do it this way was that the authorization was knocked out for 1967; therefore, as far as 1967 is concerned, I am trying to re-create a situation in which they can go to the Treasury for this $300 million. That is why the Senator from Rhode Island quite properly said to me, "I am with you if you want only $300 million, provided you get it out of the participations and the Treasury."

I said, "Great."

The priority thing I do not argue. We must decide that we want college housing, to go ahead and spend $300 million in loans this year. But the weakness in the Senator's argument is that what he is saying to us is, "Sure, we intend to sell the participations, I don't know when or how soon. All I know right now"——

Mr. MUSKIE. Mr. President, will the Senator yield?

I said in the fiscal year 1967, so I do know when.

Mr. JAVITS. I understand. But in the meantime, all of this is bogged down. If we agree to my amendment, it will be loosened, because they can go to the Treasury until such time as they do sell participations. For that reason, I was willing to adopt the suggestion of the Senator from Rhode Island [Mr. PASTORE]—though the conferees can very easily do it—and write in here the fact that $300 million shall be available beginning now, either out of Treasury money or out of the sale of the participations.

Mr. PASTORE. Will the Senator yield?

Mr. MUSKIE. I yield.

Mr. PASTORE. Rather than an amendment, then, why does not the Senator from New York put in language that can be taken to conference, so that there will be no misunderstanding, and so that we will not run up against the possibility that, in the construction of this amendment, it may in effect double the amount?

Mr. JAVITS. Well, Mr. President, as far as the other 2 years are concerned, that is, 1968 and 1969, it would double the authorization. That is why I said to the Senator from Maine that it is my design and my desire—and I think as the author of the amendment I have the right to give it that construction—that the Senate having expressed itself, the intent is very clear. They will work it out in detail as to exactly what is to be done. The Senate will have expressed itself that it wants money to move into this program beginning with the enactment of the bill.

Mr. TOWER. Mr. President, will the Senator yield?

Mr. MUSKIE. Mr. President, I have the floor. I am happy to yield to the Senator from Texas.

Mr. TOWER. Mr. President, it seems to me that the Senator from Rhode Island has made an eminently reasonable suggestion, that we make this amendment so that there will be no confusion about it.

Mr. JAVITS. I am happy to do that, either to leave it to the conference or I will write it in. It makes no difference to me at all.

Mr. FULBRIGHT. Mr. President, will the Senator yield for clarification?

Mr. MUSKIE. I have the floor. I yield to the Senator from Arkansas.

Mr. FULBRIGHT. As I understand it, the participation sales program, for practical purposes, has repealed the old authorization, and the President now has the authority to raise loan funds by selling participations in the loan portfolio. He has been reluctant to use this authority.

The important thing here is the interest rate. The Javits amendment raises an interest rate problem, therefore, I see no value in the Javits amendment, because the interest rate is too high. The interest rate under the existing program, if the President would use his authority, is 3 percent. He has the authority for, as the Senator has said, $850 million.

I do not see any sense at all in passing the Javits amendment. A statement, as the Senator from Rhode Island has said, expressing the Senate's desire that the President use the authority he has, might be all right. It would be just as effective as the Javits amendment, because the Javits amendment is not self-executing. It will only be a repetition of an authority the President already has. I ask the Senator from Maine, is that not correct?

Mr. TOWER. The President does have that authority, but the participations have not been sold.

Mr. FULBRIGHT. But the President just does not wish to sell them. He has the authority, and does not wish to exercise it. All the Javits amendment would do is give him another authority. He is not going to use that, either; and that proposed authority is not satisfactory to me, nor I think to most Senators, because it contemplates a 4⅝ percent interest rate. That is not satisfactory, because we can borrow money for that rate easily. Colleges in every State can borrow, on tax-exempt borrowing, for somewhere in the neighborhood of that interest rate.

Several Senators addressed the Chair.

Mr. MUSKIE. Mr. President, I think I have the floor. I am perfectly happy to yield, but I want to be sure the yielding goes through me, so that I do not lose my right to the floor.

The PRESIDING OFFICER. The Senator from Maine has the floor.

Mr. FULBRIGHT. Will the Senator answer my question?

Mr. MUSKIE. Yes, the Senator is correct, as I understand.

Mr. FULBRIGHT. Then why do we have the Javits amendment?

Mr. MUSKIE. That is the point I have been trying to make.

Mr. FULBRIGHT. Does the Senator agree there is no use in the Javits amendment?

Mr. MUSKIE. They have the authorization now.

Mr. FULBRIGHT. They have the authorization now, at a lower interest rate, and the Javits amendment will not make the President perform. Nobody can make him perform if he does not wish to; is that not correct?

Mr. MUSKIE. That is correct.

Mr. FULBRIGHT. On this or any other matter, I might say.

Mr. MUSKIE. The Senator knows that better than I.

Mr. FULBRIGHT. So I do not see any point in quibbling about the Javits amendment. It will not accomplish anything more, and never would, and it provides for an interest rate that is entirely unacceptable.

Mr. JAVITS. Mr. President, will the Senator yield to me?

Mr. MUSKIE. If I may first——

Mr. JAVITS. There are, of course, two sides to any argument. The Senator from Arkansas has stated his position so forcefully I think it should be answered right away.

Mr. MUSKIE. First I would like to put into the RECORD——

The PRESIDING OFFICER. The Senator from Maine has the floor.

Mr. MUSKIE. First, I wish to put into the RECORD the exact figures, to correct the rough figures I put into the RECORD earlier, so that we will not be confused too long. The figures—and I am sure they are correct—are these: There is now $205 million of available funds unused. It is anticipated that there will be sold $801 million in participation sales in this fiscal year.

That will make available $1,006 million during this fiscal year. There is $300 million programed for this fiscal year; so there is authority, over and above what is programed and what will be committed during this fiscal year, in the amount of $706 million.

Mr. FULBRIGHT. At what interest rate?

Mr. MUSKIE. At the interest rate now carried in the law, which is 3 percent.

Mr. JAVITS. Will the Senator answer some questions?

Mr. MUSKIE. If I can.

Mr. JAVITS. Is a single dollar, of all the figures the Senator stated, available for lending on any of the applications which are now on file?

Mr. MUSKIE. I understand that $205 million is available and unused.

Mr. JAVITS. Where is that $205 million? What is the $205 million?

Mr. MUSKIE. This has been described to me by the Director of the Bureau of the Budget—and I received these figures as the result of a telephone conversation, in the course of which I did not cross-examine to obtain every detail behind them. I am not an expert in this field, but I am trying to give the Senator the facts as I have them.

When the Director of the Bureau of the Budget says to me—and I assume he is not trying to use pussyfooting words—that he has $205 million that can be applied to this program, I assume he means that money is available to meet the applications that have been made. If he is pussyfooting with me, and using weasel words that would make me subject to the question which the Senator from New York has raised, then I shall go back to him and give him a little difficulty.

Mr. JAVITS. All right.

Mr. MUSKIE. But, because I told him I wanted to use these figures on the Senate floor, and that I wanted to know what is available this year, and what I could tell my fellow Senators is available to meet these applications to which the Senator has referred, I understand—and I repeat, I understand—that I have the assurance of the Director of the Budget that these are firm figures. I understand there is $205 million now available—not in 1967, 1968, 1969, or 1970, but now, this fiscal year.

In addition, he will sell $801 million of participation sales. That is a total of $1,006 million. Of that amount, $300 million will be used for this year under the program level authorized in 1965.

That leaves $706 million of authority that he does not intend to use for this year, but which could be made available. Those are the facts. Where the money is, in what bank account or who would have to sign the authorization, I do not know.

Mr. JAVITS. Mr. President, suppose I were to say to the Senator that those were not the facts, would he then give me a chance to say why?

Mr. MUSKIE. Mr. President, I say to the Senator that my staff assistant has asked me to qualify what I have said in this sense, that all of this $300 million is not available at this moment. But $205 million is now available and the balance will be made available later in the fiscal year.

Mr. JAVITS. If they sell the certificates, and if the Bureau of the Budget releases any of the $205 million which they have now. They have now released $50 million, and they have no intention of releasing the other part.

Mr. MUSKIE. Mr. President, I fully informed the Director of the Budget as to what the Senator has been saying on the floor, that the Senator is raising a doubt as to whether this money is going to be, in fact, made available and as to whether, in fact, these participation sales are going to be made.

The Director of the Budget has personally assured me that these participation sales will be made and that this $300 million will be made available.

If the Senator is correct in what he has just said, then the Director of the Budget has not told me the truth.

Mr. JAVITS. I do not think that is so at all. I think the Director of the Budget has told the Senator the truth. The Director of the Budget is under a duty to serve the United States on the sales of the participation certificates to the best of his ability.

The Director of the Bureau of the Budget expects to sell the certificates, and I would be the first to condemn him

if he sold them improvidently. Whatever he said, the fact is that he cannot guarantee it, no matter what the Senator says or no matter what I say.

What he might do, if he chose—but he does not choose to do so—would be to release some of the $205 million which results from repayments on the college loans. He has only chosen to release $50 million. He will determine to sell the participation certificates when, as, and if he thinks it is in the best interest of the country to sell them. However, there is nothing inconsistent between that proposition and the amendment, because the amendment is intended to make the money available when the law takes place.

The institutions could go to the banks and get the money at a higher interest rate, and I make this statement advisedly, but in my judgment it would be worth more to the institutions if they could get the money at a slightly higher rate than to have the 3 percent provision on the books when they cannot get the money.

Many of these private institutions—and most of them are private—cannot borrow the money. The only people who can borrow the money are the States, and some of the States are in pretty bad financial trouble.

California has just borrowed money, incidentally, at a higher interest rate than is provided for in my amendment. They borrowed money at the rate of 4.85 percent. However, other States are holding back.

My amendment is designed to find a way to actually get money flowing without in any way crossing up the Budget Bureau on the sale of participation certificates. I seek to get things going until such time as the other activities can take up the slack.

That is why I said to the committee that, when they get into conference, they may write such provision as will carry out the intention of the Senate.

Mr. MUSKIE. Mr. President, I yield to the Senator from Arkansas.

Mr. FULBRIGHT. Mr. President, I do not see how the Senator feels that his amendment could be any more persuasive on the Treasury to make them borrow this money and make it available than would be the existing law. This is what is completely baffling to me.

They already have this authority. No one can make them do it if they do not want to do it. The Senator said the Bureau of the Budget does not intend to release that money. If they do not intend to do so, they will not release it because of the amendment. The amendment does not give them a thing that they do not already have. It would raise the interest rate to 4⅝ percent. This may be acceptable to some people, but certainly not to people in my State, and I do not think the amendment ought to be agreed to.

Mr. MUSKIE. Mr. President, I thank the Senator from Arkansas. I think the facts are already in the record, and I see no point in prolonging the matter from my point of view.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from New York. On this question, the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. LONG of Louisiana (after having voted in the negative). On this vote, I have a pair with the Senator from Nebraska [Mr. CURTIS]. If he were present and voting, he would vote "yea"; if I were at liberty to vote, I would vote "nay." I withdraw my vote.

I announce that the Senator from Tennessee [Mr. BASS], the Senator from Indiana [Mr. BAYH], the Senator from Louisiana [Mr. ELLENDER], the Senator from Alaska [Mr. GRUENING], the Senator from Missouri [Mr. LONG], the Senator from Montana [Mr. MANSFIELD], the Senator from Montana [Mr. METCALF], the Senator from Virginia [Mr. ROBERTSON], the Senator from Mississippi [Mr. STENNIS], the Senator from Georgia [Mr. TALMADGE], and the Senator from Maryland [Mr. TYDINGS] are absent on official business.

I also announce that the Senator from Maryland [Mr. BREWSTER], the Senator from Pennsylvania [Mr. CLARK], the Senator from Connecticut [Mr. DODD], the Senator from Illinois [Mr. DOUGLAS], the Senator from Mississippi [Mr. EASTLAND], the Senator from Arizona [Mr. HAYDEN], the Senator from Alabama [Mr. HILL], the Senator from Ohio [Mr. LAUSCHE], the Senator from Minnesota [Mr. MCCARTHY] the Senator from South Dakota [Mr. MCGOVERN], the Senator from New Hampshire [Mr. MCINTYRE], the Senator from South Carolina [Mr. RUSSELL], the Senator from Florida [Mr. SMATHERS], and the Senator from Alabama [Mr. SPARKMAN] are necessarily absent.

I further announce that, if present and voting, the Senator from Illinois [Mr. DOUGLAS] would vote "nay."

On this vote, the Senator from Maryland [Mr. BREWSTER] is paired with the Senator from Connecticut [Mr. DODD]. If present and voting, the Senator from Maryland would vote "nay," and the Senator from Connecticut would vote "yea."

On this vote, the Senator from Ohio [Mr. LAUSCHE] is paired with the Senator from Mississippi [Mr. STENNIS]. If present and voting, the Senator from Ohio would vote "yea," and the Senator from Mississippi would vote "nay."

Mr. KUCHEL. I announce that the Senator from Vermont [Mr. AIKEN] is absent on official business.

The Senator from Utah [Mr. BENNETT] is absent because of illness.

The Senator from Colorado [Mr. DOMINICK], the Senator from Michigan [Mr. GRIFFIN], the Senator from Iowa [Mr. MILLER], and the Senator from Kentucky [Mr. MORTON] are necessarily absent.

The Senator from Nebraska [Mr. CURTIS] and the Senator from Kansas [Mr. PEARSON] are detained on official business.

If present and voting, the Senator from Utah [Mr. BENNETT], the Senator from Colorado [Mr. DOMINICK], the Senator from Iowa [Mr. MILLER], the Senator from Kentucky [Mr. MORTON], and the Senator from Kansas [Mr. PEARSON] would each vote "yea."

The pair of the Senator from Nebraska [Mr. CURTIS] has been previously announced.

The result was announced—yeas 35, nays 31, as follows:

[No. 202 Leg.]

YEAS—35

Allott	Hartke	Prouty
Boggs	Hickenlooper	Randolph
Byrd, W. Va.	Hruska	Saltonstall
Cannon	Inouye	Scott
Carlson	Javits	Simpson
Case	Jordan, Idaho	Smith
Cooper	Kuchel	Thurmond
Cotton	Magnuson	Tower
Dirksen	Montoya	Williams, N.J.
Fannin	Morse	Yarborough
Fong	Mundt	Young, N. Dak.
Hart	Murphy	

NAYS—31

Anderson	Jackson	Neuberger
Bartlett	Jordan, N.C.	Pastore
Bible	Kennedy, Mass.	Pell
Burdick	Kennedy, N.Y.	Proxmire
Byrd, Va.	McClellan	Ribicoff
Church	McGee	Russell, Ga.
Ervin	Mondale	Symington
Fulbright	Monroney	Williams, Del.
Gore	Moss	Young, Ohio
Harris	Muskie	
Holland	Nelson	

NOT VOTING—34

Aiken	Griffin	Miller
Bass	Gruening	Morton
Bayh	Hayden	Pearson
Bennett	Hill	Robertson
Brewster	Lausche	Russell, S.C.
Clark	Long, La.	Smathers
Curtis	Long, Mo.	Sparkman
Dodd	Mansfield	Stennis
Dominick	McCarthy	Talmadge
Douglas	McGovern	Tydings
Eastland	McIntyre	
Ellender	Metcalf	

So Mr. JAVITS' amendment was agreed to.

Mr. MORSE. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. KUCHEL. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. ALLOTT. Mr. President, yesterday the Senator from Colorado raised a question in the debate on the housing bill concerning section 502. The Senator from Maine [Mr. MUSKIE] who was managing the bill on the floor, did not have an answer immediately at hand and the matter was continued until today to allow time for him to get answers. The colloquy may be found in yesterday's RECORD at page 19068.

Basically, the question which I raised was that Secretary Weaver had told the Committee on Appropriations, in our hearings on the independent offices appropriations bill, that leasing of existing structures was much cheaper, particularly where they needed a large number of bedrooms in a unit, than was new construction; therefore, I wondered why the Department of Housing and Urban Development was asking authority in section 502 of the pending bill to lease or acquire new housing.

Overnight I have reexamined the testimony given in our appropriations hearings. I find, on page 741 of those hearings, the following exchange:

Senator ELLENDER. Do you find that this program [leasing of existing structures], as you now are administering it, will be as cheap

to the Government as the public housing program?

Secretary WEAVER. I think that it will be cheaper, especially in certain types of housing. For example, where we have large families, the cost of building a five- or six-bedroom unit is extremely high in new construction. The economies are much greater in this program, because many of these are larger dwelling units. Or you can combine them in such a way as to effect economies.

And, on page 744, Dr. Weaver says:

The biggest headache that they have is where to relocate the large family. We cannot afford, within any limitation of reasonable cost, to construct new housing with four, five, and six bedrooms. The only way that we have found that this could be done at all reasonably is through this leasing program. We cannot do it under rent supplement programs either, because there you have got new construction as well, principally, and your costs are so high. So that this is an immediate problem that they face. This is why they have been so enthusiastic about it.

I have also examined the testimony given to the Housing Subcommittee of the Senate Banking and Currency Committee, commencing at page 41 of the printed hearings, as was suggested by the Senator from Maine [Mr. MUSKIE].

From my comparison of the two hearings, it would appear to me that Secretary Weaver has simply come to a realization that private industry can build much more cheaply than can the Government, and that this explains the apparent inconsistency. He was, as I recalled it, telling us in the Appropriations Committee that leasing of existing structures was cheaper than new construction, but I believe now that he was limiting, in his own mind, the comparison to new construction by a public housing authority.

Would the Senator from Maine agree with my conclusion? I understand that the committee staff has asked the Department of Housing and Urban Development for a clarifying statement in regard to yesterday's colloquy, and I inquire of the Senator whether that statement is in harmony with my present understanding?

Mr. MUSKIE. Mr. President, the point that the senior Senator from Colorado made yesterday involves the new leasing authority that the Public Housing Authority was given in the 1965 Housing Act It is complicated by the fact that there were two separate provisions in that act involving public housing leasing, one provision limited the leasing authority to 3-year leases of existing housing, the other had no time limitation, and it was unclear whether the leasing authority referred to new housing or existing housing. This year, the administration came back to the Congress to get a clarification of the 1965 law to make it clear that the leasing authority under the latter of the above provisions was applicable to new construction as well as to existing structures. That is the purpose of section 502 of the committee bill—S. 3711.

The question raised by Senator ALLOTT, referred to testimony by Secretary Weaver during appropriation hearings where, as I understand it, the Secretary was justifying the use of public housing leasing. He said it was cheaper for the Government to lease units particularly for large families; that new construction of such large units is extremely high. He said, further, that the public housing authorities cannot afford to construct new housing with 4, 5, and 6 bedrooms; that the only way it could be done at all reasonably was through the leasing program.

I believe that is clear what he had in mind. New construction of public housing in the traditional way is very expensive, particularly for large units satisfactory for large families. The only way it can be done is through leasing—either of existing housing or of newly constructed housing.

I agree with the conclusion of the senior Senator from Colorado—private industry can build cheaper than can the Government in most cases. Our committee always encourages private industry to the maximum. In fact that was the basis for our approval of the rent supplement program. If public housing authorities have now developed a new program whereby private industry can build the housing, and public authorities can lease it or buy it for public housing purposes and thereby save taxpayers money, let us praise them.

A few years ago everyone was condemning public housing because it had not come up with any new ideas. Now they have come forward with new ideas and I think we should shout their praises and hope that the authorities throughout the Nation make maximum use of these new ideas for housing the Nation's poor.

Mr. ALLOTT. Mr. President, the Senator agrees with my conclusion, then, that Secretary Weaver's statement to our Appropriations Committee should be interpreted to mean "new construction by public housing authorities," and in effect what he is saying is that private industry can build more cheaply than can the Government. His statements certainly are not crystal clear to me, and it is something I will want to pursue with the Secretary at our Appropriations Committee hearings on these programs, when the opportunity next presents itself.

I thank the Senator, and I want to add that I would certainly agree that wherever and whenever we can, we should allow private industry to do a job rather than having the Government get involved.

Mr. President, I wanted also to call attention to the cost figures of the leasing program. Yesterday I quoted the figure which had been given to us in appropriations hearings; namely, that $1,743,750 had been budgeted for the leasing program in fiscal year 1966. In reviewing the printed record of hearings, I find that the Department inserted some further figures. It appears, although again it is not absolutely clear, that the Department actually spent in fiscal year 1966 $3,122,475. This figure appears in a table at pages 739 and 740.

Further, on page 746 of those hearings, the Department inserted a table showing that they have budgeted for the current fiscal year the sum of $6,150,000. That is an astounding increase in this program, and today we are asked to broaden the authority of the Department even further. As I said before, I will certainly want to explore this matter with the Secretary at the earliest opportunity in appropriations hearings.

Mr. President, I yield the floor.

Mr. MONDALE. Mr. President, yesterday I submitted a series of amendments to the Housing Act of 1949, already included in the House Banking and Currency Committee bill, dealing with rural housing programs. These amendments were not urged because of the unavoidable absence of Senator SPARKMAN, and I was given assurances by the distinguished floor manager of the bill, Senator MUSKIE, that the Senate conferees would certainly give sympathetic consideration to holding these amendments in the bill. I asked at that time that the amendments be printed in the RECORD.

Since then, however, it has come to my attention that the fine Congressman from Iowa, Mr. HANSEN, has received assurances from the chairman of the House Banking and Currency Committee that the managers of the bill in the House will accept an improved and revised substitute for those provisions dealing with rural housing. It is my understanding that these changes have been approved by the Farmers Home Administration as well.

I support the revised language that will be offered by Congressman HANSEN. It will make technical improvements in the present House version and, in addition, will insure that there will be a rural equivalent to the section 221(d)(3) programs, but without rent supplements. It will enable rural housing cooperatives to be organized and built. Mr. President, I ask unanimous consent that the amendments be printed in the RECORD at this point.

There being no objection, the amendments were ordered to be printed in the RECORD, as follows:

Amendments to amend title V of the Housing Act of 1949 to authorize the Secretary of Agriculture to make loans and grants to provide necessary adequate modest housing for low or moderate income rural residents, and to insure mortgages on such housing, and for other purposes

SECTION 1. Section 501(a) of the Housing Act of 1949 is amended by striking out the phrase "previously occupied" wherever it occurs.

SEC. 2. Section 502(a) of the Housing Act of 1949 is amended by inserting after the words "elderly persons" the following: "or who are persons of moderate incomes".

SEC. 3. Section 504 of the Housing Act of 1949 is amended by striking out "$1,000" and inserting in lieu thereof "$1,500".

SEC. 4. Section 515 of the Housing Act of 1949 is amended by—

(1) adding to the title, after the word "families", the following: "and other persons and families of low or moderate income";

(2) in subsection (a):

inserting after the word "rental" the following, "or cooperative";

inserting after the word "income" the following, "or other persons and families of low or moderate income";

inserting in clause (1) a semicolon after the word "cost" and striking the balance of the clause;

striking out clause (2) and inserting in lieu thereof the following: "(2) such loans shall bear interest at the rate of 3 per centum per annum; and";

(3) in subsection (b):

inserting after the word "rental" the following, "or cooperative";

inserting after the word "families" the following, "or other persons and families";

(4) in subsection (d):

inserting in clause (1) after the words "elderly persons or elderly families" the following: "or other persons or families of low or moderate income";

inserting at the end of clause (4), and as part thereof, the following, "Such fees and charges shall include payments to qualified housing consulting organizations and foundations which operate on a nonprofit basis and which render services and assistance (including the organization and marketing of cooperative housing) to nonprofit corporations or consumer cooperatives who provide housing and related facilities. This definition shall also apply to section 516."

SEC. 5. Title V of the Housing Act of 1949 is amended by adding at the end thereof the following new sections:

"SEC. 521. (a) The Secretary is authorized to make loans and grants in accordance with section 502 and this section to low-income applicants eligible under section 501 who lack sufficient repayment ability to qualify for loans under section 502, to provide (by construction, improvement or purchase) housing consisting of necessary modest adequate dwellings, related facilities and minimum adequate sites, for their own use.

"(b) No grant under this section may exceed the difference between the amount of loan which the applicant can reasonably repay with interest, and the cost of providing such housing, or 50 percent of such cost, whichever is less.

"(c) Loans made under this section shall bear interest at a rate not to exceed 4 percent per annum on unpaid principal.

"(d) Any grant under this section shall be made upon condition, with such security as the Secretary may require, that if within 15 years after the date of the grant the housing is transferred voluntarily or involuntarily or ceases to be occupied by the applicant without the Secretary's written consent, the amount of the grant with interest at the loan rate from the date of the grant shall become immediately due and payable by the applicant.

"SEC. 522. (a) The Secretary is authorized to extend, under contracts specifying such terms and conditions as the Secretary deems appropriate, financial assistance to nonprofit organizations (including consumer cooperatives) for planning, acquisition, and development of land for dwellings, related facilities, and minimum adequate sites, for sale to low-income rural residents for their own use or for occupancy by low-income rural residents who subscribe to membership in the cooperative which owns and operates the dwellings on a nonprofit basis for the benefit of its members.

"(b) Such sales or subscriptions to cooperative membership shall be made upon terms and conditions substantially identical with those specified for loans and grants under section 521. For this purpose the amount by which the cost of providing housing sold to a purchaser or occupied by a cooperative member exceeds the amount paid for it by the purchaser or cooperative member shall be considered as a grant.

"(c) Of the financial assistance extended to an organization pursuant to subsection (a) for any project, the aggregate amount for which all the housing is sold (including in the case of a cooperative, the aggregate price to be amortized under occupancy agreements with its members) pursuant to subsection (b) shall be a loan and the balance of such amount shall be a grant conditionally recoverable as under section 521. Such a loan shall be repayable within a specified period not to exceed 33 years, with interest not to exceed 4 percent per annum on unpaid principal, and shall be subject to such security and other provisions as the Secretary requires.

"(d) The Secretary at any time may agree with an applicant for or recipient of financial assistance under subsection (a) to service the accounts of purchasers under subsection (b) and may purchase any such accounts in consideration of credits to be made on the organization's indebtedness to the Secretary."

The PRESIDING OFFICER. The bill is open to further amendment. If there be no further amendment to be proposed, the question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed for a third reading and was read the third time.

The PRESIDING OFFICER. The bill having been read the third time, the question is, Shall it pass?

Mr. COTTON. Mr. President, I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. COTTON. Mr. President, I ask unanimous consent to withdraw the request for the yeas and nays.

The PRESIDING OFFICER. Is there objection? Without objection the yeas and nays are withdrawn. The question is on the passage of the bill.

Mr. MORSE. Mr. President, what about the request for the yeas and nays? I thought that there was a request for the yeas and nays.

The PRESIDING OFFICER. That request was withdrawn by unanimous consent.

Mr. MORSE. Mr. President, I did not hear that. I ask for the yeas and nays.

The PRESIDING OFFICER. The request is not sufficiently seconded.

The yeas and nays were not ordered.

Mr. MORSE. Mr. President, the Senator from Oregon did not know that the leadership had made a commitment for 2 days that there would be no yea-and-nay vote. In view of that commitment, I withdraw my request.

The PRESIDING OFFICER. The question is on the passage of the bill.

Mr. COTTON. Mr. President, with regard to the leadership commitment, I do not wish to embarrass absent Senators, but I think the leadership should consider very carefully before they make such commitments. We are living in a time when this Government is obligated to large expenditures. This bill commits the Government and the taxpayers to vast new fiscal obligations and I believe the public is entitled to know how we stand as Senators.

I merely want to say that were we permitted to have the yeas and nays, the Senator from New Hampshire would vote "nay."

Mr. PELL. Mr. President, if the commitment had been that there would be no yeas and nays on final passage today, it would have been nice if Senators had been informed of that.

Mr. PASTORE. Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. There is now a sufficient second.

The yeas and nays were ordered.

Mr. TOWER. Mr. President, for 2 days the word had been going around that nobody in particular wanted the yeas and nays on final passage. The bill was reported from the committee unanimously. The amendments that have been accepted have not seriously altered the nature or the character of the bill. That is why the commitment was made. All Senators were given the opportunity to tell us they wanted the yeas and nays. I do not think that we should be pouring it back on the leadership side of the aisle.

Mr. COTTON. Mr. President, I want to make it clear that if for 2 days it has been understood that there would be no rollcall vote on final passage, the Senator from New Hampshire was not aware of it.

After the Senator from New Hampshire called for the yeas and nays, I was informed that many Senators had been told that there would be no rollcall vote, so I withdrew the request. The Senator from New Hampshire quite understands that all of us have occasions when we must be absent, and the Senator from New Hampshire did not want to take advantage of any Senator's absence. Realizing that the leadership was trying to do the best that they could, the Senator went along with it. I certainly have no desire to embarrass the Senate's leadership.

The Senator from New Hampshire desires to say with respect to the statement that everybody knows about the understandings that there are 100 Senators, and we do not all know about them.

We are living at a time when this country is being committed to obligations for the future, and it should be customary to have a rollcall vote, on such far-reaching bills, because the people at home are entitled to have the information on the stand taken by their representatives in the Senate.

Mr. MUSKIE. Mr. President, I want to say something to cover myself in this situation. For 2 days the leadership was asked how many votes there would be, were there amendments on which yea-and-nay votes could be expected and would there be a yea-and-nay vote on final passage.

The information that the leadership provided was that there appeared to be only one amendment on which there would be a rollcall vote, and that was the Javits amendment, on which we have just voted; that no Senator indicated a desire to have a rollcall vote on final passage; and that the leadership did not intend to ask for a rollcall vote on final passage.

To the extent that that constitutes a commitment which violates the view of any Senator as to the leadership function, that was a commitment. It was not a commitment in the sense that a contractual commitment had been made.

I am a Senator who has asked the leadership many times: "Do you expect a vote on final passage?" Each time I expected and got an answer.

When I have been told in the past, under circumstances similar to these, that no vote on final passage would be asked for, I relied on that statement.

That is not a contractual commitment, as Senators know. But since there seems

to be some disturbance that the leadership went so far as to violate a commitment, I am prepared to ask for a call of the roll.

Several Senators addressed the Chair.

Mr. LONG of Louisiana. Mr. President, Congress has been in session since January. Today is August 12, and we are not about to adjourn. We will be here quite a while yet.

Some Senators, including the majority leader, felt that they needed a little rest, perhaps a weekend off. At 3 o'clock on a Friday afternoon quite a number of Senators are out of town.

The bill will pass by a very large vote. There is no problem about the outcome of the vote. But Senators have been told that there would be no rollcall vote on final passage.

I have said how some of these things happen. A Senator thought he had an assurance. He feels he was victimized and permitted to leave town thinking there would not be a rollcall vote, he feels betrayed, and then we cannot get unanimous consent for 5 weeks after that.

It makes sense to vote on this bill by a rollcall vote now, or to come back on Monday and do it.

Mr. MORSE. Mr. President, I was about to make that suggestion. I was about to suggest that unanimous consent be requested to have a rollcall vote on Monday at 1 o'clock.

Mr. LONG of Louisiana. Mr. President, I ask unanimous consent that there be a rollcall vote at 1 o'clock p.m. on Monday.

Mr. PASTORE. I object.

Mr. HICKENLOOPER. Mr. President——

Mr. LONG of Louisiana. Mr. President, I move that we adjourn until Monday at noon.

I withdraw my motion to adjourn.

The PRESIDING OFFICER. The motion is withdrawn.

Mr. LONG of Louisiana. Mr. President, I ask unanimous consent that the order for the yeas and nays may be withdrawn and that we may have a voice vote.

Mr. HICKENLOOPER. Mr. President, reserving the right to object, we should do something to resolve the problem.

Mr. DIRKSEN. Mr. President, was the result of the voice vote announced by the Chair?

The PRESIDING OFFICER. To the best of his recollection, the Chair states that the announcement had not been made.

Mr. DIRKSEN. Mr. President, can we have the Journal checked to see if the voice vote was announced?

Mr. MORSE. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. MORSE. I did not hear the Senator from Illinois.

Mr. DIRKSEN. The Senator was inquiring if the Chair had announced the result of the voice vote. If he had, and if the Journal so shows, a yea-and-nay request was out of order.

Mr. MORSE. Mr. President, I did not hear it announced because I was——

Mr. DIRKSEN. I thought I heard it announced, and the Journal has to be the best evidence.

The PRESIDING OFFICER. The Journal does not show that the result of the voice vote was announced.

Mr. LONG of Louisiana. Have the yeas and nays been ordered on final passage?

The PRESIDING OFFICER. The yeas and nays have been ordered.

Mr. LONG of Louisiana. I announce that the Senator from Tennessee [Mr. BASS], the Senator from Indiana [Mr. BAYH], the Senator from Louisiana [Mr. ELLENDER], the Senator from Alaska [Mr. GRUENING], the Senator from Missouri [Mr. LONG], the Senator from Montana [Mr. MANSFIELD], the Senator from Montana [Mr. METCALF], the Senator from Virginia [Mr. ROBERTSON], the Senator from Georgia [Mr. RUSSELL], the Senator from Mississippi [Mr. STENNIS], the Senator from Georgia [Mr. TALMADGE], and the Senator from Maryland [Mr. TYDINGS] are absent on official business.

I also announce that the Senator from Maryland [Mr. BREWSTER], the Senator from Idaho [Mr. CHURCH], the Senator from Pennsylvania [Mr. CLARK], the Senator from Connecticut [Mr. DODD], the Senator from Illinois [Mr. DOUGLAS], the Senator from Mississippi [Mr. EASTLAND], the Senator from Arizona [Mr. HAYDEN], the Senator from Alabama [Mr. HILL], the Senator from Ohio [Mr. LAUSCHE], the Senator from Minnesota [Mr. MCCARTHY], the Senator from New Hampshire [Mr. MCINTYRE], the Senator from South Carolina [Mr. RUSSELL], the Senator from Florida [Mr. SMATHERS], and the Senator from Alabama [Mr. SPARKMAN] are necessarily absent.

I further announce that, if present and voting, the Senator from Maryland [Mr. BREWSTER], the Senator from Idaho [Mr. CHURCH], the Senator from Pennsylvania [Mr. CLARK], the Senator from Connecticut [Mr. DODD], the Senator from Illinois [Mr. DOUGLAS], the Senator from Louisiana [Mr. ELLENDER], the Senator from Alaska [Mr. GRUENING], the Senator from Alabama [Mr. HILL], the Senator from Ohio [Mr. LAUSCHE], the Senator from Missouri [Mr. LONG], the Senator from Montana [Mr. MANSFIELD], the Senator from New Hampshire [Mr. MCINTYRE], the Senator from Montana [Mr. METCALF], the Senator from Virginia [Mr. ROBERTSON], the Senator from Alabama [Mr. SPARKMAN], and the Senator from Maryland [Mr. TYDINGS], would each vote "yea."

On this vote, the Senator from Florida [Mr. SMATHERS] is paired with the Senator from Mississippi [Mr. STENNIS]. If present and voting, the Senator from Florida would vote "yea," and the Senator from Mississippi would vote "nay."

Mr. KUCHEL. I announce that the Senator from Vermont [Mr. AIKEN] is absent on official business.

The Senator from Utah [Mr. BENNETT] is absent because of illness.

The Senator from Colorado [Mr. DOMINICK], the Senator from Michigan [Mr. GRIFFIN], the Senator from Iowa [Mr. MILLER], and the Senator from Kentucky [Mr. MORTON] are necessarily absent.

The Senator from Colorado [Mr. ALLOTT], the Senator from Nebraska [Mr. CURTIS], the Senator from Idaho [Mr. JORDAN], and the Senator from Kansas [Mr. PEARSON], are detained on official business.

If present and voting, the Senator from Vermont [Mr. AIKEN], the Senator from Utah [Mr. BENNETT], the Senator from Nebraska [Mr. CURTIS], the Senators from Colorado [Mr. ALLOTT and Mr. DOMINICK], and the Senator from Idaho [Mr. JORDAN], the Senator from Iowa [Mr. MILLER], the Senator from Kentucky [Mr. MORTON], and the Senator from Kansas [Mr. PEARSON] would each vote "yea."

The result was announced—yeas 61, nays 3, as follows:

[No. 203 Leg.]

YEAS—61

Anderson	Holland	Muskie
Bartlett	Hruska	Nelson
Bible	Inouye	Neuberger
Boggs	Jackson	Pastore
Burdick	Javits	Pell
Byrd, Va.	Jordan, N.C.	Prouty
Byrd, W. Va.	Kennedy, Mass.	Proxmire
Cannon	Kennedy, N.Y.	Randolph
Carlson	Kuchel	Ribicoff
Case	Long, La.	Saltonstall
Cooper	Magnuson	Scott
Dirksen	McClellan	Smith
Ervin	McGee	Symington
Fannin	McGovern	Thurmond
Fong	Mondale	Tower
Fulbright	Monroney	Williams, N.J.
Gore	Montoya	Yarborough
Harris	Morse	Young, N. Dak.
Hart	Moss	Young, Ohio
Hartke	Mundt	
Hickenlooper	Murphy	

NAYS—3

Cotton	Simpson	Williams, Del.

NOT VOTING—36

Aiken	Eastland	Metcalf
Allott	Ellender	Miller
Bass	Griffin	Morton
Bayh	Gruening	Pearson
Bennett	Hayden	Robertson
Brewster	Hill	Russell, S.C.
Church	Jordan, Idaho	Russell, Ga.
Clark	Lausche	Smathers
Curtis	Long, Mo.	Sparkman
Dodd	Mansfield	Stennis
Dominick	McCarthy	Talmadge
Douglas	McIntyre	Tydings

So the bill (S. 3711) was passed, as follows:

S. 3711

An act to amend and extend laws relating to housing and urban development, and for other purposes

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 and Urban Development Act of 1966".

TITLE I—FHA INSURANCE OPERATIONS

Seasonal homes

SEC. 101. Section 203 of the National Housing Act is amended by adding at the end thereof the following new subsection:

"(1) The Secretary is authorized to insure under this section any mortgage meeting the requirements of subsection (b) of this section, except as modified by this subsection. To be eligible, the mortgage shall involve a principal obligation not in excess of $15,000 and not in excess of 75 per centum of the appraised value of the property, as of the date the mortgage is accepted for insurance. The mortgage shall cover a dwelling designed for single-family occupancy which is approved for mortgage insurance prior to the beginning of construction. The dwelling need not be designed for year-round occupancy, but it shall (1) meet standards pre-

scribed by the Secretary, and (2) be located in an area where the Secretary finds it is not practicable to obtain conformity with many of the requirements essential to the insuring of mortgages on housing in built-up urban areas. The development of the property with respect to which the mortgage is executed shall be consistent with the conservation of water and other natural resources of the area, and such property shall be an acceptable risk, giving consideration to the economic potential of the area in which the dwelling is located and the contribution that the housing will make toward improving the area."

Areas affected by civil disorders

SEC. 102. (a) Section 203 of the National Housing Act is amended by adding after subsection (l) (added by section 101 of this Act) a new subsection as follows:

"(m) The Secretary is authorized to insure under this section any mortgage meeting the requirements of this section, other than the requirement in subsection (c) relating to economic soundness, if he determines that (1) the dwelling covered by the mortgage is situated in an area in which rioting or other civil disorders have occurred or are threatened, (2) as a result of such actual or threatened rioting or other disorders the property with respect to which the mortgage is executed cannot meet the normal requirements with respect to economic soundness, and (3) such property is an acceptable risk giving due consideration to the need for providing adequate housing for families of low and moderate income in such area."

(b) Section 305 of such Act is amended by adding at the end thereof a new subsection as follows:

"(1) Notwithstanding any other provision of this Act, the Association is authorized to enter into advance commitment contracts and purchase transactions which do not exceed $200,000,000 outstanding at any one time, if such commitments or transactions relate to mortgages with respect to which the Secretary has made the determinations provided for in section 203(m) of this Act."

Cooperative housing insurance fund

SEC. 103. (a) Section 213(m) of the National Housing Act is amended by striking out ", but only in cases where the consent of the mortgagee or lender to the transfer is obtained or a request by the mortgagee or lender for the transfer is received by the Commissioner within such period of time after the date of the enactment of this subsection as the Commissioner shall prescribe".

(b) Section 213(n) of such Act is amended—

(1) by striking out "insured under this section and sections 207, 231, and 232" and inserting in lieu thereof "the insurance of which is the obligation of either the Management Fund or the General Insurance Fund"; and

(2) by adding at the end thereof the following new sentence: "Premium charges on the insurance of mortgages or loans transferred to the Management Fund or insured pursuant to commitments transferred to the Management Fund may be payable in debentures which are the obligation of either the Management Fund or of the General Insurance Fund."

Supplementary financing for cooperative housing

SEC. 104. Section 213(j)(2)(A) of the National Housing Act is amended by adding at the end thereof the following: "except that, in the case of improvements or additional community facilities, the outstanding indebtedness may be increased by an amount equal to 97 per centum of the amount which the Secretary estimates will be the value of such improvements or facilities, and the new outstanding indebtedness may exceed the original principal obligation of the mortgage if such new outstanding indebtedness does not exeed the limitations imposed by subsection (b);".

Mortgage limits for homes under section 221(d)(2)

SEC. 105. Section 221(d)(2)(A) of the National Housing Act is amended by striking out "$11,000" and "$18,000" and inserting in lieu thereof "$12,500" and "$20,000", respectively.

Single occupants in section 221(d)(3)

SEC. 106. Section 221(f) of the National Act is amended by adding at the end thereof the following new sentence: "Low- and moderate-income persons who are less than 62 years of age shall be eligible for occupancy of dwelling units in a project financed with a mortgage insured under subsection (d)(3), but not more than 10 per centum of the dwelling units in any such project shall be available for occupancy by such persons."

Application of Davis-Bacon Act to cooperative housing projects insured under sections 221(d)(3) and (d)(4)

SEC. 107. The third sentence of section 212 (a) of the National Housing Act is amended by inserting before the period at the end thereof the following: ", except that compliance with such provisions may be waived by the Secretary in cases or classes of cases where laborers or mechanics (not otherwise employed at any time in the construction of the project) voluntarily donate their services without compensation for the purpose of lowering their housing costs in a cooperative housing project and the Secretary determines that any amounts saved thereby are fully credited to the cooperative undertaking the construction".

Waiver of deduction on assignment of property to Secretary in lieu of foreclosure

SEC. 108. Title V of the National Housing Act is amended by adding at the end thereof the following new section:

"Waiver of deduction on assignment of property to Secretary in lieu of foreclosure

"SEC. 523. Notwithstanding any other provision of this Act, from and after the date of the enactment of the Housing and Urban Development Act of 1966, the Secretary, under such terms and conditions as he may approve, may waive all or a part of the 1 per centum deduction otherwise made from insurance benefits with respect to multifamily housing or land development mortgages assigned to him, where the assignment is made at his request in lieu of foreclosure of the mortgage."

Mortgage insurance for land development—clarifying amendments

SEC. 109. (a) Section 1001(c) of the National Housing Act is amended by striking out "'mortgage'" and inserting in lieu thereof "'mortgagee'".

(b) Section 1001(d) of the National Housing Act is amended—

(1) by striking out "sewerage disposal installations," and inserting in lieu thereof "sewage disposal installations, steam, gas, and electric lines and installations,";

(2) by striking out the semicolon after "or common use", and inserting in lieu thereof a period and the following new sentence: "Related uses may include industrial uses, with sites for such uses to be in proper proportion to the size and scope of the development.";

(3) by striking out "but such term" and inserting in lieu thereof: "The term improvements"; and

(4) by inserting after "sewage disposal installation," in clause (1) the following: "or a steam, gas, or electric line or installation,".

Rent supplements

SEC. 110. Section 101(b) of the Housing and Urban Development Act of 1965 is amended by inserting after the first sentence the following: "Such term also includes a private nonprofit corporation or other private nonprofit legal entity, a limited dividend corporation or other limited dividend legal entity, or a cooperative housing corporation, which constructs, owns, and operates rental or cooperative housing financed under a State or local program providing assistance through loans, loan insurance, or tax abatements, and which is approved for receiving the benefits of this section."

TITLE II—MORTGAGE INSURANCE FOR GROUP PRACTICE FACILITIES

Purpose

SEC. 201. It is the purpose of this title to assure the availability of credit on reasonable terms to units or organizations engaged in the group practice of medicine, optometry, or dentistry, particularly those in smaller communities and those sponsored by cooperative or other nonprofit organizations, to assist in financing the construction and equipment of group practice facilities.

Establishment of program

SEC. 202. (a) The National Housing Act is amended by adding at the end thereof the following new title:

"TITLE XI—MORTGAGE INSURANCE FOR GROUP PRACTICE FACILITIES

"Insurance of mortgages

"SEC. 1101. (a) The Secretary is authorized (1) to insure mortgages (including advances on such mortgages during construction), upon such terms and conditions as he may prescribe, in accordance with the provisions of this title, and (2) to make commitments for the insuring of such mortgages prior to the date of their execution or disbursement thereon. No mortgage shall be insured under this title after October 1, 1969, except pursuant to a commitment to insure issued before that date.

"(b) To be eligible for insurance under this title, the mortgage shall (1) be executed by a mortgagor that is a group practice unit or organization, approved by the Secretary, (2) be made to and held by a mortgagee approved by the Secretary as responsible and able to service the mortgage properly, and (3) cover a property or project which is approved for mortgage insurance prior to the beginning of construction or rehabiltation and is designed for use as a group practice facility which the Secretary finds will be constructed in an economical manner, will not be of elaborate or extravagant design or materials, and will be adequate and suitable for carrying out the purposes of this title. No mortgage shall be insured under this title unless it is shown to the satisfaction of the Secretary that the applicant would be unable to obtain the mortgage loan without such insurance on terms comparable to those specified in subsection (c).

"(c) The mortgage shall—

"(1) not exceed $5,000,000;

"(2) not exceed 90 per centum of the amount which the Secretary estimates will be the value of the property or project when construction or rehabilitation is completed. The value of the property may include the land and the proposed physical improvements, equipment, utilities within the boundaries of the property, architects' fees, taxes, and interest accruing during construction or rehabilitation, and other miscellaneous charges incident to construction or rehabilitation and approved by the Secretary;

"(3) have a maturity satisfactory to the Secretary but not to exceed twenty-five years, and provide for complete amortization of the principal obligation by periodic payments within such term as the Secretary shall prescribe; and

"(4) bear interest (exclusive of premium charges for insurance, and service charges if any) at a rate of not to exceed 5 per centum per annum of the amount of the principal

obligation outstanding at any time, or not to exceed such rate (not in excess of 6 per centum per annum) as the Secretary finds necessary to meet the mortgage market.

"(d) Any contract of insurance executed by the Secretary under this title shall be conclusive evidence of the eligibility of the mortgage for insurance, and the validity of any contract for insurance so executed shall be incontestable in the hands of an approved mortgagee from the date of the execution of such contract, except for fraud or misrepresentation on the part of such approved mortgagee.

"(e) Each mortgage insured under this title shall contain an undertaking (in accordance with regulations prescribed under this title and in force at the time the mortgage is approved for insurance) to the effect that, except as authorized by the Secretary and the mortgagee, the property will be used as a group practice facility until the mortgage has been paid in full or the contract of insurance otherwise terminated.

"(f) No mortgage shall be insured under this title unless the mortgagor and the mortgagee certify (1) that they will keep such records relating to the mortgage transaction and indebtedness, to the construction of the facility covered by the mortgage, and to the use of such facility as a group practice facility as are prescribed by the Secretary at the time of such certification, (2) that they will make such reports as may from time to time be required by the Secretary pertaining to such matters, and (3) that the Secretary shall have access to and the right to examine and audit such records.

"Premiums

"SEC. 1102. The Secretary shall fix premium charges for the insurance of mortgages under this title, but such charges shall not be more than 1 per centum per annum of the amount of the principal obligation of the mortgage outstanding at any time, without taking into account delinquent payments or prepayments. In addition to the premium charge, the Secretary is authorized to charge and collect such amounts as he may deem reasonable for the analysis of a proposed project and the appraisal and inspection of the property and improvements. Where the principal obligation of any mortgage accepted for insurance under this title is paid in full prior to the maturity date, the Secretary is authorized to require the payment by the mortgagee of an adjusted premium charge. This charge shall be in such amount as the Secretary determines to be equitable, but not in excess of the aggregate amount of the premium charges that the mortgagee would otherwise have been required to pay if the mortgage had continued to be insured until the maturity date. Where such prepayment occurs, the Secretary is authorized to refund to the mortgagee for the account of the mortgagor all, or such portion as he shall determine to be equitable, of the current unearned premium charges theretofore paid. Premium charges fixed under this section shall be payable by the mortgagee either in cash, or in debentures which are the obligation of the General Insurance Fund at par plus accrued interest, at such times and in such manner as may be prescribed by the Secretary.

"Payment of insurance benefits

"SEC. 1103. The mortgagee shall be entitled to receive the benefits of the insurance under this title in the manner provided in subsection (g) of section 207 with respect to mortgages insured under that section. For such purpose the provisions of subsections (g), (h), (i), (j), (k), (l), and (n) of section 207 shall apply to mortgages insured under this title and all references in such subsections to section 207 shall be deemed to refer to this title.

"Regulations

"SEC. 1104. The Secretary shall prescribe such regulations as may be necessary to carry out this title, after consulting with the Secretary of Health, Education, and Welfare with respect to any health or medical aspects of the program under this title which may be involved in such regulations.

"Administration

"SEC. 1105. (a) At the request of individuals or organizations operating or contemplating the operation of group practice facilities (as defined in section 1106(1)), the Secretary may provide or obtain technical assistance in the planning for and construction of such facilities.

"(b) With a view to avoiding unnecessary duplication of existing staffs and facilities of the Federal Government the Secretary is authorized to utilize available services and facilities of any agency of the Federal Government in carrying out the provisions of this title, and to pay for such services and facilities, either in advance or by way of reimbursment, in accordance with an agreement between the Secretary and the head of such agency.

"Definitions

"SEC. 1106. For the purposes of this title—

"(1) The term 'group practice facility' means a facility in a State for the provision of preventive, diagnostic, and treatment services to ambulatory patients (in which patient care is under the professional supervision of persons licensed to practice medicine in the State or, in the case of optometric care or treatment, is under the professional supervision of persons licensed to practice optometry in the State, or, in the case of dental diagnosis or treatment, is under the professional supervision of persons licensed to practice dentistry in the State) and which is primarily for the provision of such health services by a medical or dental group.

"(2) The term 'medical or dental group' means a partnership or other association or group of persons licensed to practice medicine or surgery in the State, or of persons licensed to practice optometry in the State, or of persons licensed to practice dentistry in the State, or of any combination of such persons, who, as their principal professional activity and as a group responsibility, engage or undertake to engage in the coordinated practice of their profession primarily in one or more group practice facilities, and who (in this connection) share common overhead expenses (if and to the extent such expenses are paid by members of the group), medical and other records, and substantial portions of the equipment and the professional, technical, and administrative staffs, and which partnership or association or group is composed of at least such professional personnel and make available at least such health services as may be provided in regulations prescribed under this title.

"(3) The term 'group practice unit or organization' means—

"(A) a private nonprofit agency or organization undertaking to provide, directly or through arrangements with a medical or dental group, comprehensive medical care, optometric care, or dental care, or any combination thereof, which may include hospitalization, to members or subscribers primarily on a group practice prepayments basis; or

"(B) a private nonprofit agency or organization established for the purpose of improving the availability of medical, optometric, or dental care in the community or having some function or functions related to the provision of such care, which will, through lease or other arrangement, make the group practice facility with respect to which assistance has been requested under this title available to a medical or dental group for use by it.

"(4) The term 'nonprofit organization' means a corporation, association, foundation, trust, or other organization no part of the net earnings of which inures, or may lawfully inure, to the benefit of any private shareholder or individual except, in the case of an organization the purposes of which include the provision of personal health services to its members or subscribers or their dependents under a plan of such organization for the provision of such services to them (which plan may include the provision of other services or insurance benefits to them), through the provision of such health services (or such other services or insurance benefits) to such members or subscribers or dependents under such plan.

"(5) The term 'State' includes the Commonwealth of Puerto Rico, Guam, the Virgin Islands, American Samoa, and the District of Columbia.

"(6) The term 'mortgage' means a first mortgage on real estate in fee simple, or on the interest of either the lessor or lessee thereof (A) under a lease for not less than ninety-nine years which is renewable, or (B) under a lease having a period of not less than fifty years to run from the date the mortgage was executed. The term 'first mortgage' means such cases of first liens as are commonly given to secure advances (including but not limited to advances during construction) on, or the unpaid purchase price of, real estate under the laws of the State in which the real estate is located, together with the credit instrument or instruments, if any, secured thereby, and any mortgage may be in the form of one or more trust mortgages or mortgage indentures or deeds of trust, securing notes, bonds, or other credit instruments, and, by the same instrument or by a separate instrument, may create a security interest in initial equipment, whether or not attached to the realty.

"(7) The term 'mortgagee' means the original lender under a mortgage, and his or its successors and assigns, and includes the holders of credit instruments issued under a trust mortgage or deed of trust pursuant to which such holders act by and through a trustee named therein.

"(8) The term 'mortgagor' means the original borrower under a mortgage and his or its successors and assigns."

(b) The first sentence of section 227 of such Act is amended by inserting after "new or rehabilitated multifamily housing" the following: "or a property or project described in title XI".

Labor standards

SEC. 203. Section 212(a) of the National Housing Act is amended by adding at the end thereof the following new sentence: "The provisions of this section shall also apply to the insurance of any mortgage under title XI."

Amendments to other Federal laws

SEC. 204. (a) (1) The sixth sentence of paragraph "Seventh" of section 5136 of the Revised Statutes, as amended (12 U.S.C. 24), is amended by inserting after "Federal Home Loan Banks," the following: "or obligations which are insured by the Secretary of Housing and Urban Development under title XI of the National Housing Act".

(2) The third sentence of the first paragraph of section 24 of the Federal Reserve Act, as amended (12 U.S.C. 371), is amended by inserting after "or sections 1471–1484 of title 42," the following: "or which are insured by the Secretary of Housing and Urban Development pursuant to title XI of the National Housing Act,".

(b) Subsection (a) of section 304 of the Trust Indenture Act of 1939 (15 U.S.C. 77ddd) is amended by striking out the word "or" at the end of paragraph (8); by striking out the period at the end of paragraph (9) and

inserting in lieu thereof a semicolon and the word "or"; and by adding after paragraph (9) a new paragraph as follows:

"(10) any security issued under a mortgage or trust deed indenture as to which a contract of insurance under title XI of the National Housing Act is in effect; and any such security shall be deemed to be exempt from the provisions of the Securities Act of 1933 to the same extent as though such security were specifically enumerated in section 3(a)(2), as amended, of the Securities Act of 1933 (15 U.S.C. 77c(a)(2))."

(c) Section 263 of chapter X of the Bankruptcy Act (11 U.S.C. 663) is amended by adding at the end thereof the following: "Nothing contained in this chapter shall be deemed to affect or apply to the creditors of any corporation under a mortgage insured pursuant to title XI of the National Housing Act."

TITLE III—URBAN RENEWAL

Local grants-in-aid

SEC. 301. Section 110(d) of the Housing Act of 1949 is amended by inserting immediately after the colon at the end of the first proviso the following: *"Provided further,* That any publicly owned facility, the construction of which was begun not earlier than three years prior to the date of enactment of the Housing and Urban Development Act of 1966, shall be deemed to benefit an urban renewal project or projects to the extent of 25 per centum of the total benefits of such facility, if such facility (A) is used, or is to be used, by the public predominately for cultural, exhibition, or civic purposes; (B) is located within, adjacent to, or in the immediate vicinity of such urban renewal project or projects; (C) is found to contribute materially to the objectives of the urban renewal plan or plans for such project or projects; and (D) is not otherwise eligible as a local grant-in-aid:".

Air rights sites in urban renewal projects

SEC. 302. (a) Section 110(c)(1) of the Housing Act of 1949 is amended by inserting in clause (iv), between the word "income" and the colon immediately preceding the first proviso, the following: "or, if the area is found by the local public agency to be unsuitable for use for low or moderate income housing, for use for industrial development".

(b) Section 110(c)(7) of such Act is amended by inserting immediately before the semicolon the following: ", or construction of foundations and platforms necessary for the provision of air rights sites for industrial development".

Specific urban renewal projects

SEC. 303. (a) Notwithstanding the date of commencement of construction of the Florence Primary School in Garden City, Michigan, local expenditures made in connection with such school shall, to the extent otherwise eligible, be counted as a local grant-in-aid for the Cherry Hill urban renewal project (Mich. R-46).

(b) Notwithstanding the date of the commencement of construction of the East Main Street water, sewer, and street improvements in Senatobia, Mississippi, local expenditures made in connection with such improvements shall, to the extent otherwise eligible, be counted as a local grant-in-aid to the east Senatobia urban renewal project (Mississippi R-15) in accordance with the provisions of title I of the Housing Act of 1949.

(c) Notwithstanding the extent to which the civic center, located within or adjacent to the urban renewal project for the city of Roanoke, Virginia (UR-VA-7), may benefit areas other than the urban renewal area, expenses incurred by the city of Roanoke in constructing such center shall, to the extent otherwise eligible, be counted as grants-in-aid toward such project.

(d) Notwithstanding the extent to which the civic arts center (cultural) proposed to be built within urban renewal project Ala. R-32, in Huntsville, Alabama, may benefit areas other than the urban renewal area, expenses incurred by the city of Huntsville in constructing such center shall, to the extent otherwise eligible, be counted as a grant-in-aid toward Federal assisted urban renewal projects in Huntsville.

(e) Notwithstanding the extent to which the civic center proposed to be built within urban renewal project R-78 in Birmingham, Alabama, may benefit areas other than the urban renewal area, expenses incurred by Birmingham-Jefferson Civic Center Authority in constructing such center shall, to the extent otherwise eligible, be counted as a grant-in-aid toward such project.

(f) Notwithstanding the extent to which the cultural and convention center, recently completed within urban renewal project Ala. R-33 in Mobile, Alabama, may benefit areas other than the urban renewal area, and notwithstanding the date of the commencement of construction of the addition to the Albert F. Owens School and the start of construction of new streets in the urban renewal projects Ala. R-33, R-34, and R-38 in the city of Mobile, Alabama, local expenditures made in connection with these capital improvements shall, to the extent otherwise eligible, be counted as local grant-in-aid toward such projects.

(g) Notwithstanding the extent to which the civic center proposed to be built within urban renewal project R-71 in Ozark, Alabama, may benefit areas other than the urban renewal area, expenses incurred by the city of Ozark in constructing such center shall, to the extent otherwise eligible, be counted as a grant-in-aid toward such project.

(h) Notwithstanding the extent to which the convention center being built in the Queensgate III urban renewal project (R-82) in Cincinnati, Ohio, may benefit areas other than the urban renewal area, expenses incurred by the city of Cincinnati in constructing such center shall, to the extent otherwise eligible, be counted as a local grant-in-aid toward such project.

(i) Expenditures incurred by the city of Richmond, Virginia, in connection with the proposed coliseum project in downtown Richmond, to the extent such expenditures would be eligible under the provisions of section 110(d) of the Housing Act of 1949 to be counted as noncash grants-in-aid toward such project if it received Federal assistance as an urban renewal project pursuant to the provisions of title I of such Act, shall be eligible to be counted as local grants-in-aid toward urban renewal project (Virginia R-15) in Richmond or any other federally assisted urban renewal project hereafter undertaken in downtown Richmond, notwithstanding the extent to which such coliseum may benefit areas other than the area included in any such project.

(j) Notwithstanding the extent to which the convention center proposed to be built adjacent to urban renewal project R-14 in Decatur, Alabama, may benefit areas other than the urban renewal area, expenses incurred by the city of Decatur in constructing such center shall, to the extent otherwise eligible, be counted as a grant-in-aid toward such project.

(k) Notwithstanding the extent to which (1) the proposed city hall in the city of Hampton, Virginia, and (2) the proposed development of public facilities by such city on a one hundred and ten acre tract fronting on Chesapeake Bay, may benefit areas other than the urban renewal areas hereinafter designated, expenditures incurred by the city of Hampton in constructing such city hall and in developing such facilities shall, if otherwise eligible, be allowed as local grants-in-aid for any of the following urban renewal projects in such city: Virginia R-30, Virginia R-34, and Virginia R-41.

(l) Notwithstanding the extent to which Prescott Park, situated adjacent to urban renewal project New Hampshire R-1 (Marcy-Washington Streets), in Portsmouth, New Hampshire, may benefit areas other than the urban renewal area, expenses incurred after January 1, 1954, by the city of Portsmouth in developing and improving such park shall, to the extent otherwise eligible, be counted as local grants-in-aid for such project.

(m)(1) Notwithstanding the date of the commencement of construction of, or the extent to which the cultural and civic center complex (including the assembly center, library, courthouse, the existing and proposed public off-street parking facility, parks and plazas, municipal theater, and other public buildings or facilities to be constructed on the civic center site), located within the outer boundaries of urban renewal project Oklahoma R-7 (downtown northwest) in Tulsa, Oklahoma, may benefit areas other than the urban renewal area, expenses incurred by the city of Tulsa and other public bodies in connection with the acquisition, development, and construction of the civic center complex shall, to the extent otherwise eligible, be counted as a grant-in-aid toward such project.

(2) Notwithstanding the date of the commencement of construction of, or the extent to which the Woods Elementary School, adjacent to urban renewal project Oklahoma R-3 (Seminole Hills) in Tulsa, Oklahoma, may benefit areas other than the urban renewal area, expenses incurred by the city of Tulsa and other public bodies in connection with the acquisition, development, and construction of such school shall, to the extent otherwise eligible, be counted as a grant-in-aid toward such project.

(n) Notwithstanding the extent to which the Huntsville Municipal Library built within urban renewal project Ala. R-32 in Huntsville, Alabama, may benefit areas other than the urban renewal area, local expenditures incurred by the city of Huntsville in developing such library shall, to the extent otherwise eligible, be counted as a local grant-in-aid toward federally assisted urban renewal projects in Huntsville, Alabama.

(o)(1) Notwithstanding any other provision of law, moneys heretofore expended by the University of Alabama, other than grants by the United States, for the purchase of land and buildings within the area of the outer boundary of the proposed medical center expansion project (Ala. R-70), or for the construction or rehabilitation of buildings or other facilities within such area for the use of the University of Alabama, or any school, hospital, health facility, or service incidental to the operation within such area of such school, hospital, or health facility, and moneys hereafter expended by the University of Alabama, other than grants by the United States, for any such purpose prior to the final Federal capital grant payment for the proposed medical center expansion project (Ala. R-70), shall be counted as a local noncash grant-in-aid to the proposed medical center expansion project (Ala. R-70) in accordance with the provisions of title I of the Housing Act of 1949.

(2) Notwithstanding any other provision of law, moneys, other than grants by the United States, heretofore expended by the University of Alabama, or by any institution devoted to the treatment of physical or mental disabilities or illness or to medical research, for the construction of any building or other improvement used or useful in the operations of such institution within the area known as Alabama urban renewal project (Ala. 2-1), or within one-half mile thereof, shall be counted as a local noncash grant-in-aid to the proposed medical center expansion project (Ala. R-70) in accordance with the provisions of title I of the Housing

Act of 1949, and all such expenditures within the area of Alabama urban renewal project (Ala. 2-1) made prior to the final Federal capital grant payment for the proposed medical center expansion project (Ala. R-70) shall be counted as a local noncash grant-in-aid to the proposed medical center expansion project (Ala. R-70).

(p) Notwithstanding the extent to which the civic center-coliseum proposed to be built within urban renewal project R-72 in Hartford, Connecticut, may benefit areas other than the urban renewal area, expenses incurred by the city of Hartford in constructing such center shall, to the extent otherwise eligible, be counted as a grant-in-aid toward such project.

(q) Notwithstanding any other provisions of law, moneys expended by Vanderbilt University, George Peabody College for Teachers, and Scarritt College for the purchase of land and buildings and for the demolition of buildings and clearing of such land and buildings on and after April 10, 1957, to the extent otherwise eligible shall be counted as local grants-in-aid to the proposed university urban renewal project (Tenn. R-51) in accordance with the provisions of title I of the Housing Act of 1949, as amended.

(r) Notwithstanding the extent to which the proposed new civic center in Portsmouth, Virginia, including phase one and phase two thereof, may benefit areas other than the proposed Crawford urban renewal project area within which it is located, expenditures incurred by the city of Portsmouth in constructing said civic center shall, if otherwise eligible, be allowed as local grants-in-aid for the proposed Crawford urban renewal project.

(s) Notwithstanding the extent to which the library building and board of public utilities building of the city of Kansas City, Kansas, may benefit other areas other than the urban renewal area, expenses incurred by the city of Kansas City, Kansas, in constructing such projects shall, to the extent otherwise eligible, be counted as local grants-in-aid toward the Kansas City, Kansas, urban renewal project (Kansas R-28), in accordance with the provisions of title I of the Housing Act of 1949.

(t) Notwithstanding the extent to which the civic cultural center now under construction within urban renewal project (Kansas R-19), in Wichita, Kansas, may benefit areas other than the urban renewal areas, expenses incurred by the city of Wichita, Kansas, in constructing such civic cultural center shall, to the extent otherwise eligible, be counted as a grant-in-aid toward such project, in accordance with the provisions of title I of the Housing Act of 1949.

(u) Expenditures incurred by the city of Kansas City, Missouri, or the county of Jackson County, Missouri, in connection with the proposed auditorium and exhibition hall project in downtown Kansas City, to the extent such expenditures would be eligible under the provisions of section 110(d) of the Housing Act of 1949 to be counted as noncash grants-in-aid toward such project if it received Federal assistance as an urban renewal project pursuant to the provisions of title I of such Act, shall be eligible to be counted as local grants-in-aid toward urban renewal project (Missouri R-8) in Kansas City or any other federally assisted urban renewal project hereafter undertaken in downtown Kansas City, notwithstanding the extent to which such auditorium and exhibition hall may benefit areas other than the area included in any such project.

(v) Notwithstanding the date of the commencement of construction of the Glenwood School, Fulton School and the Toledo Health and Retiree Center, Inc., in Toledo, Ohio, local expenditures made in connection with such facilities shall, to the extent otherwise eligible, be counted as local grants-in-aid for the Old West End Urban Renewal Project (Ohio R-115).

TITLE IV—PRESERVATION OF HISTORIC STRUCTURES

Preservation of historic structures as part of urban renewal projects

SEC. 401. (a) Section 110(b) of the Housing Act of 1949 is amended by inserting "historic and architectural preservation," after "land acquisition,".

(b) Section 110(c)(6) of such Act is amended by inserting "to promote historic and architectural preservation," after "deterioration,".

(c) Section 110(c) of such Act is further amended by striking out "and" at the end of clause (8), and by striking out clause (9) and inserting in lieu thereof the following:

"(9) relocation within or outside the project area of structures which will be restored and maintained for architectural or historic purposes; and

"(10) restoration of acquired properties of historic or architectural value."

Local grant-in-aid credit for relocation and restoration of historic structures

SEC. 402. Clause (2) of section 110(d) of the Housing Act of 1949 is amended by striking out "clause (2) and clause (3)" and inserting in lieu thereof "clauses (2), (3), (9), and (10)".

Urban planning grants for surveys of historic structures

SEC. 403. Section 701(a) of the Housing Act of 1954 is amended by striking out "and" at the end of paragraph (8), by striking out the period at the end of paragraph (9) and inserting in lieu thereof "; and", and by adding at the end thereof a new paragraph as follows:

"(10) agencies and instrumentalities, specified in paragraphs (1) and (2) above, to assist any city or other municipality having a population of fifty thousand or more, according to the latest decennial census, in making a survey, as part of a comprehensive planning program for the municipality, of structures, sites, and areas of historic or architectural value."

Grants for historic preservation

SEC. 404. (a) The heading of title VII of the Housing Act of 1961 is amended to read as follows:

"TITLE VII—OPEN-SPACE LAND, URBAN BEAUTIFICATION, AND HISTORIC PRESERVATION".

(b) Section 701 of such Act is amended by redesignating subsection (c) as subsection (d), and by inserting after subsection (b) a new subsection as follows:

"(c) The Congress further finds that there is a need for timely action to preserve and restore areas, sites, and structures of historic or architectural value in order that these remaining evidences of our past history and heritage shall not be lost or destroyed through the expansion and development of the Nation's urban areas."

(c) Section 701(d) of such Act (as redesignated by subsection (b) of this section) is amended—

(1) by inserting after "urban development," the following: "to assist in preserving areas and properties of historic or achitectural value,"; and

(2) by striking out "and (2)" and inserting in lieu thereof "(2) acquire, improve, and restore areas, sites, and structures of historic or architectural value, and (3)".

(d) Section 702(e) of such Act is amended to read as follows:

"(e) The Secretary shall consult with the Secretary of the Interior on the general policies to be followed in reviewing applications for grants under this title. To assist the Secretary in such review, the Secretary of the Interior shall furnish him appropriate information on the status of national and statewide recreation and historic preservation planning as it affects the areas to be assisted with such grants. The Secretary shall provide current information to the Secretary of the Interior from time to time on significant program developments."

(e) Section 706 of such Act is amended by striking out the proviso.

(f) Section 708 of such Act is amended by inserting "(a)" after "SEC. 708.", by inserting "(b)" before "The" in the second paragraph, and by adding at the end thereof a new subsection as follows:

"(c) Notwithstanding any other provision of this title, the Secretary may use not to exceed $10,000,000 of the sum authorized for contracts under this title for the purpose of entering into contracts to make grants in amounts not to exceed 90 per centum of the cost of activities which he determines have special value in developing and demonstrating new and improved methods and materials for use in carrying out the purposes of this title."

(g) Title VII of such Act is amended by redesignating section 709 as section 710, and by adding after section 708 a new section as follows:

"Grants for historic preservation

"SEC. 709. The Secretary is authorized to enter into contracts to make grants to States and local public bodies to assist in the acquisition of title to or other permanent interests in areas, sites, and structures of historic or architectural value in urban areas, and in their restoration and improvement for public use and benefit, in accord with the comprehensively planned development of the locality. The amount of any such grant shall not exceed 50 per centum of the total cost, as approved by the Secretary, of the assisted activities. The remainder of such cost shall be provided from non-Federal sources."

Fellowships for graduate training in historic preservation

SEC. 405. There is hereby authorized to be appropriated not to exceed $500,000 annually, for a three-year period commencing on July 1, 1966, to be used by the Secretary of Housing and Urban Development for the purpose of providing fellowships for the graduate training of architects and professional technicians in the field of historic preservation. Persons shall be selected for such fellowships solely on the basis of ability and upon the recommendations of the National Advisory Council on Historic Preservation.

TITLE V—PROPERTY ACQUISITIONS IN CONNECTION WITH MILITARY BASE CLOSINGS

SEC. 501. Notwithstanding any other provision of law, the Secretary of Defense is authorized to acquire title to, hold, manage and dispose of, or, in lieu thereof, to reimburse for certain losses upon private sale of, or foreclosure against, any property improved with a one- or two-family dwelling, which is situated at or near a military base or installation which the Department of Defense has, subsequent to November 1, 1964, ordered to be closed in whole or in part, if he determines—

(a) that the owner of such property is, or has been, a Federal employee employed at or in connection with such base or installation (other than a temporary employee serving under a time limitation) or a serviceman assigned thereto; and

(b) that the closing of such base or installation, in whole or in part, has required or will require the termination of such owner's employment or service at or in connection with such base or installation; and

(c) that as the result of the actual or pending closing of such base or installation, in whole or in part, there is no present market for the sale of such property upon reasonable terms and conditions.

SEC. 502. In order to be eligible for the benefits of this title such employees or military personnel must be or have been—

(a) assigned to or employed at or in connection with the installation or activity at the time of public announcement of the closure action, or

(b) transferred from such installation or activity, or terminated as employees as a result of reduction-in-force within six months prior to public announcement of the closure action, or

(c) transferred from the installation or activity on an overseas tour unaccompanied by dependents within fifteen months prior to public announcement of the closure action:

Provided, That at the time of public announcement of the closure action, or at the time of transfer or termination as set forth above, such personnel or employees must have:

(i) been the owner-occupant of the dwelling, or

(ii) have vacated the owned dwelling as a result of being ordered into on-post housing during a six-month period prior to the closure announcement:

Provided further, That as a consequence of such closure such employees or personnel must be:

(i) required to relocate because of military transfer or acceptance of employment beyond a normal commuting distance from the dwelling for which compensation is sought, or

(ii) not unemployed as a matter of personal choice, and able to demonstrate such financial hardship that they are unable to meet their mortgage payments and related expenses.

SEC. 503. Such persons as the Secretary of Defense may determine to be eligible under the critera set forth above shall elect to receive either a cash payment as partial compensation for losses which may be sustained in a private sale, not to exceed 5 per centum of the fair market value of their property prior to public announcement of intention to close all or part of the military base or installation, or to receive, as purchase price for their property, an amount not to exceed 90 per centum of prior fair market value as such value is determined by the Secretary of Defense, or the amount of the outstanding mortgages, or such lesser amount as the Secretary of Defense determines prior to that election to be reasonable. In the event of foreclosure by mortgagees commenced prior to the one hundred and twentieth day after enactment hereof, the Secretary may pay or reimburse for direct costs of foreclosure, including deficiency judgments, if any, as may be adjudged by a court of competent jurisdiction.

SEC. 504. There shall be in the Treasury a fund which shall be available to the Secretary of Defense for the purpose of extending the financial assistance provided above. The capital of such fund shall consist of such sums as may, from time to time, be appropriated thereto, and shall consist also of receipts from the management, rental, or sale of properties acquired under this title, which receipts shall be credited to the fund and shall be available, together with funds appropriated therefor, for purchase or reimbursement purposes as provided above, as well as to defray expenses arising in connection with the acquisition, management, and disposal of such properties, including payment of principal, interest, and expenses of mortgages or other indebtedness thereon, and including the cost of staff services and contract services, costs of insurance and other indemnity. Any part of such receipts not required for such expenses shall be covered into the Treasury as miscellaneous receipts. Properties acquired under this title shall be conveyed to, and acquired in the name of, the United States. The Secretary of Defense shall have the power to deal with, rent, renovate, and dispose of, whether by sales for cash or credit or otherwise, any properties so acquired: *Provided, However*, That no contract for acquisition, or acquisition, shall be deemed to constitute a contract for or acquisition of family housing units in support of military installations or activities for purposes of section 406(a) of the Act of August 30, 1957, as amended (42 U.S.C. 15941), or a transaction within the contemplation of section 2662 of title 10, United States Code.

SEC. 505. Payments from the fund created by this title may be made in lieu of taxes to any State and/or political subdivision thereof, with respect to real property, including improvements thereon, acquired and held under this title. The amount so paid for any year upon such property shall not exceed the taxes which would be paid to the State and/or subdivision, as the case may be, upon such property if it were not exempt from taxation, and shall reflect such allowance as may be considered appropriate for expenditures, if any, by the Government for streets, utilities, or other public services to serve such property.

SEC. 506. The title to any property acquired under this Act, the eligibility for, and the amounts of, cash payable, and the administration of section 501–505 of this title shall conform to such requirements, and shall be administered under such conditions and regulations, as the Secretary of Defense may prescribe. Such regulations shall also prescribe the terms and conditions under which payments may be made and instruments accepted under this title, and all the determinations and decisions made pursuant to such regulations by the Secretary of Defense regarding such payments and conveyances and the terms and conditions under which the same are approved or disapproved, shall be final and conclusive and shall not be subject to judicial review.

SEC. 507. The Secretary of Defense is authorized to enter into such agreement with the Secretary of Housing and Urban Development as may be appropriate for the purposes of economy and efficiency of administration of this title. Such agreement may provide authority to the Secretary, Housing and Urban Development, and his designee, to make any or all of the determinations and take any or all of the actions which the Secretary of Defense is authorized to undertake pursuant to sections 501–506 of this title. Any such determinations shall be entitled to finality to the same extent as if made by the Secretary of Defense, and, in event the Secretaries of Defense and Housing and Urban Development so elect, the fund established pursuant to section 504 of this title shall be available to the Secretary of Housing and Urban Development to carry out the purposes thereof.

SEC. 508. Section 223(a) of the National Housing Act, as amended, is amended by inserting in lieu of paragraph (8) thereof, a new paragraph as follows:

"(8) executed in connection with the sale by the Government of any housing acquired pursuant to title V of the Housing and Urban Development Act of 1966."

SEC. 509. No funds may be appropriated for the acquisition of any property under authority of this title unless such funds have been specifically authorized for such purpose in an annual military construction authorization Act and no moneys in the fund created pursuant to section 504 of this title may be expended for any such purpose unless specifically authorized in an annual military construction authorization Act.

SEC. 510. Section 108 of the Housing and Urban Development Act of 1965 is hereby repealed.

TITLE VI—MISCELLANEOUS

Assistance for housing in Alaska

SEC. 601. (a) The Secretary of Housing and Urban Development (hereinafter referred to as the "Secretary") is authorized to make loans and grants to the State of Alaska, or any duly authorized agency or instrumentality thereof, in accordance with a statewide program prepared by such State, agency, or instrumentality, and approved by the Secretary, to assist in the provision of housing and related facilities for Alaska natives and other Alaska residents who are otherwise unable to finance such housing and related facilities upon terms and conditions which they can afford. The program shall (1) specify the minimum and maximum standards for such housing and related facilities (not to exceed an average of $7,500 per dwelling unit); (2) to the extent feasible, encourage the proposed users of such housing and related facilities to utilize mutual and self-help in the construction thereof; and (3) provide experience, and encourage continued participation, in self-government and individual home ownership.

(b) Grants under this section shall not exceed 75 per centum of the aggregate cost of the housing and related facilities to be constructed under an approved program.

(c) There is authorized to be appropriated not to exceed $10,000,000 to carry out the purposes of this section.

Low-rent housing—Use of newly constructed private housing

SEC. 602. (a) Section 10(c) of the United States Housing Act of 1937 is amended by striking out "existing structures" in the last proviso, and inserting in lieu thereof "private accommodations".

(b) Section 23(a)(3) of such Act is amended by striking out "an existing" in the first clause and inserting in lieu thereof "a".

Low-rent housing in private accommodations—Term of lease

SEC. 603. Section 23(d) of the United States Housing Act of 1937 is amended by striking out "nor more than thirty-six months".

Application of Davis-Bacon Act to low-rent housing projects consisting of privately built housing

SEC. 604. Section 16(2) of the United States Housing Act of 1937 is amended by inserting after "the development of the project involved" the following: "(including a project for the use of privately built housing in any case, other than under the authority of section 23 of this Act, where the public housing agency and the builder or sponsor enter into an agreement for such use before construction or rehabilitation is commenced), and that each such laborer or mechanic shall receive compensation at a rate not less than one and one-half times his basic rate of pay for all hours worked in any workweek in excess of eight hours in any workday or forty hours in the workweek, as the case may be".

Applying advances in technology to housing and urban development

SEC. 605. (a) To encourage and assist the housing industry to continue to reduce the cost and improve the quality of housing by the application to home construction of advances in technology, and to encourage and assist the application of advances in technology to urban development activities, the Secretary of Housing and Urban Development (hereinafter referred to as the "Secretary") is directed to—

(1) conduct research and studies to test and demonstrate new and improved techniques and methods of applying advances in technology to housing construction, rehabilitation, and maintenance, and to urban development activities; and

(2) encourage and promote the acceptance and application of new and improved techniques and methods of constructing, rehabilitating, and maintaining housing, and the application of advances in technology to urban development activities, by all segments of the housing industry, communities, industries engaged in urban development activities, and the general public.

(b) Research and studies conducted under this section shall be designed to test and demonstrate the applicability to housing construction, rehabilitation, and maintenance, and urban development activities, of advances in technology relating to (1) design concepts, (2) construction and rehabilitation methods, (3) manufacturing processes, (4) materials and products, and (5) building components.

(c) The Secretary is authorized to carry out the research and studies authorized by this section either directly or by contract with public or private bodies or agencies, or by working agreement with departments and agencies of the Federal Government, as he may determine to be desirable. Contracts may be made by the Secretary for research and studies authorized by this section for work to continue not more than two years from the date of any such contract.

(d) There are authorized to be appropriated to carry out the provisions of this section not to exceed $5,000,000 for the fiscal year ending June 30, 1967, and not to exceed $10,000,000 for the fiscal year ending June 30, 1968. All funds so appropriated shall remain available until expended.

(e) Nothing contained in this section shall limit any authority of the Secretary under title III of the Housing Act of 1948, section 602 of the Housing Act of 1956, or any other provision of law.

Urban environmental studies

SEC. 606. (a) The Congress finds that, with the ever-increasing concentration of the Nation's population in urban centers, there has occurred a marked change in the environmental conditions under which most people live and work; that such change is characterized by the progressive substitution of a highly complex, man-contrived environment or an environment conditioned primarily by nature; that the beneficent or malignant influence of environment on all living creatures is well recognized, and that much more knowledge is urgently needed concerning the effect on human beings in highly urbanized surroundings. It is the purpose of this section to authorize a comprehensive program of research, studies, surveys, and analyses to improve understanding of the environmental conditions necessary for the well-being of an urban society, and for the intelligent planning and development of viable urban centers.

(b) In order to carry out the purpose of this section, the Secretary is authorized and directed to—

(1) conduct studies, surveys, research, and analyses with respect to the ecological factors involved in urban living;

(2) document and define urban environmental factors which need to be controlled or eliminated for the well-being of urban life;

(3) establish a system of collecting and receiving information and data on urban ecological research and evaluations which are in process or are being planned by public or private agencies, or individuals;

(4) evaluate and disseminate information pertaining to urban ecology to public and private agencies or organizations, or individuals, in the form of reports or otherwise;

(5) initiate and utilize urban ecological information in urban development projects initiated or assisted by the Department of Housing and Urban Development; and

(6) establish through interagency consultation the coordinated utilization of urban ecological information in projects undertaken or assisted by the Federal Government which affect the growth or development of urban areas.

(c)(1) The Secretary is authorized to establish such advisory committees as he deems desirable for the purpose of rendering advice and submitting recommendations for carrying on the purpose of this section. Such advisory committees shall render such advice to the Secretary upon his request and may submit such recommendations to the Secretary at any time on their own initiative. The Secretary may designate employees of the Department of Housing and Urban Development to assist such committees.

(2) Members of such advisory committees shall receive not to exceed $100 per day when engaged in the actual performance of their duties, in addition to reimbursement for travel, subsistence, and other necessary expenses incurred by them in the performance of their duties.

(d) The Secretary is authorized to carry out the studies, surveys, research, and analyses authorized by this section either directly or by contact with public or private bodies or agencies, or by working agreement with departments and agencies of the Federal Government, as he may determine to be desirable. Contracts may be made by the Secretary for work under this subsection to continue not more than two years from the date of any such contract.

(e) There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this section. All funds so appropriated shall remain available until expended when so provided in appropriation Acts.

Mortgage relief for certain homeowners

SEC. 607. (a) That part of section 107 of the Housing and Urban Development Act of 1965 which precedes subsection (f) is amended to read as follows:

"Mortgage relief for certain homeowners

"SEC. 107. (a) For the purposes of this section—

"(1) The term 'mortgage' means a mortgage which (A) is insured under the National Housing Act, or (B) secures a home loan gu..ranteed or insured under the Servicemen's Readjustment Act of 1944 or chapter 37 of title 38, United States Code.

"(2) The term 'Federal mortgage agency' means—

"(A) the Secretary of Housing and Urban Development when used in connection with mortgages insured under the National Housing Act, and

"(B) the Administrator of Veterans' Affairs when used in connection with mortgages securing home loans guaranteed or insured under the Servicemen's Readjustment Act of 1944 or chapter 37 of title 38, United States Code.

"(3) The term 'distressed mortgagor' means an individual who—

"(A) was employed by the Federal Government at, or was assigned as a serviceman to, a military base or other Federal installation and whose employment or service at such base or installation was terminated subsequent to November 1, 1964, as the result of the closing (in whole or in part) of such base or installation; and

"(B) is the owner-occupant of a dwelling situated at or near such base or installation and upon which there is a mortgage securing a loan which is in default because of the inability of such individual to make payments due under such mortgage.

"(b)(1) Any distressed mortgagor, for the purpose of avoiding foreclosure of his mortgage, may apply to the appropriate Federal mortgage agency for a determination that suspension of his obligation to make payments due under such mortgage during a temporary period is necessary in order to avoid such foreclosure.

"(2) Upon receipt of an application made under this subsection by a distressed mortgagor, the Federal mortgage agency shall issue to such mortgagor a certificate of moratorium if it determines, after consultation with the interested mortgagee, that such action is necessary to avoid foreclosure.

"(3) Prior to the issuance to any distressed mortgagor of a certificate of moratorium under paragraph (2), the Federal mortgage agency, the mortgagor, and the mortgagee shall enter into a binding agreement under which—

"(A) the mortgagor will be required to make payments to such agency, after the expiration of such certificate, in an aggregate amount equal to the amount paid by such agency on behalf of such mortgagor as provided in subsection (c), together with interest thereon at a rate not to exceed the rate provided in the mortgage; the manner and time in which such payments shall be made to be determined by the Federal mortgage agency having due regard for the purposes sought to be achieved by this section; and

"(B) the Federal mortgage agency will be subrogated to the rights of the mortgagee to the extent of payments made pursuant to such certificate, which rights, however, shall be subject to the prior right of the mortgagee to receive the full amount payable under the mortgage.

"(4) Any certificate of moratorium issued under this subsection shall expire on whichever of the following dates is the earliest—

"(A) two years from the date on which such certificate was issued;

"(B) thirty days after the date on which the mortgagor gives notice in writing to the Federal mortgage agency that he is able to resume his obligation to make payments due under his mortgage; or

"(C) the date on which such mortgagor becomes in default with respect to any condition or covenant in his mortgage other than that requiring the payment by him of sums due under the mortgage.

"(c)(1) Whenever a Federal mortgage agency issues a certificate of moratorium to any distressed mortgagor with respect to any mortgage, it shall transmit to the mortgagee a copy of such certificate, together with a notice stating that, while such certificate is in effect, such agency will assume the obligation of such mortgagor to make payments due under the mortgage.

"(2) Payments made by any Federal mortgage agency pursuant to a certificate of moratorium issued under this section with respect to the mortgage of any distressed mortgagor may include, in addition to the payments referred to in paragraph (1), an amount equal to the unpaid payments under such mortgage prior to the issuance of such certificate, plus a reasonable allowance for foreclosure costs actually paid by the mortgagee if a foreclosure action was dismissed as a result of the issuance of a moratorium certificate. Payments by the Federal mortgage agency may also include payments of taxes and insurance premiums on the mortgaged property as deemed necessary when these items are not provided for through payments to a tax and insurance account held by the interested mortgagee.

"(3) While any certificate of moratorium issued under this section is in effect with respect to the mortgage of any distressed mortgagor, no further payments due under the mortgage shall be equired of such mortgagor, and no action (legal or otherwise) shall be taken or maintained by the mortagee to enforce or collect such payments. Upon the expiration of such certificate, the mortgagor shall again be liable for the payment of all amounts due under the mortgage in accordance with its terms.

"(4) Each Federal mortgage agency shall give prompt notice in writing to the interested mortgagor and mortgagee of the expiration of any certificate of moratorium issued by it under this section.

"(d) Each Federal mortgage agency, upon the request of any individual (1) who was employed by the Federal Government at, or was assigned as a serviceman to, a military base or other Federal installation and whose employment or service at such base or installation was terminated subsequent to November 1, 1964, as the result of the closing (in whole or in part) of such base or installation, and (2) who is the owner-occupant of a dwelling situated at or near such base or installation and upon which there is a mortgage insured or guaranteed by such agency, shall provide technical assistance to such individual in effecting a sale of such dwelling.

"(e) The Federal mortgage agencies are authorized to issue such individual and joint regulations as may be necessary to carry out this section and to insure the uniform administration thereof.

"(f) There shall be in the Treasury (1) a fund which shall be available to the Secretary of Housing and Urban Development for the purpose of extending financial assistance in behalf of distressed mortgagors as provided in subsection (c) and for paying administrative expenses incurred in connection with such assistance, and (2) a fund which shall be available to the Administrator of Veterans' Affairs for the same purpose, except administrative expenses. The capital of each such fund shall consist of such sums as may, from time to time, be appropriated thereto, and any sums so appropriated shall remain available until expended. Receipts arising from the programs of assistance under subsection (c) shall be credited to the fund from which such assistance was extended. Moneys in either of such funds not needed for current operations, as determined by the Secretary of Housing and Urban Development, or the Administrator of Veterans' Affairs, as the case may be, shall be invested in bonds or other obligations of the United States, or paid into the Treasury as miscellaneous receipts."

(b) Subsection (f) of section 107 of such Act (as designated prior to the amendment made by subsection (a)) is redesignated as subsection (g).

College housing

SEC. 608. (a) Section 404(b)(4) of the Housing Act of 1950 is amended by striking out "public" immediately before "educational institution".

(b) Section 401(d) of such Act is amended by inserting "(1)" after "(d)", and by adding at the end thereof a new paragraph as follows:

"(2) In addition to the total authorization provided by paragraph (1), the Secretary may issue and have outstanding at any one time notes or other obligations for purchase by the Secretary of the Treasury in an amount not to exceed $300,000,000, which amount shall be increased by $300,000,000 on July 1 in each of the years 1967 and 1968: *Provided*, That such notes or other obligations shall bear interest at a rate determined by the Secretary of the Treasury which shall be equal to the average annual interest rate on all interest-bearing obligations of the United States then forming a part of the public debt as computed at the end of the fiscal year next preceding the issuance by the Secretary and adjusted to the nearest one-eighth of 1 per centum: *Provided further*, That funds obtained as a result of Treasury borrowing authorized by this paragraph shall be loaned to educational institutions only at a rate of interest which is equal to one-quarter of 1 per centum per annum added to the rate of interest paid by the Secretary on funds obtained from the Secretary of the Treasury as provided in the preceding proviso."

Public facility loans

SEC. 609. Section 202 of the Housing Amendments of 1955 is amended by adding at the end thereof a new subsection as follows:

"(f) The restrictions and limitations set forth in subsection (c) of this section shall not apply to assistance to municipalities, other political subdivisions and instrumentalities of one or more States, and Indian tribes, for specific projects for cultural centers, including but not limited to, museums, art centers and galleries, and theaters and other physical facilities for the performing arts, which would be of cultural, educational, and informational value to the communities and areas where the centers would be located."

Miscellaneous and technical amendments

SEC. 610. (a) Section 106(d) of the Housing Act of 1949 is repealed.

(b) Section 227(a) of the National Housing Act is amended by striking out "subsection (b)(2)" in clause (vi) and inserting in lieu thereof "subsection (b)".

(c) Section 304(a)(1) of the National Housing Act is amended by striking out "and the Association shall not purchase any mortgage insured or guaranteed prior to the effective date of the Housing Act of 1954".

(d) The last sentence of section 305(e) of the National Housing Act is amended by striking out "supplementing" and inserting in lieu thereof "supplementary".

(e) Section 308 of the National Housing Act is amended by striking out "(a)".

(f) Section 512 of the National Housing Act is amended by striking out "or IX" and inserting in lieu thereof "IX, X, or XI".

(g) Section 1 of the National Housing Act is amended by striking out "and X" wherever it appears and inserting in lieu thereof "X, and XI".

Small Business Act

SEC. 611. Paragraph (1) of section 8(b) of the Small Business Act is amended by inserting "(A)" after "(1)", by inserting "and" after "Administration;", and by adding at the end thereof a new paragraph as follows:

"(B) to allow an individual or group of persons cooperating with it in furtherance of the purposes of paragraph (A) to make such use of its office facilities and related materials and services as it deems appropriate;".

Quarters and facilities for Federal Home Loan Banks and the Federal Home Loan Bank Board

SEC. 612. (a) The second sentence of section 12 of the Federal Home Loan Bank Act (12 U.S.C. 1432) is amended by striking out "but no bank building shall be bought or erected to house any such bank, nor shall any such bank make any lease" and inserting in lieu thereof "but, except with the prior approval of the board, no bank building shall be bought or erected to house any such bank, or leased by such bank under any lease".

(b) Section 18 of such Act (12 U.S.C. 1438) is amended—

(1) by adding at the end of subsection (b) the following new sentence: "Such assessments may include such amounts as the board may deem advisable for carrying out the provisions of subsection (c) of this section."; and

(2) by adding at the end thereof the following new subsection:

"(c)(1) The board, utilizing the services of the Administrator of General Services (hereinafter referred to as the 'Administrator'), and subject to any limitation hereon which may hereafter be imposed in appropriation Acts, is hereby authorized—

"(A) to acquire, in the name of the United States, real property in the District of Columbia, for the purposes set forth in this subsection;

"(B) to construct, develop, furnish, and equip such buildings thereon and such facilities as in its judgment may be appropriate to provide, to such extent as the board may deem advisable, suitable and adequate quarters and facilities for the board and the agencies under its administration or supervision;

"(C) to enlarge, remodel, or reconstruct any of the same; and

"(D) to make or enter into contracts for any of the foregoing.

"(2) The board may require of the respective banks, and they shall make to the board, such advances of funds for the purposes set out in paragraph (1) as in the sole judgment of the board may from time to time be advisable. Such advances shall be in addition to the assessments authorized in subsection (b) and shall be apportioned by the board among the banks in proportion to the total assets of the respective banks, determined in such manner and as of such times as the board may prescribe. Each such advance shall bear interest at the rate of 4½ per centum per annum from the date of the advance and shall be repaid by the board in such installments and over such period, not longer than twenty-five years from the making of the advance, as the board may determine. Payments of interest and principal upon such advances shall be made from receipts of the board or from other sources which may from time to time be available to the board. The obligation of the board to make any such payment shall not be regarded as an obligation of the United States. To such extent as the board may prescribe any such obligation shall be regarded as a legal investment for the purposes of subsections (g) and (h) of section 11 and for the purposes of section 16.

"(3) The plans and designs for such buildings and facilities and for any such enlargement, remodeling, or reconstruction shall, to such extent as the chairman of the board may request, be subject to his approval.

"(4) Upon the making of arrangements mutually agreeable to the board and the Administrator, which arrangements may be modified from time to time by mutual agreement between them and may include but shall not be limited to the making of payments by the board and such agencies to the Administrator and by the Administrator to the board, the custody, management, and control of such buildings and facilities and of such real property shall be vested in the Administrator in accordance therewith. Until the making of such arrangements such custody, management, and control, including the assignment and allotment and the reassignment and reallotment of building and other space, shall be vested in the board.

"(5) Any proceeds (including advances) received by the board in connection with this subsection, and any proceeds from the sale or other disposition of real or other property acquired by the board under this subsection, shall be considered as receipts of the board, and obligations and expenditures of the board and such agencies in connection with this subsection shall not be considered as administrative expenses. As used in this subsection, the term 'property' shall include interests in property.

"(6) With respect to its functions under this subsection the board shall (A) annually prepare and submit a budget program as provided in title I of the Government Corporation Control Act with regard to wholly owned Government corporations, and for purposes of this sentence, the terms 'wholly owned Government corporations' and 'Government corporations', wherever used in such title, shall include the board, and (B) maintain an integral set of accounts which shall be audited annually by the General

Accounting Office in accordance with the principles and procedures applicable to commercial corporate transactions as provided in such title, and no other audit, settlement, or adjustment shall be required with respect to transactions under this subsection or with respect to claims, demands, or accounts by or against any person arising thereunder. Except as otherwise provided in this subsection or by the board, the provisions of this subsection and the functions thereby or thereunder subsisting shall be applicable and exercisable notwithstanding and without regard to the Act of June 20, 1938 (D.C. Code secs. 5-413—5-428), except that the proviso of section 16 thereof shall apply to any building constructed under this subsection, and section 306 of the Act of July 30, 1947 (61 Stat. 584), or any other provision of law relating to the construction, alteration, repair, or furnishing of public or other buildings or structures or the obtaining of sites therefor, but any person or body in whom any such function is vested may provide for delegation or redelegation of the exercise of such function.

"(7) No obligation shall be incurred and no expenditure, except in liquidation of obligation, shall be made pursuant to the first two subparagraphs of paragraph (1) of this subsection if the total amount of all obligations incurred pursuant thereto would thereupon exceed $13,200,000 or such greater amount as may be provided in an appropriation Act or other law."

Control of insured savings and loan associations

SEC. 613. Subsection (c) of section 408 of the National Housing Act (12 U.S.C. 1730a (c)) is amended to read as follows:

"(c) It shall be unlawful for any company on or after September 23, 1959—

"(1) to acquire the control of more than one insured institution, or

"(2) to acquire the control of an insured institution when it holds the control of any other insured institution,

except in a transaction which has been approved by the board in order to prevent a default in the insured institution the stock or assets of which are being acquired."

Conforming nomenclature in statutes to Department of Housing and Urban Development Act

SEC. 614. (a)(1) The National Housing Act is amended—

(A) by striking out "Federal Housing Administration" each place it appears and inserting in lieu thereof "Department of Housing and Urban Development";

(B) by striking out "Federal Housing Commissioner" each place it appears and inserting in lieu thereof "Secretary of Housing and Urban Development";

(C) by striking out "Commissioner" each place it appears and inserting in lieu thereof "Secretary"; and

(D) by striking out "Commissioner's" each place it appears and inserting in lieu thereof "Secretary's".

(2) The heading of section 1 of such Act is amended by striking out "CREATION OF FEDERAL HOUSING ADMINISTRATION" and inserting in lieu thereof "ADMINISTRATIVE PROVISIONS".

(3) (A) The first sentence of section 1 of such Act is amended to read as follows: "The powers conferred by this Act shall be exercised by the Secretary of Housing and Urban Development (hereinafter referred to as the 'Secretary')."

(B) The next to the last sentence of such section is amended by striking out "Administration" and inserting in lieu thereof "Department".

(4) Sections 2(c)(2), 204(g), 604(g), and 904(f) of such Act are amended by striking out "the Commissioner or by any Assistant Commissioner" and inserting in lieu thereof "an officer".

(5) The first sentence of section 206 of such Act is amended by striking out "shall be deposited" and inserting in lieu thereof "related to insurance under section 203 shall be deposited".

(6) The first sentence of section 209 of such Act is amended by adding "in connection with the insurance programs" after "made".

(7) Section 220(d)(1)(A) of such Act is amended—

(A) by striking out "Housing and Home Finance Administrator" each place it appears and inserting in lieu thereof "Secretary of Housing and Urban Development";

(B) by striking out "Administrator" each place it appear and inserting in lieu thereof "Secretary";

(C) by striking out "certification to the Commissioner" and inserting in lieu thereof "determination"; and

(D) by striking out "certified to the Commissioner" each place it appears and inserting in lieu thereof "determined".

(8) Section 223(a)(2) of such Act is amended—

(A) by striking out "Public Housing Administration" and inserting in lieu thereof "Secretary of Housing and Urban Development"; and

(B) by striking out "said Administration" and inserting in lieu thereof "Secretary".

(9) The heading of section 226 of such Act is amended by striking out "FHA".

(10)(A) Section 302(a) of such Act is amended by striking out "a constituent agency of the Housing and Home Finance Agency" and inserting in lieu thereof "in the Department of Housing and Urban Development".

(B) The last sentence of section 303(a) of such Act is amended by striking out "Secretary's" and inserting in lieu thereof "Secretary of the Treasury's".

(11) Section 306(e) of such Act is amended by striking out "Housing and Home Finance Agency or its Administrator, or by such Agency's constituent units or agencies or the heads thereof" and inserting in lieu thereof "Secretary of Housing and Urban Development".

(12) Sections 303(g) and 308 of such Act are amended by striking out "Housing and Home Finance Administrator and inserting in lieu thereof "Secretary of Housing and Urban Development".

(13) Section 308 of such Act is further amended by striking out "said Administrator" each place it appears and inserting in lieu thereof "the Secretary".

(14) The third paragraph of section 603(a) of such Act is amended by striking out "in any field office of" and inserting in lieu thereof "by".

(15) The second paragraph of section 610 of such Act is amended—

(A) by striking out "Public Housing Administration" and inserting in lieu thereof "Secretary"; and

(B) by striking out "said Administration" and inserting in lieu thereof "Secretary".

(16) Section 803(b)(2) of such Act is amended—

(A) by striking out "Secretary or his designee" in the first sentence and inserting in lieu thereof "Secretary of Defense or his designee";

(B) by striking out "certified by the Secretary" in the third sentence and inserting in lieu thereof "certified by the Secretary of Defense";

(C) by striking out "require the Secretary" in the third sentence and inserting in lieu thereof "require the Secretary of Defense"; and

(D) by striking out "Secretary to guarantee" in the fourth sentence and inserting in lieu thereof "Secretary of Defense to guarantee".

(17) Section 807 of such Act is amended by striking out the second sentence.

(18) Section 809 of such Act is amended—

(A) by striking out "Secretary or his designee" in subsections (a) and (b) and inserting in lieu thereof "Secretary of Defense or his designee";

(B) by striking out "Secretary to guarantee" in subsection (b) and inserting in lieu thereof "Secretary of Defense to guarantee";

(C) by striking out " 'Secretary or his designee', and 'Secretary' " in subsection (g)(2)(i) and inserting in lieu thereof " 'Secretary of Defense or his designee', and 'Secretary of Defense' "; and

(D) by striking out "such Administration" in both places it appears in subsection (g)(2)(iii) and inserting in lieu thereof "the National Aeronautics and Space Administration".

(19) Section 903(a) of such Act is amended by striking out "Housing and Home Finance Administrator" and inserting in lieu thereof "Secretary of Housing and Urban Development".

(20) Section 903(d) of such Act is amended by striking out ", with the approval of the Housing and Home Finance Administrator,".

(21) Section 1003(b)(3) of such Act is amended by striking out "Housing and Home Finance Administrator" and inserting in lieu thereof "Secretary".

(b)(1) The United States Housing Act of 1937 is amended by striking out "Administrator" each place it appears and inserting in lieu thereof "Secretary".

(2) Section 3 of such Act is amended to read as follows:

"United States Housing Authority

"SEC. 3. There is hereby created in the Department of Housing and Urban Development a body corporate of perpetual duration to be known as the United States Housing Authority, which shall be an agency and instrumentality of the United States. The functions, powers, and duties of the Authority are vested in and shall be exercised by the Secretary of Housing and Urban Development (hereinafter referred to as the 'Secretary'). No officer or employee of the Department of Housing and Urban Development, in the performance of any such functions, powers, or duties, shall participate in any matter affecting his personal interest or the interest of any corporation, partnership, or association in which he is directly or indirectly interested."

(3) Section 4 of such Act is amended by striking out subsections (a) and (b) and redesignating subsections (c) and (d) as subsections (a) and (b).

(4) Section 5(b) of such Act is amended by striking out "shall sue" and inserting in lieu thereof "may sue".

(5) Section 5 of such Act is further amended by striking out subsection (c) and redesignating subsections (d) and (e) as subsections (c) and (d), respectively.

(6) Section 7(b) of such Act is amended—

(A) by striking out "Housing and Home Finance Administrator" and inserting in lieu thereof "Secretary"; and

(B) by striking out "Housing and Home Finance Agency" and inserting in lieu thereof "Department of Housing and Urban Development".

(7) Section 13(b) of such Act is amended by striking out "4(d)" and inserting in lieu thereof "4(b)".

(8) Section 16(1) of such Act is amended by striking out "suits shall" in the proviso and inserting in lieu thereof "suits may".

(9) Section 16 of such Act is further amended by striking out paragraphs (3) and (4) and redesignating paragraph (5) as paragraph (3).

(10) Section 22(b) of such Act is amended by striking out "first" in the proviso.

(c) Section 20 of the District of Columbia Redevelopment Act is amended—

(1) by striking out "Housing and Home Finance Administrator (hereafter in this section referred to as the Administrator)" in subsection (a) and inserting in lieu thereof "Secretary of Housing and Urban Development (hereinafter in this section referred to as the Secretary)"; and

(2) by striking out "Administrator" each place it appears and inserting in lieu thereof "Secretary".

(d) Section 101 of the Government Corporation Control Act is amended by striking out "Federal Public Housing Authority (or Public Housing Administration)" and inserting in lieu thereof "United States Housing Authority".

(e)(1) Section 301 of the Housing Act of 1948 is amended—

(A) by striking out "Housing and Home Finance Administrator" and inserting in lieu thereof "Secretary of Housing and Urban Development";

(B) by striking out "Administrator" each place it appears in subsections (a) and (b) and inserting in lieu thereof "Secretary"; and

(C) by striking out the last two sentences of subsection (a).

(2) Section 302 of such Act is amended by striking out "Administrator" each place it appears and inserting in lieu thereof "Secretary".

(3) Section 304 of such Act is repealed.

(4) Section 502 of such Act is amended—

(A) by striking out "Housing and Home Finance Administrator" in subsection (a) and inserting in lieu thereof "Secretary of Housing and Urban Development";

(B) by striking out "Administrator" each place it appears in subsection (a) and inserting in lieu thereof "Secretary";

(C) by striking out the next to the last sentence in subsection (a);

(D) by striking out "Public Housing Administration" each place it appears in the first and fourth sentences of subsection (b) and inserting in lieu thereof "United States Housing Authority";

(E) by striking out "Administration" each place it appears in the third sentence of subsection (b) and inserting in lieu thereof "Authority";

(F) by striking out "shall sue" in the first sentence of subsection (b) and inserting in lieu thereof "may sue";

(G) by striking out the second sentence of subsection (b);

(H) by striking out "Housing and Home Finance Administrator, the Home Loan Bank Board" where it first appears in subsection (c) and inserting in lieu thereof "Secretary of Housing and Urban Development and the Federal Home Loan Bank Board";

(I) by striking out "Home Loan Bank Board), the Federal Housing Commissioner, and the Public Housing Commissioner" in subsection (c) and inserting in lieu thereof "Federal Home Loan Bank Board)";

(J) by striking out "Housing and Home Finance Administrator, the Home Loan Bank Board, the Federal Housing Commissioner, and the Public Housing Commissioner" in subsection (c)(3) and inserting in lieu thereof "Secretary of Housing and Urban Development and the Federal Home Loan Bank Board";

(K) by striking out "said officers or agencies" in subsection (c)(3) and inserting in lieu thereof "such officer or agency";

(L) by striking out "Housing and Home Finance Administrator, the Federal Housing Commissioner, and the Public Housing Commissioner, respectively, may utilize funds made available to them" in subsection (d) and inserting in lieu thereof "Secretary of Housing and Urban Development may utilize funds made available to him"; and

(M) by striking out "of the respective agencies" in subsection (d).

(f)(1) Section 2 of the Housing Act of 1949 is amended by striking out "The Housing and Home Finance Agency and its constituent agencies" and inserting in lieu thereof "The Department of Housing and Urban Development".

(2) Title I of such Act is amended by striking out "Administrator" each place it appears and inserting in lieu thereof "Secretary".

(3) Section 101(c) of such Act is amended by striking out "to the constituent agencies affected".

(4) The last sentence of section 103(b) of such Act is amended by striking out "paid or accrued to the Secretary" and inserting in lieu thereof "paid or accrued to the Secretary of the Treasury".

(5) Section 106(a) of such Act is amended by striking out paragraph (1) and redesignating paragraphs (2) and (3) as paragraphs (1) and (2).

(6) Section 107(b) of such Act is amended by striking out "Public Housing Commissioner" and inserting in lieu thereof "Secretary of Housing and Urban Development".

(7) Section 110(j) of such Act is amended to read as follows:

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

(8) Section 601 of such Act is amended (A) by striking out "The Housing and Home Finance Administrator and the head of each constituent agency of the Housing and Home Finance Agency" and inserting in lieu thereof "The Secretary of Housing and Urban Development", and (B) by striking out "each" and inserting in lieu thereof "he".

(9) Section 605 of such Act is repealed.

(10) Section 612 of such Act is amended by striking out "Housing and Home Finance Agency" each place it appears and inserting in lieu thereof "Department of Housing and Urban Development".

(g) Section 602(d)(11) of the Federal Property and Administrative Services Act of 1949 is amended by striking out "the Housing and Home Finance Agency, or any officer or constituent agency therein," and inserting in lieu thereof "the Department of Housing and Urban Development or any officer thereof".

(h)(1) Title IV of the Housing Act of 1950 is amended by striking out "Administrator" each place it appears and inserting in lieu thereof "Secretary".

(2) Section 402(c)(2) of such Act is amended by striking out "Federal Security Agency" and inserting in lieu thereof "Department of Health, Education, and Welfare".

(3) Section 404(f) of such Act is amended to read as follows:

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

(4) Section 507 of such Act is amended—

(A) by striking out "Public Housing Administration" and inserting in lieu thereof "Secretary of Housing and Urban Development". and

(B) by striking out "said Administration" and inserting in lieu thereof "the Department of Housing and Urban Development".

(5) Section 508 of such Act is amended by striking out "Federal Housing Commissioner" and inserting in lieu thereof "Secretary of Housing and Urban Development".

(i) Section 304 of the Territorial Enabling Act of 1950 is amended by striking out "Housing and Home Finance Administrator" and inserting in lieu thereof "Secretary of Housing and Urban Development".

(j)(1) Sections 312, 314, 701, and 702 of the Housing Act of 1954 are amended by striking out "Administrator" each place it appears and inserting in lieu thereof "Secretary".

(2) Section 125 of such Act is amended by striking out "Commissioner" in both places where it appears and inserting in lieu thereof "Secretary of Housing and Urban Development".

(3) Section 314(a) of such Act is amended by striking out "Housing and Home Finance Administrator" and inserting in lieu thereof "Secretary of Housing and Urban Development".

(4) Section 703 of such Act is amended by striking out clause (2) and inserting in lieu thereof "(2) the term 'Secretary' shall mean the Secretary of Housing and Urban Development;".

(5) Section 801 of such Act is amended—

(A) by striking out "Federal Housing Commissioner" each place it appears and inserting in lieu thereof "Secretary of Housing and Urban Development"; and

(B) by striking out "Commissioner" each place it appears and inserting in lieu thereof "Secretary".

(6) Section 802(a) of such Act is amended—

(A) by striking out "FHA";

(B) by striking out "Housing and Home Finance Administrator" and inserting in lieu thereof "Secretary of Housing and Urban Development"; and

(C) by striking out "Housing and Home Finance Agency" and inserting in lieu thereof "Department of Housing and Urban Development".

(7) Section 811 of such Act is amended by striking out "Housing and Home Finance Agency, including its constituent agencies" and inserting in lieu thereof "Department of Housing and Urban Development".

(8) Section 814 of such Act is amended—

(A) by striking out "Federal Housing Commissioner" and inserting in lieu thereof "Secretary of Housing and Urban Development";

(B) by striking out "Housing and Home Finance Agency (or any official or constituent thereof)" and inserting in lieu thereof "Department of Housing and Urban Development";

(C) by striking out "Housing and Home Finance Agency (or such official or constituent thereof)" and inserting in lieu thereof "Department of Housing and Urban Development"; and

(D) by striking out "Housing and Home Finance Agency or any official or constituent agency thereof" and inserting in lieu thereof "Department of Housing and Urban Development".

(9) Section 816 of such Act is amended by striking out "Public Housing Commissioner" and inserting in lieu thereof "Secretary of Housing and Urban Development".

(10) Section 817 of such Act is amended—

(A) by striking out "Housing and Home Finance Administrator" and inserting in lieu thereof "Secretary of Housing and Urban Development"; and

(B) by striking out "Housing and Home Finance Agency" and inserting in lieu thereof "Department of Housing and Urban Development".

(k) Sections 32 and 62 a. of the Atomic Energy Community Act of 1955 are amended by striking out "Federal Housing Commissioner" each place it appears and inserting in lieu thereof "Secretary of Housing and Urban Development".

(l)(1)(A) Section 113 of the Housing Amendments of 1955 is repealed.

(B) Section 102(h) of such Amendments is amended by striking out "section 213 of the National Housing Act, as amended, the Commissioner" and inserting in lieu thereof "section 213 of the National Housing Act, section 221(d)(3) of the National Housing Act, and section 101 of the Housing and Urban Development Act of 1965 (insofar as the provisions of such sections relate to cooperative housing) the Secretary of Housing and Urban Development", and by striking out "such section" each place it appears and inserting in lieu thereof "such sections".

(2) Title II of such amendments is amended by striking out "Administrator" each place it appears and inserting in lieu thereof "Secretary".

(3) Section 202(a) of such Amendments is amended by striking out "Housing and Home Finance Administrator" and inserting in lieu thereof "Secretary of Housing and Urban Development".

(4) Section 403 of such Amendments is amended by striking out "Commissioner" each place it appears and inserting in lieu thereof "Secretary of Housing and Urban Development".

(5) Section 404 of such Amendments is amended—

(A) by striking of "Federal Housing Commissioner" each place it appears and inserting in lieu thereof "Secretary of Housing and Urban Development";

(B) by striking out "Federal Housing Commissinoner's" in subsection (a) and inserting in lieu thereof "Secretary of Housing and Urban Development's"; and

(C) by striking out "Commissioner" each place it appears in subsection (a) and inserting in lieu thereof "Secretary of Housing and Urban Development".

(6) Section 406 of such Amendments is amended—

(A) by striking out "Public Housing Administration and inserting in lieu thereof "Secretary of Housing and Urban Development;

(B) by striking out "Federal Housing Commissioner and inserting in lieu thereof "Secretary of Housing and Urban Development"; and

(C) by striking out "Federal Housing Administration" and inserting in lieu thereof "Department of Housing and Urban Development".

(7) Section 409(a) of such Act is amended by striking out "or 'Secretary' ".

(8) Title IV of such Act is further amended by inserting "of Defense" after "Secretary"—

(A) in the fourth and sixth sentences of section 403(a);

(B) in section 403(b);

(C) in the last three sentences of section 403(d);

(D) in the proviso in section 404(a);

(E) in the next to last sentence of section 404(c)(2);

(F) where it first appears in section 404(e);

(G) in the third proviso in section 406; and

(H) in the last two sentences of section 406.

(m)(1) Section 104(d) of the Housing Act of 1956 is amended by striking out "Housing and Home Finance Administrator" and inserting in lieu thereof "Secretary of Housing and Urban Development".

(2) Section 602 of such Act is amended—

(A) by striking out "Housing and Home Finance Administrator" in subsection (a) and inserting in lieu thereof "Secretary of Housing and Urban Development";

(B) by striking out "Administrator" each place it appears and inserting in lieu thereof "Secretary"; and

(C) by striking out "Housing and Home Finance Agency" in subsection (c) and inserting in lieu thereof "Department of Housing and Urban Development".

(n)(1) Section 104 of the Housing Act of 1957 is amended by striking out "Federal Housing Commissioner" and inserting in lieu thereof "Secretary of Housing and Urban Development".

(2) Section 604 of such Act is amended—

(A) by striking out "Housing and Home Finance Administrator" and inserting in lieu thereof "Secretary of Housing and Urban Development"; and

(B) by striking out "Housing and Home Finance Agency" and inserting in lieu thereof "Department of Housing and Urban Development".

(3) Section 605 of such Act is amended—

(A) by striking out "Federal Housing Commissioner" and inserting in lieu thereof "Secretary of Housing and Urban Development"; and

(B) by striking out "Commissioner" and inserting in lieu thereof "Secretary".

(o)(1) Sections 52, 53, and 56 of the Alaska Omnibus Act are amended by striking out "Housing and Home Finance Administrator" and inserting in lieu thereof "Secretary of Housing and Urban Development".

(2) Section 53 of such Act is further amended by striking out "Administrator" in the second paragraph and inserting in lieu thereof "Secretary".

(p)(1) Section 202 of the Housing Act of 1959 is amended—

(A) by striking out "Administrator" each place it appears and inserting in lieu thereof "Secretary";

(B) by striking out in subsection (c)(2) ", except" and all that follows down through and including "section 513"; and

(C) by changing subsection (d)(6) to read as follows:

"(6) The term 'Secretary' means the Secretary of Housing and Urban Development."

(2) Section 306(b) of such Act is amended—

(A) by striking out "Housing and Home Finance Administrator" and inserting in lieu thereof "Secretary of Housing and Urban Development"; and

(B) by striking out "Administrator" and inserting in lieu thereof "Secretary".

(3) Sections 802(a) and 808 of such Act are amended by striking out "Housing and Home Finance Administrator" and inserting in lieu thereof "Secretary of Housing and Urban Development".

(q) Section 5 of the Act of September 8, 1960 (74 Stat. 872) is amended by striking out "Housing and Home Finance Administrator" and inserting in lieu thereof "Secretary of Housing and Urban Development".

(r)(1) Sections 207 and 312 of the Housing Act of 1961 are amended by striking out "Housing and Home Finance Administrator" and inserting in lieu thereof "Secretary of Housing and Urban Development".

(2) Section 312 of such Act is further amended by striking out "Administrator" and inserting lieu thereof "Secretary".

(3) Title VII of such Act is amended by striking out "Administrator" each place it appears and inserting in lieu thereof "Secretary".

(4) Section 702 of such Act is amended—

(A) by striking out "Housing and Home Finance Administrator (hereinafter referred to as the 'Administrator')" in subsection (a) and inserting in lieu thereof "Secretary of Housing and Urban Development (hereinafter referred to as the 'Secretary')"; and

(B) by striking out "Secretary from time to time" in subsection (e) and inserting in lieu thereof "Secretary of the Interior from time to time".

(5) Section 905 of such Act is amended—

(A) by striking out "Housing and Home Finance Admistrator and the Public Housing Administration are" and inserting in lieu thereof "Secretary of Housing and Urban Development is"; and

(B) by striking out "Administration" both places it appears and inserting in lieu thereof "Secretary".

(s) Section 2 of the Senior Citizens Housing Act of 1962 is amended by striking out "Housing and Home Finance Agency" in the second sentence and inserting in lieu thereof "Department of Housing and Urban Development".

(t)(1) The Urban Mass Transportation Act of 1964 is amended by striking out "Administrator" each place it appears and inserting in lieu thereof "Secretary".

(2) Section 9(c)(3) of such Act is amended to read as follows:

"(3) the term 'Secretary' means the Secretary of Housing and Urban Development;".

(u)(1) Section 107(g) of the Housing Act of 1964 is amended by striking out "Federal Housing Commissioner" and inserting in lieu thereof "Secretary of Housing and Urban Development".

(2) Section 312 of such Act is amended—

(A) by striking out "Administrator" each place it appears and inserting in lieu thereof "Secretary";

(B) by striking out "Housing and Home Finance Administrator" in subseciton (a) and inserting in lieu thereof "Secretary of Housing and Urban Development";

(C) by changing subsection (b)(4) to read as follows:

"(4) the term 'Secretary' means the Secretary of Housing and Urban Development."; and

(D) by striking out "Federal Housing Commissioner" in subsection (c)(4)(A) and inserting in lieu thereof "Secretary of Housing and Urban Development".

(4) Section 318 of such Act is amended by striking out "Housing and Home Finance Administrator" and inserting in lieu thereof "Secretary of Housing and Urban Development".

(5) Title VIII of such Act is amended by striking out "Administrator" each place it appears and inserting in lieu thereof "Secretary".

(6) Section 805(a) of such Act is amended by striking out " 'Administrator' means the Housing and Home Finance Administrator" and inserting in lieu thereof " 'Secretary' means the Secretary of Housing and Urban Development".

(7) Section 810 of such Act is amended by striking out "Housing and Home Finance Administrator" in subsections (a) and (b) and inserting in lieu thereof "Secretary of Housing and Urban Development".

(8) Section 1005 of such Act is amended—

(A) by striking out "Federal Housing Commissioner" and inserting in lieu thereof "Secretary of Housing and Urban Development"; and

(B) by striking out "Federal Housing Administration" and inserting in lieu thereof "Department of Housing and Urban Development".

(9) Section 1006 of such Act is amended by striking out "Public Housing Commissioner" and inserting in lieu thereof "Secretary of Housing and Urban Development".

(10) Section 1007 of such Act is amended—

(A) by striking out "Housing and Home Finance Administrator and the Public Housing Commissioner are" each place it appears and inserting in lieu thereof "Secretary of Housing and Urban Development is"; and

(B) by striking out "Public Housing Administration" and inserting in lieu thereof "Secretary".

(v)(1) The Housing and Urban Development Act of 1965 is amended by striking out "Administrator" each place it appears in sections 101 (c), (d), (e), and (g); 301(b); 313(b); 315(a)(8); 402; and 404(a), and inserting in lieu thereof in each instance "Secretary".

(2) Title VII of such Act is amended by striking out "Administrator" each place it appears and inserting in lieu thereof "Secretary".

(3) Section 101 of such Act is amended—

(A) by striking out "Housing and Home Finance Administrator (hereinafter referred to as the 'Administrator')" in subsection (a) and inserting in lieu thereof "Secretary of Housing and Urban Development (hereinafter referred to as the 'Secretary')"; and

(B) by striking out all of the second sentence of subsection (g) and inserting in lieu thereof "Nothing contained in this section shall affect the authority of the Secretary of Housing and Urban Development with respect to any housing assisted under this section, section 221(d)(3), or 231(c)(3) of the National Housing Act, or section 202 of

the Housing Act of 1959, including the authority to prescribe occupancy requirements under other provisions of law or to determine the portion of such housing which may be occupied by qualified tenants."

(4) Section 108(d) of such Act is amended—

(A) by striking out "Federal Housing Commissioner, and the Federal Housing Commissioner" and inserting in lieu thereof "Secretary of Housing and Urban Development, and the Secretary"; and

(B) by striking out "the Commissioner" and inserting in lieu thereof "the Secretary".

(5) Section 301 of such Act is amended by striking out "Housing and Home Finance Administrator" in the third sentence of subsection (a) and inserting in lieu thereof "Secretary of Housing and Urban Development".

(6) Section 315 of such Act is amended—

(A) by striking out "Housing and Home Finance Administrator" in subsection (a)(8) and inserting in lieu thereof "Secretary of Housing and Urban Development";

(B) by striking out "Housing and Home Finance Administrator and the Public Housing Commissioner are" in subsections (b)(1) and (b)(2) and inserting in lieu thereof "Secretary of Housing and Urban Development is"; and

(C) by striking out "Public Housing Administration" in subsection (b)(1) and inserting in lieu thereof "Secretary".

(7) Section 401(5) of such Act is amended to read as follows:

"(5) the term 'Secretary' means the Secretary of Housing and Urban Development".

(8) Section 702(a) of such Act is amended by striking out "Housing and Home Finance Administrator (hereinafter in this title referred to as the 'Administrator')" and inserting in lieu thereof "Secretary of Housing and Urban Development (hereinafter in this title referred to as the 'Secretary')".

(9) Section 1113 of such Act is amended by striking out "Housing and Home Finance Administrator" and inserting in lieu thereof "Secretary of Housing and Urban Development".

(w) Section 501 of the Military Construction Authorization Act, 1966, is amended—

(1) by striking out "Administrator, Housing and Home Finance Agency" in the first sentence and inserting in lieu thereof "Secretary of Housing and Urban Development"; and

(2) by striking out "Administrator" in the second sentence and inserting in lieu thereof "Secretary of Housing and Urban Development".

(x)(1) Sections 493, 657, and 1006 of title 18, United States Code, are amended by striking out "Federal Housing Administration" and inserting in lieu thereof "Department of Housing and Urban Development".

(2) The eighth paragraph of section 709 of such title is amended to read as follows:

"Whoever uses as a firm or business name the words 'Department of Housing and Urban Development', 'Housing and Home Finance Agency', 'Federal Housing Administration', 'Federal National Mortgage Association','United States Housing Authority', or 'Public Housing Administration' or the letters 'HUD', 'FHA', 'PHA', or 'USHA', or any combination or variation of those words or the letters 'HUD', 'FHA', 'PHA', or 'USHA' alone or with other words or letters reasonably calculated to convey the false impression that such name or business has some connection with, or authorization from, the Department of Housing and Urban Development, the Housing and Home Finance Agency, the Federal Housing Administration, the Federal National Mortgage Association, the United States Housing Authority, the Public Housing Administration, the Government of the United States or any agency thereof, which does not in fact exist, or falsely claims that any repair, improvement, or alteration of any existing structure is required or recommended by the Department of Housing and Urban Development, the Housing and Home Finance Agency, the Federal Housing Administration, the Federal National Mortgage Association, the United States Housing Authority, the Public Housing Administration, the Government of the United States or any agency thereof, for the purpose of inducing any person to enter into a contract for the making of such repairs, alterations, or improvements, or falsely advertises or falsely represents by any device whatsoever that any housing unit, project, business, or product has been in any way endorsed, authorized, inspected, appraised, or approved by the Department of Housing and Urban Development, the Housing and Home Finance Agency, the Federal Housing Administration, The Federal National Mortgage Association, the United States Housing Authority, the Public Housing Administration, the Government of the United States or any agency thereof; or".

(3) Section 1010 of such title is amended—

(A) by changing the section heading to read as follows:

"§ 1010. Department of Housing and Urban Development and Federal Housing Administration transactions.";

(B) by striking out "Federal Housing Administration" and inserting in lieu thereof "Department of Housing and Urban Development"; and

(C) by striking out "such Administration" both places it appears and inserting in lieu thereof "such Department".

(4) Section 1012 of such title is amended—

(A) by changing the section heading to read as follows:

"§ 1012. Department of Housing and Urban Development transactions.";

(B) by striking out "Public Housing Administration" and inserting in lieu thereof "Department of Housing and Urban Development"; and

(C) by striking out "such Administration" each place it appears and inserting in lieu thereof "such Department".

(5) The analysis of chapter 47, title 18, United States Code, immediately preceding section 1001, is amended—

(A) by striking out the item relating to section 1010 and inserting in lieu thereof

"§ 1010. Department of Housing and Urban Development and Federal Housing Administration transactions.";

and

(B) by striking out the item relating to section 1012 and inserting in lieu thereof

"§ 1012. Department of Housing and Urban Development transactions."

(y) Title 38, United States Code, is amended—

(1) by striking out "Federal Housing Administration approved mortgagee designated by the Federal Housing Commissioner" in section 1802(d) and inserting in lieu thereof "mortgagee approved by the Secretary of Housing and Urban Development and designated by him".

(2) by striking out "Federal Housing Commissioner" in subsections (b), (d), and (e) of section 1804 and inserting in lieu thereof "Secretary of Housing and Urban Development".

(z) The fourth paragraph of section 24 of the Federal Reserve Act is amended by striking out "Housing and Home Finance Administrator" in the first sentence and inserting in lieu thereof "Secretary of Housing and Urban Development".

(aa)(1) The penultimate sentence of paragraph Seventh of section 5136 of the Revised Statutes (12 U.S.C. 24) is amended—

(A) by striking out "Federal Housing Administrator" and inserting in lieu thereof "Secretary of Housing and Urban Development (hereafter in this sentence referred to as the 'Secretary')"; and

(B) by striking out "Housing and Home Finance Administrator" and inserting in lieu thereof "Secretary";

(C) by striking out "Administrator" each place it appears and inserting in lieu thereof "Secretary"; and

(D) by striking out "Public Housing Administration" each place it appears and inserting in lieu thereof "Secretary".

(2) Paragraph (11) of section 5200 of the Revised Statutes (12 U.S.C. 84) is amended—

(A) by striking out "Housing and Home Finance Administrator or the Public Housing Administration" and inserting in lieu thereof "Secretary of Housing and Urban Development"; and

(B) by striking out "Administrator or Administration" each place it appears and inserting in lieu thereof "Secretary".

(bb) Any function or authority vested in or exercisable by the Federal Home Loan Bank Board, the Chairman thereof, or the Federal Savings and Loan Insurance Corporation immediately before the enactment of this Act shall not by this section or anything therein be affected or impaired, or subjected to any restriction or limitation to which it was not then subject.

Mr. LONG of Louisiana. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. MORSE. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. LONG of Louisiana. Mr. President, I ask unanimous consent that the Secretary of the Senate be authorized to make technical and clerical corrections in the engrossment of S. 3711, just passed by the Senate.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

AUTHORIZATION FOR ADMINISTRATOR OF GENERAL SERVICES TO ACCEPT TITLE TO THE JOHN FITZGERALD KENNEDY LIBRARY

Mr. LONG of Louisiana. Mr. President, I do not believe there will be any objection to Calendar No. 1421, House Joint Resolution 1207, and I ask unanimous consent that it be considered at this time.

The PRESIDING OFFICER. The bill will be stated by title.

The ASSISTANT LEGISLATIVE CLERK. A joint resolution (H.J. Res. 1207) to authorize the Administrator of General Services to accept title to the John Fitzgerald Kennedy Library, and for other purposes.

The PRESIDING OFFICER. Is there objection to the present consideration of the joint resolution?

There being no objection, the joint resolution was considered, ordered to a third reading, read the third time, and passed.

AMENDMENT OF URBAN MASS TRANSPORTATION ACT OF 1964

Mr. LONG of Louisiana. Mr. President, I move that the Senate proceed to the consideration of Calendar No. 1401, S. 3700.

The PRESIDING OFFICER. The bill will be stated by title.

The ASSISTANT LEGISLATIVE CLERK. A bill (S. 3700) to amend the Urban Mass Transportation Act of 1964.

The PRESIDING OFFICER. The question is on the motion of the Senator from Louisiana to proceed to the consideration of the bill.

The motion was agreed to; and the Senate proceeded to consider the bill.

Mr. LONG of Louisiana. Mr. President, it is not intended to have a vote on this bill this evening, and debate on it will commence on Monday. If Senators care to make speeches on this bill or related subjects, or, for that matter, on any subject, they may do so, but there will be no further votes today.

FEDERAL-AID HIGHWAY ACT OF 1966

Mr. RANDOLPH. Mr. President, I ask the Chair to lay before the Senate the amendment of the House of Representatives to S. 3155.

The PRESIDING OFFICER laid before the Senate the amendment of the House of Representatives to the bill (S. 3155) to authorize appropriations for the fiscal years 1968 and 1969 for the construction of certain highways in accordance with title 23 of the United States Code, and for other purposes which was to strike out all after the enacting clause and insert:

SHORT TITLE

SECTION 1. This Act may be cited as the "Federal-Aid Highway Act of 1966".

REVISION OF AUTHORIZATION OF APPROPRIATIONS FOR INTERSTATE SYSTEM

SEC. 2. Subsection (b) of section 108 of the Federal-Aid Highway Act of 1956, as amended, is amended to read as follows:

"(b) AUTHORIZATION OF APPROPRIATIONS.—For the purpose of expediting the construction, reconstruction, or improvement, inclusive of necessary bridges and tunnels, of the Interstate System, including extensions thereof through urban areas, designated in accordance with the provisions of subsection (d) of section 103 of title 23, United States Code, there is hereby authorized to be appropriated the additional sum of $1,000,000,000 for the fiscal year ending June 30, 1957, which sum shall be in addition to the authorization heretofore made for that year, the additional sum of $1,700,000,000 for the fiscal year ending June 30, 1958, the additional sum of $2,200,000,000 for the fiscal year ending June 30, 1959, the additional sum of $2,500,000,000 for the fiscal year ending June 30, 1960, the additional sum of $1,800,000,000 for the fiscal year ending June 30, 1961, the additional sum of $2,200,000,000 for the fiscal year ending June 30, 1962, the additional sum of $2,400,000,000 for the fiscal year ending June 30, 1963, the additional sum of $2,600,000,000 for the fiscal year ending June 30, 1964, the additional sum of $2,700,000,000 for the fiscal year ending June 30, 1965, the additional sum of $2,800,000,000 for the fiscal year ending June 30, 1966, the additional sum of $3,000,000,000 for the fiscal year ending June 30, 1967, the additional sum of $3,500,000,000 for the fiscal year ending June 30, 1968, the additional sum of $4,000,000,000 for the fiscal year ending June 30, 1969, the additional sum of $4,500,000,000 for the fiscal year ending June 30, 1970, the additional sum of $4,500,000,000 for the fiscal year ending June 30, 1971, and the additional sum of $4,306,000,000 for the fiscal year ending June 30, 1972. Nothing in this subsection shall be construed to authorize the appropriation of any sums to carry out section 131, 136, or 319(b) of this title, or any provision of law relating to highway safety enacted after May 1, 1966."

AUTHORIZATION OF USE OF COST ESTIMATE FOR APPORTIONMENT OF INTERSTATE FUNDS

SEC. 3. The Secretary of Commerce is authorized to make the apportionment for the fiscal years ending June 30, 1968, and 1969, of the sums authorized to be appropriated for such years for expenditures on the National System of Interstate and Defense Highways, using the apportionment factors contained in table 5 of House Document Numbered 42, Eighty-ninth Congress.

EXTENSION OF TIME FOR COMPLETION OF SYSTEM

SEC. 4. (a) The second paragraph of section 101(b) of title 23, United States Code, is amended by striking out "fifteen years" and inserting in lieu thereof "sixteen years" and by striking out "June 30, 1971", and inserting in lieu thereof "June 30, 1972".

(b) The introductory phrase and the second and third sentences of section 104(b)(5) of title 23, United States Code, are amended by striking "1971" where it appears and inserting in lieu thereof "1972", and such section 104(b)(5) is further amended by striking "fiscal year ending June 30, 1971.", at the end of the penultimate sentence and inserting in lieu thereof "fiscal years ending June 30, 1971, and June 30, 1972."

FOUR-LANING THE INTERSTATE SYSTEM

SEC. 5. Section 109(b) of title 23, United States Code, is amended by striking the period at the end of the second sentence and inserting in lieu thereof a comma and the following: "except that such standards shall provide for not less than four traffic lanes for the main traveled way of the Interstate System."

AUTHORIZATIONS

SEC. 6. For the purpose of carrying out the provisions of title 23 of the United States Code, the following sums are hereby authorized to be appropriated:

(1) For the Federal-aid primary system and the Federal-aid secondary system and for their extension within urban areas, out of the highway trust fund, $100,000,000 for the fiscal year ending June 30, 1968, and $1,000,000,000 for the fiscal year ending June 30, 1969. Nothing in this paragraph shall be construed to authorize the appropriation of any sums to carry out section 131, 136, or 319(b) of this title, or any provision of law relating to highway safety enacted after May 1, 1966. The sums authorized in this paragraph for each fiscal year shall be available for expenditure as follows:

(A) 45 per centum for projects on the Federal-aid primary highway system;

(B) 30 per centum for projects on the Federal-aid secondary highway system; and

(C) 25 per centum for projects on extensions of the Federal-aid primary and Federal-aid secondary highway systems in urban areas.

(2) For forest highways $33,000,000 for the fiscal year ending June 30, 1968, and $33,000,000 for the fiscal year ending June 30, 1969.

(3) For public lands highways $7,000,000 for the fiscal year ending June 30, 1968, and $7,000,000 for the fiscal year ending June 30, 1969.

(4) For forest development roads and trails, $170,000,000 for the fiscal year ending June 30, 1968, and $170,000,000 for the fiscal year ending June 30, 1969.

(5) For public lands development roads and trails, $2,000,000 for the fiscal year ending June 30, 1968, and $3,000,000 for the fiscal year ending June 30, 1969.

(6) For park roads and trails, $25,000,000 for the fiscal year ending June 30, 1968, and $30,000,000 for the fiscal year ending June 30, 1969.

(7) For parkways, $9,000,000 for the fiscal year ending June 30, 1968, and $11,000,000 for the fiscal year ending June 30, 1969.

(8) For Indian reservation roads and bridges, $18,000,000 for the fiscal year ending June 30, 1968, and $23,000,000 for the fiscal year ending June 30, 1969.

HIGHWAY BEAUTIFICATION

SEC. 7. (a) The last sentence of subsection (m) of section 131, and the last sentence of subsection (m) of section 136, of title 23, United States Code, are each amended to read as follows: "The provisions of chapter 1 of this title relating to the obligation, period of availability, and expenditure of Federal-aid primary highway funds shall apply to the funds authorized to be appropriated to carry out this section after June 30, 1967."

(b) The last sentence of subsection (b) of section 319 of title 23, United States Code, is hereby amended to read as follows: "The provisions of chapter 1 of this title relating to the obligation, period of availability, and expenditure of Federal-aid primary highway funds shall apply to the funds authorized to be appropriated to carry out this subsection after June 30, 1967."

(c)(1) Chapter 1 of title 23, United States Code, is amended by adding at the end thereof the following new section:

"§ 137. Limitation on authorization of appropriations for certain purposes.

"(a) Notwithstanding any other provision of law, neither sections 131, 136, and 319(b) of this title, nor any provision of law relating to highway safety enacted after May 1, 1966, shall be construed to be authority for any appropriations for any fiscal year for which appropriations are not specifically authorized by fiscal year in such sections or provisions.

"(b) Any appropriation to carry out section 131, 136, or 319(b) of this title or any provision of law relating to highway safety enacted after May 1, 1966, must be authorized by a provision of law specifically setting forth the total amount authorized to be appropriated for the fiscal year to carry out such section or other provision of law.

"(c) The highway trust fund established by section 209 of the Highway Revenue Act of 1956 shall not be available for any appropriation to carry out sections 131, 136, and 319(b) of this title, and any provision of law relating to highway safety enacted after May 1, 1966, in an aggregate amount which exceeds the amount of tax that would be imposed under section 4061(a)(2) of the Internal Revenue Code of 1954 if such section imposed a tax at the rate of 1 per centum plus such additional amounts as are appropriated from the general fund to the highway trust fund for such purposes, but the total of all appropriations made from such fund to carry out these sections and provisions of law shall never exceed the total of all appropriations made to such fund based on the imposition of such tax plus such additional amounts as are appropriated from the general fund to the highway trust fund for such purposes."

(2) The analysis of chapter 1 of title 23, United States Code, is amended by adding at the end thereof the following:

"137. Limitation on authorization of appropriations for certain purposes."

AUTHORIZATION OF APPROPRIATIONS FOR BEAUTIFICATION

SEC. 8. (a) There is authorized to be appropriated to carry out section 131 of title 23, United States Code, not to exceed $80,000,000 for the fiscal year ending June 30, 1968, and not to exceed $80,000,000 for the fiscal year ending June 30, 1969.

(b) There is authorized to be appropriated to carry out section 136 of title 23, United States Code, not to exceed $28,000,000 for the fiscal year ending June 30, 1968, and not to exceed $20,000,000 for the fiscal year ending June 30, 1969.

(c) There is authorized to be appropriated to carry out section 319(b) of title 23, United States Code, not to exceed $135,000,000 for the fiscal year ending June 30, 1968, and not to exceed $150,000,000 for the fiscal year ending June 30, 1969.

EMERGENCY RELIEF

SEC. 9. (a) The last proviso of subsection (f) of section 120 of title 23 of the United States Code is amended by inserting after "park roads and trails," the following: "parkways, public lands highways, public lands development roads and trails,".

(b) Subsection (c) of section 125 of title 23 of the United States Code is amended by inserting after "park roads and trails," the following: "parkways, public lands highways, public lands development roads and trails,".

(c) The second sentence of subsection (a) of section 125 of title 23 of the United States Code is amended to read as follows: "Subject to the following limitations, there is hereby authorized to be appropriated such sums as may be necessary to establish the fund authorized by this section and to replenish it on an annual basis: (1) not more than $50,000,000 is authorized to be expended in any one fiscal year to carry out this section except that if in any fiscal year the total of all expenditures under this section is less than $50,000,000, the unexpended balance of such amount shall remain available for expenditure during the next two succeeding fiscal years in addition to amounts otherwise available to carry out this section in such years, and (2) 60 per centum of the expenditures under this section for any fiscal year are authorized to be appropriated from the Highway Trust Fund and the remaining 40 per centum of such expenditures are authorized to be appropriated only from any moneys in the Treasury not otherwise appropriated."

(d) The amendments made by this section shall take effect July 1, 1966.

STUDY OF ADVANCE ACQUISITION OF RIGHTS-OF-WAY

SEC. 10. The Secretary of Commerce is authorized and directed to make a full and complete investigation and study of the advance aquisition of rights-of-way for future construction of highways on the Federal-aid highway systems, with particular reference to the provision of adequate time for the removal and disposal of improvements located on rights-of-way and the relocation of affected individuals, businesses, institutions, and organizations, the tax status of such property after acquisition and before its use for highway purposes, and the methods for financing advance right-of-way acquisition by both the State governments and the Federal Government, including the possible creation of revolving funds for such purpose. The Secretary shall submit a report of the results of such study to Congress not later than January 10, 1967, together with his recommendations.

STATE HIGHWAY DEPARTMENTS

SEC. 11. Subsection (a) of section 302 of title 23 of the United States Code is amended by adding at the end thereof the following: "In meeting the provisions of this subsection, a State may engage, to the extent it deems necessary or desirable, the services of private engineering firms, subject to requirements prescribed by the Secretary."

RELOCATION ASSISTANCE STUDY

SEC. 12. (a) The Secretary of Commerce is authorized and directed to make, in cooperation with the Secretary of the Department of Housing and Urban Development, the State highway departments, and other affected Federal and State agencies, a full and complete study and investigation for the purpose of determining what action can and should be taken to provide additional assistance for the relocation and reestablishment of persons, business concerns, and nonprofit organizations to be displaced by construction of projects on any of the Federal-aid highway systems, and to submit a report of the findings of such study and investigation, together with recommendations, to the Congress not later than January 10, 1967. The study and investigation shall include, but shall not be limited to—

(1) the need for additional payments or other financial assistance to such displaced persons, business concerns, and nonprofit organizations, and the extent to which the making of such payments and the providing of other financial assistance should be mandatory;

(2) the feasibility of constructing, within the right-of-way of a highway or upon real property adjacent thereto acquired for such purposes, publicly or privately owned, buildings, improvements, or other facilities to aid in the relocation of such displaced persons, business concerns, and nonprofit organizations;

(3) the extent to which the costs of acquiring such real property and constructing such buildings, improvements and other facilities should be paid from the highway trust fund; and

(4) sources of funds to pay the portion of the costs of acquiring such real property and constructing such buildings, improvements and other facilities, which is not properly chargeable to the highway trust fund.

HIGHWAY STUDY—GUAM AND THE VIRGIN ISLANDS

SEC. 13. (a) The Secretary of Commerce, in cooperation with the government of Guam and the government of the Virgin Islands is hereby authorized to make studies of the need for, and estimates and planning surveys relative to, highway construction programs for Guam and the Virgin Islands.

(b) On or before January 10, 1967, the Secretary of Commerce shall submit a report to the Congress which shall include—

(1) an analysis of the adequacy of present highway programs to provide satisfactory highways in both the rural and urban areas in Guam and the Virgin Islands;

(2) specific recommendations as to a program for the construction of highways throughout Guam and the Virgin Islands; and

(3) a feasible program for implementing such specific recommendations, including cost estimates, recommendations as to the sharing of cost responsibilities, and other pertinent matters.

(c) There is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, to be available until expended, the sum of $150,000 for the purpose of making the studies, surveys, and report authorized by subsections (a) and (b) of this section.

Mr. RANDOLPH. Mr. President, the House of Representatives has passed S. 3155, the Federal-Aid Highway Act of 1966, with an amendment, and has insisted on its amendment and requested a conference.

I therefore move that the Senate disagree to the amendment of the House, agree to the conference, and that the Chair be authorized to appoint conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer appointed Mr. RANDOLPH, Mr. GRUENING, Mr. MUSKIE, Mr. MOSS, Mr. COOPER, and Mr. FONG conferees on the part of the Senate.

PEOPLE DESERVE FACTS ABOUT DAMS ON THE COLORADO

Mr. FANNIN. Mr. President, somebody once observed that truth is the first casualty in a propaganda war. This is certainly true with respect to the campaign of deceit and outright falsehood being waged against one of the most urgently needed resource projects now pending in the Congress.

H.R. 4671, the Colorado River Basin Project Act, has been reported favorably by the Interior and Insular Affairs Committee of the House of Representatives after long and intensive study. It is the product of the most qualified engineering, economic, and governmental intelligence in our country.

More than a quarter century of study and planning have gone into the two hydroelectric dams that are the heart and lungs of the entire project.

On behalf of the people of Arizona and the other six States of the Colorado River Basin, I do not intend to let the campaign of vilification being directed against this project go unanswered.

Hualapai Dam at Bridge Canyon and Marble Canyon Dam would no more flood the Grand Canyon of the Colorado River than a few drops of water would flood the Senate Chambers.

Yet millions of Americans have been led to believe this absurd charge by frightening advertisements and uninformed news stories in some of the Nation's largest media.

The principal instigator of this campaign of deliberate deception is David Brower, executive director of the Sierra Club.

Mr. President, the Sierra Club is a reputable organization with many contributions to its credit in the field of conservation. I do not question the good intentions of its members.

What I must rise to challenge are the actions and words of Mr. Brower, whose barrage of untruth about this project has tarnished the reputation of the Sierra Club and done a disservice to the cause of true conservation.

The simple truth is that Hualapai and Marble Canyon Dams would not harm the Grand Canyon in any way. What they would do is make possible the maximum development of the Colorado River's total resources for the greatest possible benefit for the greatest number of people.

The basic elements of the old central Arizona project, which the Senate approved on two prior occassions, are included in H.R. 4671. Let me say that Arizona's need for supplemental water was apparent many decades ago; today that need is critical.

In the days ahead, Mr. President, I shall present the positive factual case for the Colorado River Basin project and further expose the frantic false alarms of Mr. Brower.

Meanwhile, I am aware that some of my colleagues are receiving mail from distributed constituents who have gained a totally false impression about the project.

I can assure all Members of the Senate that the senior Senator from Arizona and I will be pleased to assist any of our colleagues by providing the documented, factual information that will enable them to respond accurately to these citizen inquiries.

We have the facts, Mr. President, and we invite any questions or requests for information at any time about any aspect of this vitally needed legislation.

TWENTIETH ANNIVERSARY OF HILL-BURTON CONSTRUCTION ACT—TRIBUTE TO SENATOR HILL

Mr. LONG of Louisiana. Mr. President, the Senate will not be in session tomorrow, but August 13 marks the 20th anniversary of the enactment of the Hill-Burton Construction Act. This is landmark legislation. It has been one of the finest instances of Federal-State cooperation. It embodied a great deal of new thinking and was a pioneering piece of legislation in this area. It contained a novel principle that made it possible for low-income States to receive relatively greater aid than States in a better position; but every State has benefited from it.

Louisiana has had 238 projects approved adding 9,973 beds in hospitals and nursing homes and 98 other health facilities, at a total cost of $170 million, with a Federal share of $72 million.

The Senator from Alabama [Mr. HILL] is necessarily absent today. Unfortunately, in the course of his duties, he was injured, and presently is confined to his home, but he will be with us soon.

In his absence I wish to salute him as the principal sponsor of the Hill-Burton Act. This was a magnificent effort by two great Members of Congress to benefit the entire Nation by a well-considered hospital program.

It is very appropriate that on the 20th anniversary of this fine piece of legislation we should think of those two able Senators who sponsored the measure and brought about its enactment.

The Hill-Burton program, established in 1946 by legislation sponsored by Senators LISTER HILL of Alabama and HAROLD BURTON of Ohio, is a major example of Federal assistance to private as well as public groups for the attainment of public goals. It evolved from the recognition that the health of the Nation is a national resource and that Federal leadership and financial encouragement are warranted and necessary in preserving and augmenting that resource.

Federal-State cooperation in administration is fundamental to the program. Even before the legislation was enacted, the States assisted the Commission on Hospital Care in a survey of hospital need. They have continued in the forefront of activity throughout the 20 years of effort to provide appropriate settings for better patient care.

CONSTRUCTION

Building hospitals and related health facilities—while not the sole preoccupation of the Hill-Burton program—has been one of its principal objectives. The focus at all times has been on building facilities where they are most needed, not on construction as an end in itself.

Since it began, the Hill-Burton program has aided nearly 8,200 projects for the construction and expansion of health facilities. As of May 1, 1966, a total of 8,194 projects had been approved for Federal aid under the program. Of this total, 7,022 were completed and in operation. The remaining 1,172 were under construction or in the planning stage. When completed, these projects will provide 349,318 inpatient beds in hospitals and nursing homes and 2,372 other health facilities including public health centers, diagnostic and treatment centers, rehabilitation facilities, and State health laboratories.

The authorization of grants for modernization in 1964 broadened the scope of the program and permitted a shift in emphasis. Shortage of rural hospitals was no longer a major problem. The spotlight now turned on long-standing urban hospitals badly needing modernization. Both kinds of communities could now receive assistance on the basis of their differing needs. State plans now delineate modernization needs by geographic area and indicate their relative priority.

Mr. MORSE. Mr. President, I wish to join with the Senator from Louisiana in paying tribute to the great work of Senator LISTER HILL, not only in connection with the Hill-Burton Act, which was proposed in January 1945—the very month that I came to the Senate—but for his great humanitarian service during his many years in the Senate. I ask unanimous consent to have printed in the RECORD a very brief article by Senator HILL in the form of an editorial entitled "Hill-Burton At 20: Hospital Progress and Challenge," published in Today's Health for August 1966.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

HILL-BURTON AT 20: HOSPITAL PROGRESS AND CHALLENGE

(By LISTER HILL, U.S. Senator (D., Alabama)

(This month marks the 20th anniversary of the passage by the U.S. Congress of the Hill-Burton Act, which continues to provide special impetus to the improvement of the nation's hospitals. (For a behind-the-scene view of one good typical small-city city hospital, see "Journey Through a City of Care" on page 32 of this issue.)

(The American Medical Association, publisher of Today's Health, has supported the Hill-Burton program since its inception as it pertains to the improvement and modernization of hospitals and the development of diagnostic and treatment centers which are hospital-connected (but not those which are independent of hospitals).)

(Sen. LISTER HILL, who, along with Sen. Harold Burton, introduced the original legislation in January 1945, here comments in a guest editorial on the significance of the Hill-Burton Act anniversary.—The Editors.)

Over the past two decades we have writnessed great progress in reducing the shortage of hospital beds. To measure our progress we have only to recall the situation that prevailed in 1946 when all of the states were confronted with a scarcity of hospital beds. In Ohio, for example, in 1945, only 26 of the 88 counties had accredited hospitals. For the country as a whole, there were some 15 million Americans living in 1200 counties that had no recognized hospital facilities. In contrast, the states now estimate that less than two million people are living in areas without acceptable hospital beds, and our population has increased by more than 50 million over the same two decades.

Under the Hill-Burton program, we have added 345,000 inpatient beds and constructed new or additional facilities in the case of more than 8000 hospitals, nursing homes, outpatient clinics, rehabilitation facilities, and public-health units. The total investment amounts to $7.8 billion, including a federal share of $2.4 billion.

We are grateful for our progress in the construction of hospitals and other medical-care facilities, but more important, we recognize the challenge that is the result of our progress.

We recognize that we must continue to construct hospitals and other medical-care facilities so that we can keep pace with population growth and the increased demand for health services as a result of legislation, our rising national income, and educational levels.

We recognize, too, that a hospital constructed and equipped 20 years ago is sometimes obsolete today in terms of modern medicine. Today, more than ever before, the practice of medicine depends upon access to the complex equipment that is essential to modern diagnostic and therapeutic techniques. We must carefully plan the modernization of obsolete medical-care facilities and carry out the construction that will solve one of our most pressing health problems.

The majority of our facilities for the care and treatment and restoration of the mentally ill and the mentally retarded are woefully inadequate. In the years ahead we must work in behalf of community-based programs that are comprehensive in their services, that the disability of mental disorders may be minimized.

We must also work for the construction of more rehabilitation facilities and sheltered workshops so that the benefits of rehabilitation can be extended to many more of the physically and mentally disabled. The Vocational Rehabilitation Administration estimates that less than one-half of those in the labor force who could profit from vocational rehabilitation are receiving the required services.

We also face the challenge of providing for an adequate level of health manpower to staff our medical-care facilities and minister to our health needs. This means we must expand our training capacities for professional health manpower and paramedical personnel. More young people must be recruited into the field of health.

Only by marshalling our physical and human health resources will we take full advantage of the rapid advances in medicine. Over the past two decades we have accumulated more medical knowledge than was added during all previous periods in the entire history of medicine. Thus, the education of the physician is a continuing process and a lifelong pursuit.

On the 20th anniversary of the Hill-Burton Act, as we review the progress that has been made and contemplate the challenges that lie ahead, we might well recall the words of the eminent British statesman, Benjamin Disraeli, when he declared: "The health of the people is really the foundation upon which all their happiness and all their powers as a state depend."

Mr. MORSE. In the article, the Senator cited some statistics pointing out the great progress we have made under this humanitarian legislation to provide medical aid to the people of our country.

The article states:

In Ohio, for example, in 1945, only 26 of the 88 counties had accredited hospitals.

That was in 1945, almost yesterday in point of time. Senator HILL goes on to say:

For the country as a whole, there were some 15,000,000 Americans living in 1,200 counties that had no recognized hospital

facilities. In contrast, the states now estimate that less than 2,000,000 people are living in areas without acceptable hospital beds, and our population has increased by more than 50,000,000 over the same 2 decades.

Under the Hill-Burton program, we have added 345,000 inpatient beds and constructed new or additional facilities in the case of more than 8,000 hospitals, nursing homes, outpatient clinics, rehabilitation facilities, and public-health units. The total investment amounts to $7.8 billion, including a federal share of $2.4 billion.

Mr. President, I know of no wiser Federal investment. In my judgment, the work of this great statesman really personifies an obligation that we all have as Senators, to carry out a trust, to see to it that we implement the general welfare clause of the Constitution. For after all, this society of free people was designed by our forefathers, in the great constitutional structure that they built, to dedicate itself to promoting the general welfare of people. That is what our system of government is for. I cannot think of a better example, legislative-wise, of carrying out that trust than the Hill-Burton Act; and I think it particularly appropriate, on this 20th anniversary of that great hospital bill, that we pay tribute to LISTER HILL and to Harold Burton.

Toward the end of Senator HILL's guest editorial, he says:

Only by marshalling our physical and human health resources will we take full advantage of the rapid advances in medicine. Over the past two decades we have accumulated more medical knowledge than was added during all previous periods in the entire history of medicine. Thus, the education of the physician is a continuing process and a lifelong pursuit.

On another occasion, Mr. President, I referred to LISTER HILL, in debates on health legislation, as "Mr. Health" in the Senate. I think that is a very appropriate title to attach to his record of statesmanship.

But as a member of the Committee on Labor and Public Welfare, of which Senator HILL is chairman, and of which I have the privilege to be the next ranking member, I wish to say that without his leadership as chairman of that committee over the many years that I have served on it, we would not have made the progress that we have made, not only in connection with medical and health legislation, but also in connection with education legislation and labor legislation.

I only regret that the Senator is not here today, so that we could personally congratulate him on this great record of statesmanship in this area of legislation. His record is not limited to this field; for his total record in the Senate, over his many years here, has been a great record of carrying out a public trust. I am very proud, may I say, to be associated with him on the Committee on Labor and Public Welfare.

Mr. MAGNUSON. The Senator from Oregon and I had the privilege, at the time, of voting for the bill. We thought it had great promise. But its accomplishments are far beyond, I think, what the Senator and I anticipated at the time we made a resounding "yea" vote for the bill.

Mr. MORSE. The Senator is correct.

Mr. RANDOLPH. Mr. President, I am happy to join with the Senator from Washington [Mr. MAGNUSON], the Senator from Oregon [Mr. MORSE], and the Senator from Louisiana [Mr. LONG] in paying deserved tribute to the chairman of the Senate Committee on Labor and Public Welfare, the Honorable LISTER HILL of Alabama, and in recognizing the 20th anniversary of the Hill-Burton Act. Other Members have noted the contributions of the Hill-Burton program to the advancement of the conditions of public health in our society in recent years. I would point out also that it represents an extension of the concept of public responsibility for the health and welfare of the individual citizen.

In the early days of the American Colonies, as we know, the care of the sick was incidental to the shelter of the poor and unfortunate, supported by the contributions of individuals to the alms houses of that day. The first of these institutions was founded by William Penn in 1713, followed soon by others in New York and Charleston.

The first hospital established solely for the benefit of the physically and mentally ill, without regard to the economic status of its patients, was built in 1751, with the assistance of a governmental grant. As with so many other progressive developments of that time, Benjamin Franklin was a leader in the effort to develop a sense of public responsibility in this field, and through his efforts, the Pennsylvania Hospital was launched with a grant from the Pennsylvania Assembly amounting to 2,000 pounds sterling.

The Hill-Burton Act is a manifestation of this sense of public consciousness of the needs of the physically and mentally ill.

Mr. President, perhaps it is not important that we speak of the number of years which a Congressman serves, but certainly in this instance, it is significant that Senator LISTER HILL gave 15 years of dedicated service as a Member of the House of Representatives, and is now in his 28th year of devoted effort in the Senate.

Those of us who serve with him are very privileged.

I will say, however—and I am sure that the senior Senator from Oregon, who sits at my right, would agree with my statement—that Senator HILL has never been one who wanted to walk ahead of people. He has always wanted to walk, side by side, with people. He believes in people, and he has labored for the benefit of people, particularly in the fields of mental health and medical facilities for those who need assistance.

The Senator from Alabama has distinguished himself in congressional service. I am very delighted now, on the 20th anniversary of the enactment of the Hill-Burton Act, to say that West Virginia ranks in the top 10 States in the number of beds available for every 100,000 persons.

We have had 84 Hill-Burton projects in the period since the Hill-Burton Act became law, for a total of $111.2 million expended—and this was an investment, rather than merely an expenditure.

Over $43 million has come to West Virginia from the Hill-Burton moneys appropriated by Congress. Under the umbrella of this act, we have 17 general hospitals, 5 long-term care facilities, 3 rehabilitation centers, 5 public health centers, a State hygienic laboratory, 8 nurses residences and training facilities and 45 additions to hospitals.

On Sunday, August 7, the Charleston Gazette Mail, in its magazine section, published an illuminating story on our State's progress in providing medical facilities for the treatment of patients. The article was entitled, "Hill-Burton in West Virginia."

Mr. President, I ask unanimous consent to have that article printed at this point in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the Charleston (W. Va.) Gazette Mail, Aug. 7, 1966]

HILL-BURTON IN WEST VIRGINIA: COOPERATION BETWEEN FEDERAL, STATE, LOCAL GROUPS HAS PUT STATE AMONG NATION'S TOP 10 IN HOSPITAL BEDS AVAILABLE FOR ITS CITIZENS

(By Edward Peeks)

Mountaineers have to look up, not down, to find where their state stands among others on the national list of available general hospital beds.

West Virginia ranks in the top 10 states on the basis of the number of beds available for every 100,000 persons.

The national average is 406 beds per 100,000 population as compared with 465 for the Mountain State, which is surpassed by only eight other states and the District of Columbia.

They are Colorado with 499 beds, the District of Columbia, 543; Kansas, 475; Minnesota, 490; Montana, 489; North Dakota, 565; Pennsylvania, 469; Vermont, 473, and Wyoming, 470.

The Mountain State stands tall when it comes to hospital facilities, according to figures released by the U.S. Department of Health, Education and Welfare.

These figures have been offered to help the nation take a long hard look at its medical and hospital facilities on the 20th anniversary of the Hill-Burton Act, which became law Aug. 13, 1946.

Since then, more than 8,000 projects have been approved with provisions for nearly 350,000 general hospital beds.

These projects cost $7.9 billion, of which the federal share came to $2.5 billion. Through local, state and federal cooperation, money was pooled, plans were drawn and facilities constructed.

The original program called for construction of hospitals and public health centers with concern for rural areas where facilities were most inadequate or least available.

But now the program encompasses construction of long-term care institutions such as nursing homes, chronic disease facilities, diagnostic or treatment centers, training and rehabilitation facilities.

It also offers grants to renovate rundown buildings and to replace outdated facilities, grants for areawide planning, research and demonstration projects.

Despite the new lease on life through Hill-Burton transfusions, it is sometimes said, "Our hospitals are sick."

Reference is made to obsolescent facilities whose replacement would cost the nation about $10 billion over the next decade, according to hospital authorities.

If hospitals are ailing, their condition would be far worse had not Sen. LISTER HILL, D-Ala., and Sen. Harold Burton, R-Ohio, rallied their congressional colleagues to act 20 years ago.

The nation and the individual states, without the Hill-Burton partnership, would lack means to launch a medicare program for the elderly and to look forward hopefully to meeting the increasing health needs of a growing population.

West Virginia has realized a total of 84 Hill-Burton projects, including 4,717 general hospital beds, or more than half the number of current beds in the state.

The total cost amounts to $111.2 million, with the federal share coming to $43.4 million. Through local and state efforts, West Virginians raised $67.8 of the total amount.

A project breakdown shows 17 general hospitals; 5 long-term care facilities such as nursing homes; 3 rehabilitation centers; the State Hygenic Laboratory in South Charleston; 5 public health centers; 8 nurses residences and training school facilities; and 45 additions to hospitals and similar institutions.

Charleston Memorial Hospital, the largest in Kanawha Valley, was the first general hospital built in the state with Hill-Burton assistance. Developers and community representatives broke ground for the hospital in 1949.

The next in the state was Webster County Memorial Hospital in Webster Springs, representing Hill-Burton concern to make modern hospital facilities available to rural residents.

Summers County Hospital in Hinton represents the newest project which is to be constructed at a total cost of $2.4 million. It has been appropriated $905,000 in Hill-Burton funds.

Others already established are Weirton General Hospital, Sacred Heart Hospital, Richwood; Broaddus in Philippi, Preston Memorial in Kingwood, Cabell-Huntington, West Virginia University Hospital, Calhoun General in Grantsville, Grant Memorial in Petersburg, Hampshire Memorial in Romney, Pleasant Valley in Point Pleasant, Union Protestant in Clarksburg, Reynolds Memorial in Glen Dale, Jackson General in Ripley and St. Joseph's Hospital in Buckhannon.

"Most of these nonprofit community hospitals have been constructed north of Charleston," said State Health Director N. H. Dyer, who noted that most of the private or proprietary hospitals are located in the southern part of the state.

"I consider the Hill-Burton program one of the finest programs of cooperation between the federal government, state agencies and local people for providing much needed hospital service in communities," Dr. Dyer said. "This is particularly so of rural areas where such facilities would be too expensive for local taxpayers to provide funds from their own resources."

Hill-Burton funds are administered in West Virginia through the State Health Department and its governing body which is the nine-member State Board of Health. The present chairman of the board is Edgar B. Moore, a Clarksburg pharmacist.

Dr. Dyer said, "The Hill-Burton program is based on a state plan which is revised annually to determine the need for hospital facilities of all types, health centers, rehabilitation facilities and nursing homes and to justify allocation of funds on a priority basis.

"The Harris-Hill amendments of 1964 introduced a new element, modernization of facilities," he added. "This expanding Hill-Burton program requires that each medical facility be graded by an architect or engineer armed with a series of uniform checklists to ensure a high degree of objectivity."

As overseer of West Virginia's hospital and medical facilities, the State Health Department conducts its work through the Bureau of Hospital and Medical Facilities, whose director is Paul D. Bibb.

"The total per cent of needed construction still exceeds that of the existing facilities," Bibb said of demands under Hill-Burton and other programs, particularly for expansion and renovation.

Hill-Burton assistance goes only to nonprofit groups for community hospital development, including church and civic organizations.

West Virginia has 76 general hospitals and nine special hospitals which together offer a total of about 8,500 beds.

State records show that 52 of the general hospitals are nonprofit institutions and 4 of the special hospitals operate on a nonprofit basis.

The nonprofit group includes public hospitals and medical facilities which share Hill-Burton funds.

Under the program, 45 additions have been made to hospitals and medical facilities in West Virginia. Most of these stand north of Charleston with comparatively few in the south.

Practically all general hospitals, originally built under the Hill-Burton program, have either made additions or are now in the process of doing so under the program.

Charles L. Showalter, administrator of Charleston Memorial Hospital and president of the West Virginia Hospital Assn., said:

"The two single greatest factors in making it possible for our communities to have the modern hospital system we have today are the Hill-Burton program and the Blue Cross movement.

"Hill-Burton provides capital funds on a matching basis to build or expand hospitals. The Blue Cross movement, which gave birth to the prepayment plans, makes it possible for people to defray the cost of hospitalization, thereby providing necessary operating funds."

Operating expenses exceed the construction cost of a hospital in a matter of a few years, Showalter explained, adding:

"Just as important is the recognition given by the federal government that once these facilities were built for the benefit of the community they were not to be dissipated and lost to the community at some point in the future. This has been accomplished by reorganizing depreciation on the total plant as an element of reimbursable cost, thus enabling the individual hospital to provide for replacement of plant and equipment when needed.

"We are greatly indebted to the West Virginia Department of Health for assuming the administration of this program and providing the necessary leadership to make the benefits of the Hill-Burton program available to the people of our state."

Under the program, the five, long-term care facilities constructed are St. Barbara's Memorial Nursing Home in Monongah, Peterson Place in Wheeling, the Summersville Nursing Home, Glenwood Park Methodist Home in Bluefield and the Greenbrier County Nursing Home in Fairlea.

Rehabilitation centers are in Parkersburg, Institute and on the grounds of Barboursville State Hospital.

The five countywide public health centers are in Huntington, Moundsville, Wheeling, Beckley and Princeton.

Nurses residences have been built at Thomas Memorial Hospital in South Charleston, Spencer State Hospital, Lakin, Denmar and Ohio County Tuberculosis Sanitarium at Triadelphia.

Residences and training schools for nurses have been constructed at Charleston General Hospital, Ohio Valley General Hospital in Wheeling and Camden-Clark Memorial Hospital in Parkersburg.

"Through the implementation of the Hill-Burton program, West Virginia now ranks among the top states in the country in hospital beds per thousand population," said Wayne Herhold, executive director of the Hospital Planning Council of Kanawha Valley.

"Future emphasis must be placed on the removal of obsolescent facilities and in providing an effective mechanism to ensure use of the facilities we have by more people in the state.

"There has been a good deal of emphasis on facilities, but now it is shifting to the needs of manpower, training and education," he added. "We need to make more effective use of what we have to train manpower and avoid duplication of services."

Thirty counties contain the state's 84 Hill-Burton projects of various description.

Populous Kanawha County leads with 17 projects at a total cost of $18,699,151, of which Hill-Burton funds supplied $8,536,655.

Next is Cabell County with 10 projects at a cost of $12,674,358, of which $3,671,784 came from Hill-Burton.

Other counties with more than one project, but fewer than 10, are Marion, 4; Marshall, 3; Mason, 5; Mercer, 2; Monongalia, 2; Nicholas, 2; Ohio, 7; Pocahontas, 2; Preston, 2; Randolph, 2; Roane, 2; Upshur, 2; Wetzel, 2; and Wood, 6.

Counties with one project are Barbour, Calhoun, Grant, Greenbrier, Hampshire, Hancock, Harrison, Jackson, Lewis, Morgan, Raleigh, Summers, Taylor and Webster.

Thus 30 counties, comprising a total of 40 communities, have benefited directly from $43.4 million in Federal grants during the past 20 years. The state as a whole has gained from this assistance.

But, in view of the fact that there are 55 counties—although some are small—the location of Hill-Burton projects in only 30 counties raises questions about the equity of their distribution and their availability to many West Virginians.

True, for example Putnam County residents have access to hospital and medical facilities in Kanawha and Cabell counties.

But similar access hardly applies to residents, say in Monroe County, which is one of eight counties listed recently by the State Health Department as having no kind of licensed health facility.

The other seven counties are Pleasants, Gilmer, Hardy, Pendleton, Clay, Wayne, Lincoln and Putnam.

This gap gives urgency to the question of making better use of existing facilities while striving to improve and increase the lot.

State health officials said this problem and others are under study with the aim of helping local communities find a solution.

Gov. Smith commended the State Board of Health and the State Health Department staff for "their hard work and promotion of the Hill-Burton program."

He said the program "has pioneered in new approaches to improve patient care through research into the development and effective use of health facilities and coordinated planning. It has been an outstanding example of federal, state and local cooperation to improve the health of all our people."

Mr. RANDOLPH. Mr. President, it is a privilege to add these words of deserved tribute to LISTER HILL.

The Senate is better for the presence of LISTER HILL in this forum. The people of our Nation benefit through his service.

Mr. HARTKE. Mr. President, I, too, add my words of congratulations and pay tribute to the senior Senator from Alabama [Mr. HILL] for his service which has been very distinguished, outstanding, and unusual.

The name LISTER HILL will be not only in the minds of Senators, but also in the minds, the hearts, and the bodies of

those who have had an opportunity to have the hospital service which would have been denied to them had it not been for this great man.

Mr. PELL. Mr. President, tomorrow, the 13th of August, is the 20th anniversary of a Federal program which has had an impact on every State, every city, and in effect, every citizen in our country. For it was on August 13, 1946, that President Harry S. Truman, signed the legislation, which is popularly called the Hill-Burton Act, legislation which has brought the benefits of modern medical care to the Nation, through a program of Federal assistance in the building of hospitals. Indeed, a synonym for hospital aid is "a Hill-Burton grant."

In my own State of Rhode Island, Hill-Burton has had a great impact. The latest figures available show that since the inception of this hospital construction program in 1946, 51 projects have been approved. The total cost of such building is $55.6 million, of which $10.6 were Federal funds. But more important, this far reaching legislation has helped provide 1,517 hospital beds and 14 health units for Rhode Islanders.

It is only fitting that the Senate, in noting this landmark anniversary, pay tribute to the sponsor of the original legislation, Senator LISTER HILL, of Alabama. And the tribute should not only be for the original inception of the concept, but also for his assiduous watchfulness of the program. The subsequent fundings have all been shepherded by the Senator from Alabama, as has been the legislation broadening the scope of the program. Today there is talk of a hospital bed shortage—imagine the shortage that there would now be if there had been no Hill-Burton program.

The program itself is indeed a tribute to its sponsor, Senator LISTER HILL, to whom I join my colleagues in extending congratulations and wishes for long health.

Mr. JAVITS. Mr. President, 20 years ago the legislation sponsored by the distinguished chairman of the Labor and Public Welfare Committee, the Senator from Alabama, Mr. LISTER HILL—a Democrat—and the then-Senator from Ohio, Harold H. Burton—a Republican—was enacted into law with the support of Members from both parties. Today, we commemorate the birth of that landmark law.

The Hill-Burton Act has rightly been termed one of the most significant pieces of legislation enacted since World War II. In my own State of New York, for example, Hill-Burton has meant the addition of 18,182 new hospital and nursing home beds in 286 projects, as well as 30 other facilities—diagnostic centers and rehabilitation centers, for example—which have been added to the State's medical care plant. This adds up to a total of $527 million in construction with a Federal share of $116 million.

The Hill-Burton program was founded—and continues to operate—on the philosophy that Government and voluntary groups must work together to maintain and improve the health of our people. The partnership based on this philosophy has included Federal, State, and community governmental units on one hand, and hospitals, voluntary health and hospital associations and citizens' groups on the other.

State agencies are the vital, operating fulcrum of the program, giving leadership to communities and joining forces with Federal officials and voluntary groups in developing national guidelines. State officials work closely with project sponsors in the development and carrying out of proposals and the sponsors, in turn, must raise matching funds and carry out actual construction.

Our distinguished committee chairman, Mr. HILL, cannot be here with us in this Chamber today as he is home recuperating from an arm injury he recently received. However, to him, and to the others who have made Hill-Burton the constructive program for the Nation's health which it is, I offer congratulations on this 20th anniversary of the Hill-Burton Act. May it continue to be blessed with success.

Mr. YARBOROUGH. Mr. President, this year marks the 20th anniversary of the Hill-Burton Hospital Survey and Construction Act. It is a fitting time to pay tribute to the Senate's Mr. Health, Senator LISTER HILL of Alabama, who has championed the cause of hospital improvement and has increased public awareness of this crucial problem.

Since the passage of the Hill-Burton Act of 1946, the in-patient hospital bed capacity in this country has been expanded by 345,000, and 8,000 hospitals and health centers have been constructed. Every State has benefited from this act. Three hundred and seventy-two projects have been approved in my State, 23,882 beds have been added in hospitals and nursing homes, and 79 other health facilities. The expenditure has been $456 million in Texas of which $159 million is the Federal share.

Throughout the years, Senator HILL has been the watchdog of the country in improving hospital and health care facilities. The country is grateful for his efforts in its behalf and his concern for the well-being of each citizen.

Mr. SALTONSTALL. Mr. President, as one who assisted in the development of the Hill-Burton Act, I am glad to join in extending congratulations on the 20th anniversary of this outstanding example of constructive Federal-State cooperation. The legislation authorized Federal grants to assist States and communities in constructing needed hospitals and public health centers to furnish adequate care to their citizens. Certainly it represents one of the greatest contributions the Federal Government has rendered to maintain the health of our citizens by stimulating communities to provide modern health facilities in which quality care can be obtained.

Hill-Burton is Federal assistance at its best, based as it is on the policy of having the Federal Government render assistance rather than dictating to the States and localities. The results have been enormously successful. This I know from my own experience in Massachusetts, where we are proud of our hospitals and our medical schools, and of what we are doing to stimulate scientific discoveries in medicine that will be of benefit to us all.

I congratulate the senior Senator from Alabama [Mr. HILL] for his foresight and leadership along with Senator Harold Burton, of Ohio, in gaining enactment of this most helpful program. Incidentally, when the late Senator Burton was appointed a Justice of the Supreme Court by President Truman, I took his place, at his request, on the conference committee that worked out the arrangements so that the District of Columbia, our Capital City, could participate in the program, thus making it possible for us to improve our hospitals and medical care here in the District of Columbia.

So I am glad to join with my colleagues in commemorating the 20th anniversary of this program which has meant so much to the well-being of our citizens throughout the United States.

Mr. WILLIAMS of New Jersey. Mr. President, I should like to join with my colleagues in saluting this 20th anniversary of the Hill-Burton Act and in paying tribute to the distinguished senior Senator from Alabama, architect of that act and innumerable others that have meant so much to the health and welfare of the American people.

My colleagues may be interested in knowing that members of nearly all of America's great health organizations had planned to hold a dinner on Saturday, August 13, at the headquarters of the American Dental Association in Chicago, at which tribute was to be paid to Senator HILL.

As cochairman for the dinner, the American Dental Association's secretary, Dr. Harold Hillenbrand, was joined by Mrs. Albert D. Lasker, Dr. Michael E. De Bakey, Dr. Sidney Farber, Dr. I. S. Ravdin, Dr. Howard A. Rusk, and Dr. Paul Dudley White.

Regrettably, because of the injury to Senator HILL's arm, it was not possible to proceed with the plans for the salute. It seems to me, however, that it would be of great interest to all of us to have the chance to read the text of the booklet prepared for the occasion that traces the magnificent career and achievements of our distinguished colleagues. I ask, therefore, unanimous consent that the text be published in full after these remarks.

There being no objection, the tribute was ordered to be printed in the RECORD, as follows:

A TRIBUTE TO THE HONORABLE LISTER HILL—FOUR DECADES OF HEALTH LEADERSHIP

(A dinner of the health professions honoring Senator LISTER HILL at the Headquarters Building of the American Dental Association, 211 East Chicago Avenue, Chicago, August 13, 1966.)

Co-chairmen: Mrs. Albert D. Lasker, Dr. Michael E. De Bakey, Dr. Sidney Farber, Dr. Harold Hillenbrand, Dr. I. S. Ravdin, Dr. Howard A. Rusk, Dr. Paul Dudley White.

"We stand today at the threshold of a Golden Age of Medicine." The words are those of LISTER HILL. They are appropriate words for him to speak for he is eminently one of the men who has led the nation and the world to that "threshold." No man has done more than he to shape the health future of America, to give it promise and

hope. He has done it with an unfaltering vision, with courtly eloquence, with tireless leadership. Writing about him in Harper's magazine, William S. White, the noted newsman and author, put it this way: "Countless millions owe their lives to LISTER HILL. He has done more for the public health than any American in history."

Born in Montgomery, Alabama, on December 29, 1894, LISTER HILL's identification with the nation's health was a family heritage. His father, the late Dr. L. L. Hill, was one of the South's foremost physicians. He named his son after Lord Joseph Lister and wrote the noted British surgeon of this fact. Lord Lister replied: "Your letter has been forwarded to this place, where I am just now staying. I need hardly tell you that I have been much gratified by the honor you have done me in naming your son after me, and also by the very kind terms in which you refer to my teaching as it affected yourself. Cordially wishing all happiness to you, and a life of health, goodness and usefulness to my namesake." Among LISTER HILL's family and near relations are seven other members of the health profession.

After having earned a baccalaureate and law degree from the University of Alabama, LISTER HILL began a law practice in Montgomery in 1916. This year, then, marks the fiftieth anniversary of the beginning of his professional life.

This very month marks another anniversary as well, for it was on August 14, 1923 that LISTER HILL was first elected to national office, taking a seat in the House of Representatives in the 68th Congress. It was the era of Normalcy; Calvin Coolidge was President of the United States, and it would be eight years before the title, "The National Institute of Health," would come into being.

In 1938, Representative HILL became Senator HILL, succeeding to the seat that had been held by the Honorable Hugo Black, who had been appointed to the United States Supreme Court.

His steady, life-long concern for the health of the nation intensified during the early years in the Senate even as he carried out a full range of Senatorial duties, including the post of Majority Whip during the 77th, 78th and 79th Congresses.

The list of health measures that LISTER HILL has guided through the legislative process is of astounding length. In 1965 alone, ten major programs were established or expanded, including such landmark bills as the Heart Disease, Cancer and Stroke Amendments, the Health Professions Educational Assistance Amendments and the Health Research Facilities Amendments. His contributions have ranged across the entire spectrum of effort in the health field, encompassing facilities and services, research, education and training and preventive services.

Of all the measures for which he is responsible, the one with perhaps the broadest impact is the one whose twentieth anniversary is being commemorated this year, the Hospital Survey and Construction Act of 1946, the Hill-Burton Act.

In the past twenty years, under a local-state-Federal cost-sharing formula there have been approved some 8,000 projects involving general hospitals, mental hospitals, chronic disease hospitals, tuberculosis sanitariums, public health centers, nursing homes, rehabilitation facilities and diagnostic and treatment centers. These projects have provided 353,500 beds in hospitals and nursing homes and 2,400 other health facilities.

It is Senator HILL himself who pointed to what is perhaps the central significance of the measure when he said that "Today's doctor sets up practice where he can find the tools of his profession. He goes where a well-equipped hospital enables him to do his best work and to keep pace with developments in medicine. The hospital is the center of the medical life of a community. . . . The hospital is the arsenal of modern medicine."

More than half of the general hospitals built through Hill-Burton are located in rural communities of under 5,000 population. The program has made it possible for such communities to attract the physicians they must have but could not hope to have without a hospital.

Another vital contribution of the program has been in the field of research. Modern research, particularly of a clinical nature, is possible only with the type of facilities made possible by the program.

This aspect of the Hill-Burton law, of course, is only a small part of the Senator's contributions to research. His efforts in this area began as early as 1928 when, as a Member of the House of Representatives, he led the struggle for the Gorgas Memorial Institute of Tropical and Preventive Medicine, designed to conduct and encourage research in preventing and treating tropical disease.

His interest in research has continued in the Senate. It was LISTER HILL who sponsored the measure, in 1948, to establish the National Institutes of Health as the research arm of the United States Public Health Service. Additional legislation through the years has made it possible for that agency to grow in specialized areas to keep pace with the fruits of research. Senator HILL's unfaltering interest has focused not only on the total program of the Institutes but on each of the specialized areas. It was at the recommendation of his Appropriations Subcommittee, for example, that Congress provided funds for an independently housed National Institute of Dental Research.

The Research Facilities Construction Act of 1956 is another major achievement sponsored by Senator HILL.

The modern facilities of the National Library of Medicine, without which that agency could not realize its total potential, were dedicated by Senator HILL in recognition of the role he has played in bringing them into being.

Such achievements—building hospitals, establishing a broadly based research effort, providing and perfecting health communications—all go toward providing the tools which a highly trained professional team must have. A need that is perhaps even more basic is to assure a continuing supply of such professional workers. Here too LISTER HILL has led.

The Omnibus Health Act of 1956, which he sponsored, gave strong impetus to the training of personnel in public health and nursing. The Health Professions Educational Assistance Act of 1963, authored in the Senate by him, resulted from more than a decade of effort to meet America's growing need for physicians, dentists and other health personnel. The Nurse Training Act of 1964, introduced by LISTER HILL, is an additional substantive effort in this direction.

Early in 1966, Senator HILL introduced yet another measure directed toward alleviating manpower shortages in the health field. This proposal, the Allied Health Professions Personnel Training Act, would extend Federal assistance to expand the training of medical technologists, dental hygienists, physical therapists and other such allied groups.

The thirteen schools of public health that provide all 50 states and the Federal government with public health workers have been strongly supported by him. Under the provisions of legislation he has sponsored, the schools receive grants-in-aid- to assist in financing the expensive education of these essential health workers.

The provision of preventive health services has been of equal concern to the senior Senator from Alabama. Here too the record of support begins during his tenure in the House of Representatives and continues in the Senate. Under his direction, there has been a steady, and at times spectacular, increase in the resources made available to the states and to local governments for public health programs.

In 1961, Senator HILL introduced the legislation that was enacted to authorize grants to health departments and project grants for studies and demonstrations for strengthening community health programs designed to combat chronic diseases.

To protect the public health in the rapidly developing use of chemical additives to foods, he successfully proposed in 1958 prohibition of the use of food additives not fully tested by the producer, and in 1960 he sponsored amendments to regulate the use of color additives in food, drugs and cosmetics.

In 1955, with the successful production of the Salk vaccine, LISTER HILL moved to make it quickly available by sponsoring Federal support for state vaccination programs. Subsequently, he obtained legislation to assist the states in carrying out vaccination programs against diphtheria, tetanus and whooping cough in addition to poliomyelitis.

The impetus to construction of public health centers under the Hill-Burton program has been a major factor in modernizing public health and health education. As of June 1, 1966, more than 1,240 health centers and laboratories had been or were being built under the auspices of the Hill-Burton program.

In this present year, Senator HILL has introduced what is one of the most sweeping public health measures ever proposed to Congress. Titled the Comprehensive Health Planning and Public Health Service Amendments of 1966, it would authorize grants-in-aid for comprehensive public health planning at the state and local level and provide, as well, formula and project grants to states and communities to finance public health services identified as required in the comprehensive planning.

At the same time as these general efforts have been made, LISTER HILL has maintained and pursued a vigorous and compassionate interest in the handicapped, the mentally ill and the mentally retarded. The Hill-Harris Act of 1963, authorizing financial assistance for the construction of a comprehensive network of facilities for the mentally retarded and mentally ill, is precedent-setting legislation. He is the author, as well, of the most comprehensive rehabilitation legislation Congress has enacted. The Hill-Burton provision for construction of rehabilitation centers has proved an important factor in rehabilitation programs by providing a focal point for community efforts.

Senator HILL has led in enactment of legislation relating to training of teachers of the deaf and providing braille textbooks and other educational material for blind school children. It was his efforts that led to establishment of the National Technical Institute for the Deaf.

It has been frequently noted that LISTER HILL is in a strategic position to further America's health programs since he is Chairman of the Committee on Labor and Public Welfare and Chairman of the Appropriations Subcommittee concerned with health expenditures. Though there is some pragmatic truth in that, it is a little like saying that the sun begins to shine when the earth is warm. If America enjoys today the exultation of standing "at the threshold of a Golden Age of Medicine," it is not so much because those Chairmanships were held by LISTER HILL as it is that those Chairmanships, at this crucial point in our history, were invested with purpose and meaning by a man who understood clearly that this nation's potential is equal to its needs, the Honorable LISTER HILL of Alabama.

"Had it not been for the action of Congress in passing this Hill measure, a resource of incalculable value to the health of the American people might have been destroyed at

any moment. The loss would have been irreparable." (Excerpt from Congressional report on establishment of the National Library of Medicine.)

"No man of our generation, no man in the history of this nation, has done so much in fashioning the legislative bases on which major advances in health are structured." (Dr. Worth B. Daniels, 1961 Chairman, Board of Regents, National Library of Medicine.)

TRIBUTES

"Senator HILL, I am sure that it is obvious to . . . the entire membership of Congress, that your great personal interest in the field of medicine and health, and your tireless efforts on behalf of furthering medical science and in bringing the benefits of that science to the people of our country, have made you the outstanding Congressional leader in the field of medical legislation in the nation today." (John F. Kennedy.)

"The nation at large can be grateful to Senator Hill for the vision he has shown in providing funds in the endeavor to learn ways and means by which the terrible diseases can be finally conquered." (The Honorable JOHN STENNIS, United States Senator from Mississippi.)

"The Hill-Burton Hospital Act has done more to bring the services of modern day medicine to more people than anything else Congress has ever done." (The Honorable MIKE MONRONEY, United States Senator from Oklahoma.)

"My heart grows warm every time I think of you—and that is ever so often—and I glow with happy gratitude to you for all that you still accomplish for prevention of blindness." (Helen Keller.)

"The American Dental Association thanks you again for yet another contribution to our nation's health and welfare. Your management of the Act to aid dental and medical schools deserves the thanks of the entire nation." (Board of Trustees Resolution, American Dental Association.)

"Your statesmanship has, indeed, brought the treatment and care of the mentally ill back into the mainstream of medicine. It marks an historical accomplishment of the first order and it shall not be forgotten." (Assembly of District Branches, American Psychiatric Association.)

"The impact of his knowledge and his influence upon medical and health care legislation has given new dimensions to the term 'public servant.' Millions of Americans are in his debt for his contributions to their well being." (On being presented Honorary Degree of Doctor of Science at Jefferson Medical College.)

"There are millions of our people who are better off today—and millions who will be better off in the future—because of the fine work that you have done on health and welfare legislation." (Lyndon B. Johnson.)

CITATIONS AND AWARDS FOR DISTINGUISHED SERVICE TO SENATOR LISTER HILL

Alabama Association for Mental Health.
Alabama Dental Association.
(Alabama) Governor's Committee on Employment of Physically Handicapped.
Alabama League of Aging Citizens.
Alabama Library Association.
Alabama Medical Association, William Crawford Gorgas Award.
Alabama's Own Helen Keller.
Alabama Society for Crippled Children and Adults.
Alabama Supper Club of Washington, D.C.
Alabama Tuberculosis Association.
Alabama Vocational Association.
American Legion of Alabama.
Auburn Extension Service, Friend of 4-H Award.
City Commission of Birmingham.
Coosa-Alabama River Improvement Association.
Diversified Occupations Club of Alabama.
Future Farmers of America, Alabama Chapter.
Future Homemakers of America, Alabama Chapter.
Heacock Award of the Alabama Tuberculosis Association.
Progressive Farmer Magazine (Man of the Year).
Southern Tuberculosis Association.
Tennessee Valley Public Power Association.
Albert Lasker Award.
Alexander Graham Bell Association for the Deaf.
Alpha Sigma Pi Fraternity (Gallaudet College).
American Association for Hospital Planning.
American Cancer Society.
American College of Hospital Administrators.
American Dental Association.
American Gastroenterological Association.
American Heart Association.
American Hospital Association.
American Institute of Architects.
American Library Association.
American Public Power Association.
American Vocational Association.
Arthritis & Rheumatism Foundation and American Rheumatism Association Award.
Association of Schools of Public Health.
Boy Scouts of America.
City of Hope Salute to Medical Progress Award.
Council on Education of the Deaf.
Georgetown University School of Dentistry.
Goodwill Industries of America.
Gorgas Memorial Institute of Tropical and Preventive Medicine.
International Association of Personnel in Employment Security.
Joseph P. Kennedy, Jr. Foundation.
Maryland Academy of General Practice.
National Association for Mental Health.
National Association of Retired Civil Employees.
National Cystic Fibrosis Research Foundation.
National Education Association.
National Epilepsy League.
National Hemophilia Foundation.
National Mental Health Committee.
National Rehabilitation Association.
National Tuberculosis Association, Will Ross Medal.
New York Medical College Centennial Medal.
Parent's Magazine.
President's Committee on Employment of Physically Handicapped.
Rhode Island State Dental Society.
Society for Vascular Surgery.
The Council for Exceptional Children.
Washington Board of Trade, First Annual Health—USA Award.

SENATE CONSUMER SUBCOMMITTEE

Mr. MAGNUSON. Mr. President, I am greatly pleased to announce the creation of a new standing Consumer Subcommittee of the Committee on Commerce.

Mr. President, the learned historian of the year 2000, in compiling the chronicles of the 20th century, will surely say of the year 1966, "The voice of the consumer was heard in the land."

And in this year, in which Congress has heard and heeded the voice of the consumer, it has fallen to the members of the Committee on Commerce to interpret that voice and to shape legislation which we hope will be one of the lasting legacies of this Congress.

The right of the consumer to reasonable security in the safety of products which move in commerce has brought forth such landmark legislation as the cigarette labeling, tire, and motor vehicle safety bills; while the consumers' right to know and to compare the products offered him has resulted in passage of the fair packaging and labeling bill.

Prior to that were the fur labeling bill, the truth in fabrics bill, and many other bills which the committee was privileged to handle. The Hazardous Substances Act—on which I think the Senator from Indiana was one of the leaders 2 years ago—is another. This year, of course, there have been a great number of bills of major importance, more so than in any other session.

Any one of these measures would have justified the Senate's pride in its accomplishment. All four represent a formidable work product.

But 1967, and the years following cannot become known as the years in which the voice of the consumer was forgotten. Too many valid consumer needs remain unmet. And the vigor with which congressional consumer mandates are being carried out must be subject to continuous, perservering oversight.

For example, too many gaps still exist in the consumer's elemental right to safe products.

The proposed Child Protection Act, which the committee hopes to hear and act upon within the next several weeks, will fill some gaps, but not all.

The Flammable Fabrics Act needs overhauling.

Products of new technology, such as disposable soft drink bottles, electric blankets, power tools and lawn mowers explode, burn, shock, and maim in disturbing numbers.

Some shoddy practices still exist, in mail-order insurance for example, and in the threadbare quality of many product warranties, guarantees and servicing.

Many reliable manufacturers hail these steps because they attempt to be reliable. However, many of them still do not do so.

The quality of reliable, objective consumer information is limited, while the consumer faces an increasingly complex and impersonal market.

Each segment of government concerned with the interests of the consumer tends to pursue its own narrow range of responsibilities without adequate coordination. Federal agencies pursue conflicting or overlapping courses of action. The Federal Government tends to usurp legitimate State roles while State consumer protection activities are commonly starved for funds and support.

Some industries adhere to rigid codes of self-regulation far more effective and far more useful to the consumer than alternative Federal regulation could ever be. Some industries substitute public relations campaigns for true self-regulation, or some suppress competition in the guise of self-regulation. And

too often, professional trade associations and professional consumers confuse, rather than promote the essential dialog between seller and buyer.

The Commerce Committee has, therefore, moved to create the Standing Subcommittee on Consumer Affairs so that we will be better able to carry out our responsibilities and to make a significant contribution to the solution of these, and other, problems affecting the American consumer.

It will be my honor to serve as chairman and my pleasure to have as the senior minority member the Senator from Kansas [Mr. PEARSON]. In addition, the subcommittee will have as its members, the senior Senator from Rhode Island [Mr. PASTORE], the senior Senator from Ohio [Mr. LAUSCHE], the senior Senator from Indiana [Mr. HARTKE], the Senator from Nevada [Mr. CANNON], the Senator from Michigan [Mr. HART], the Senator from Colorado [Mr. DOMINICK], and the senior Senator from New Hampshire [Mr. COTTON].

Legislation directly affecting the rights or interests of consumers, previously considered before the full committee, will now be directly processed by the Consumer Subcommittee. The subcommittee will also exercise the committee's oversight functions in consumer matters or bills already processed through the committee. In particular, we intend periodically to review the consumer protection activities of such agencies as the Federal Trade Commission and the Department of Commerce and, with respect to the Hazardous Substances Act and the Packaging and Labeling Act, the Food and Drug Administration.

The subcommittee will carefully and patiently review all expressions of concern from American consumers arising out of injustice or inequality in the marketplace, no mater how insignificant.

The subcommittee should provide an important forum for the exchange of views on consumer protection with affected industries. We will not neglect our responsibility to see that all parties to regulatory proceedings—consumer and manufacturer alike—receive elementary fair treatment.

The Senate Consumer Subcommittee welcomes the assistance and suggestions of our colleagues in the Senate, and stands ready to assist their constituent consumers, whenever the need arises.

UNANIMOUS-CONSENT AGREEMENT

Mr. HRUSKA. Mr. President, I ask unanimous consent that on Tuesday next, I be recognized to make some remarks for about 1 hour, to be followed by a colloquy with some other Senators who have evidenced an interest in my subject. I ask unanimous consent that this recognition occur at a convenient time after the conclusion of the morning hour, but in no event later than 3 o'clock.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Nebraska? The Chair hears none, and it is so ordered.

UNITED STATES-CANADIAN AUTOMOTIVE AGREEMENT: WHAT IS IT DOING TO THE ECONOMY?

Mr. HARTKE. Mr. President, last fall the Senate, over the strenuous objections of myself and several other Senators, passed legislation to implement the United States-Canadian Automotive Agreement. Since the agreement was signed by our Government and the Canadian Government on January 16, 1965, the removal of tariffs on new automobiles and on parts for new automotive equipment was made retroactive to that date.

At face value, the agreement appeared to be a move toward free trade between the United States and Canada. In fact, the agreement was the opposite. Before the Canadians would lift the average of 20 percent duties, they required the big four automotive companies to sign letters of intent. The big four were required to maintain the 60 percent Canadian content requirement by substantial investment in new plants and by accelerated assembly of cars in Canada.

Since implementation of the agreement, events detrimental to a vast industry, to its employees, to the U.S. balance of payments, and possibly to the entire U.S. economy are in evidence.

These events make it imperative that Congress and the Nation receive a report on the effects of this agreement.

I am not talking about some nebulous economic theory or hunch—I am concerned about U.S. jobs, families dependent on those jobs, and the state of the economy which must provide those jobs.

Let me outline the situation since the agreement:

First. American Motors has recently announced that it will produce some 50,000 cars in Canada during model year 1967. This is an increase of 20,000 above the 1966 level. Thus, cars built in Canada will replace those heretofore produced in American Motors' Wisconsin plants. This will mean 200 to 300 more jobs to the Canadians.

What does it mean to the United States?

Second. The President's Automotive Adjustment Assistance Board, set up by congressional ratification of the United States-Canadian Automotive Agreement signed January 16, 1965, has already granted one petition for relief. Several of us who expected that the letter of the law would be followed found the Pennsauken decision distasteful.

In any case, the jobs lost in that case are now being done by Canadians.

Third. There is little question, however, of automotive workers being involved in the August 1, 1966, decision to grant adjustment assistance to 400 workers in the Grand Rapids, Mich., area. The original petition represented 1,100 workers who claimed unemployment as a result of the operation of the agreement.

Adjustment assistance benefits include:

First. Relocation allowances;

Second. A lump sum equal to 2½ times the weekly manufacturing rate; and

Third. Payments of salaries at $70 a week for up to 52 weeks. This last provision could cost the General Treasury as much as $1,456,000.

I am not begrudging these workers assistance, but I am saying that it seems ridiculous to be paying out unemployment insurance to American workers while Canadians enjoy the lost U.S. jobs and their economy benefits from plant expansion.

How many more jobs will go to Canada? How many more families will the U.S. Government have to aid as more and more production shifts to our northern neighbor?

The Automotive Manufacturers Association reports the total imports of auto parts from Canada for the first 3 months of 1966 were $88,320,423. This is significant when we compare the figure for all 1965—$90,472,363. If this rapid import rate continues, the total for 1966 will be three times the amount in 1965. The auto-parts agreement has made a tremendous gift of a major industry to a foreign government—by means of unfair and lopsided trade negotiations by the U.S. Department of State.

Preliminary figures from the U.S. Commerce Department's Business and Defense Supply Agency support the evidence of this alarming trend.

U.S. importation of Canadian-made passenger cars has shot upwards in the first 6 months of 1966. The value of these cars is more than double the value for the entire year of 1965 for a total of $142 million. At the same time the export value of passenger cars being shipped to Canada from the United States has not had a correspondingly high increase. This is shown in table I.

Imports of Canadian buses and trucks has quadrupled in the first 6 months of 1966 over the total value in 1965.

The net trade figures in table II show us that if the trend of the first 6 months continues, our favorable balance of trade with Canada in new vehicles and parts will be down 30 percent—at a time when we are concerned about the balance-of-

Table III concerns the units of new vehicles—passenger cars, trucks, and buses. In the first 6 months of 1965 the United States exported 78,298 passenger cars to the rest of the world. However, in the first 6 months of 1966 that figure is down to 73,196. This decline shows the effects of the Canadian activity on our own "third country" markets. During the hearings before the Senate Finance Committee, administration spokesmen were reluctant to discuss the effects on "third country" markets on our balance of payments. With Canada picking up our own world customers, we lose again in the problem of balance of payments.

I request unanimous consent that these tables may be included in the RECORD at this point, Mr. President, rather than reading the documents in their entirety.

There being no objection, the tables were ordered to be printed in the RECORD, as follows:

TABLE I

CANADIAN IMPORTS INTO THE UNITED STATES

Category	1st 6 months, 1966	1st 6 months, 1965	Total, 1965
Passenger cars	$142, 032, 100	$18, 629, 100	$59, 800, 000
Trucks and buses	52, 601, 000	2, 628, 500	13, 100, 000
Automotive parts (excluding tires and tubes)	119, 456, 100	37, 543, 800	90, 900, 000
UNITED STATES EXPORTS TO CANADA			
Passenger cars	71, 973, 800	47, 587, 600	133, 900, 000
Trucks and buses	39, 822, 300	14, 860, 300	41, 200, 000
Automotive parts (excluding tires and tubes)	464, 028, 900	351, 134, 200	682, 700, 000

Source: U.S. Department of Commerce, BDSA.

TABLE II.—*U.S. favorable trade balance in vehicles and parts*

	Millions
1961	372. 0
1962	390. 1
1963	519. 6
1964	578. 4
1965	674. 0
1966 (1st 6 months)	261. 7

TABLE III.—*Factory sales of motor vehicle units, United States and Canada*

U.S. FACTORY SALES	
Passenger cars:	
1st 6 months of 1966	4, 901, 341
1st 6 months of 1965	5, 117, 761
Trucks and buses:	
1st 6 months of 1966	954, 071
1st 6 months of 1965	911, 566
DISTRIBUTION OF FACTORY SALES ITEMS	
U.S. domestic market:	
Passenger cars:	
1st 6 months of 1966	4, 798, 842
1st 6 months of 1965	5, 020, 787
Trucks and buses:	
1st 6 months of 1966	889, 482
1st 6 months of 1965	840, 487
Exports to Canada:	
Passenger cars:	
1st 6 months of 1966	29, 303
1st 6 months of 1965	18, 676
Trucks and buses:	
1st 6 months of 1966	9, 702
1st 6 months of 1965	2, 184
U.S. exports to the world (excluding Canada):	
Passenger cars:	
1st 6 months of 1966	73, 196
1st 6 months of 1965	78, 298
Trucks and buses:	
1st 6 months of 1966	54, 887
1st 6 months of 1965	68, 895

Source: Automotive Manufacturers Association.

Mr. HARTKE. The U.S. economy today is not experiencing a general, excessive superboom. There are critical soft spots and question marks in the economy, including steel, timber, and our automotive industry. The Senate Finance Committee will be looking in detail at the steel industry, and at the impact of foreign steel imports. Senator MAGNUSON and Senator MORSE are leading an investigation into the impact of Japanese purchases of raw timber in the Pacific Northwest. It is imperative that we take a look into the automotive industry.

I call to the attention of the Senate, Mr. President, section 502 of the act which implemented the United States-Canadian Automotive Agreement:

ANNUAL REPORT

SEC. 502. The President shall submit to the Congress an annual report on the implementation of this Act. Such report shall include information regarding new negotiations, reductions or eliminations of duties, reciprocal concessions obtained, and other information relating to activities under this Act. Such report shall also include information providing an evaluation of the Agreement and this Act in relation to the total national interest, and specifically shall include, to the extent practicable, information with respect to—

(1) the production of motor vehicles and motor vehicle parts in the United States and Canada,

(2) the retail prices of motor vehicles and motor vehicle parts in the United States and Canada,

(3) employment in the motor vehicle industry and motor vehicle parts industry in the United States and Canada, and

(4) United States and Canadian trade in motor vehicles and motor vehicle parts, particularly trade between the United States and Canada.

Certainly there are no breadlines of workers in the United States. However, if we are to serve the people who elected us, we must watch the economy. We have a responsibility to the automotive workers and their families to let them know where we are going. We are responsible to U.S. citizens to inform them on the welfare of one of our major industries, to inform them as to what this tremendous shift of production is doing to our balance-of-payments situation, and on their behalf to serve notice to the State Department that in future we demand trade negotiations of a more equitable nature.

It is time for a report to the Congress. Since, under the agreement, duty-free treatment is retroactive to January 16, 1965, we are long overdue for a report on its effects—almost 7 months overdue.

I ask unanimous consent to have printed in the CONGRESSIONAL RECORD at the close of my remarks a July 28 Wall Street Journal article on American Motors and GM plans for 1967 model year production in Canada, together with material relating to the Grand Rapids, Mich., adjustment assistance decision.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

AMC TO BOOST OUTPUT AT PLANT IN ONTARIO—ADDITIONAL 20,000 AUTOS SLATED DURING 1967 MODEL YEAR WILL BE EXPORTED TO NORTHEASTERN UNITED STATES

DETROIT.—American Motors Corp. said its Canadian subsidiary will increase its car production capacity to 50,000 units annually, beginning with the 1967 model year. The company produced about 30,000 cars in Canada in the 1966 model year.

The additional cars will be exported from the Canadian plant at Brampton, Ontario, into the Northeastern part of the U.S.. Thus, Canadian-built cars will be substituting for cars built at AMC's U.S. plants in Wisconsin.

Roy D. Chapin, president of American Motors of Canada, Ltd., said the increase will cost American Motors $20 million a year in parts and supplies. He said it would result in the hiring of 200 to 300 more workers at the company's Brampton plant. AMC currently has 1,800 employes in Canada.

Ford Motor Co. and Chrysler Corp. imported Canadian-made vehicles into the U.S. during the 1966 model year and General Motors Corp. said it will import vehicles in the 1967 model year. The imports are the result of a free trade agreement between the U.S. and Canada that allows Canadian-made vehicles to enter the U.S. duty free. The aim of the agreement is to increase Canada's share of combined Canadian-U.S. auto production.

[News from U.S. Department of Labor, W. Willard Wirtz, Secretary, Aug. 1, 1966]

FOUR HUNDRED DISLOCATED GENERAL MOTORS WORKERS ELIGIBLE FOR ADJUSTMENT ASSISTANCE

For the second time, a group of American workers has been certified eligible to apply for adjustment assistance upon the determination, announced today, that they lost their jobs as a result of removal of their operations to Canada.

Approximately 400 workers of the General Motors Corporation Fisher Body Plant No. 2 at Grand Rapids, Michigan, who lost their jobs between January 17 and June 18, 1966, were found by the Automotive Agreement Adjustment Assistance Board to have been laid off because production of soft trim for Chevy II and Chevelles was transferred from Grand Rapids to Windsor, Ontario.

They may now apply for trade adjustment assistance under the Automotive Products Trade Act of 1965.

The other case in which a similar ruling was made involved some 200 employees of a Pennsauken, New Jersey, automobile parts depot who became jobless when their operation was transferred to Canada last November.

The certification on behalf of the Grand Rapids employees was made on the Board's determination that a significant number of the workers of the plant have become unemployed, and that the operation of the U.S.-Canadian Automotive Products Agreement has been the primary factor in causing the dislocation.

The Automotive Agreement Adjustment Assistance Board is composed of Secretary of Labor W. Willard Wirtz (Chairman), Secretary of Commerce John T. Connor and the Secretary of the Treasury, Henry H. Fowler.

The Board's action came after the United Automobile Workers International Union filed a petition for eligibility to apply for adjustment assistance on behalf of a group of workers laid off from the plant.

The Board based its determinations on reports from the U.S. Tariff Commission, and advice from the Departments of Commerce, Treasury, Labor and the Small Business Administration.

Certified workers who meet the required standards may receive trade readjustment allowances, counseling and training (including training allowances), and relocation allowances.

The maximum readjustment allowances provides the worker with $70 a week for up to 52 weeks. Relocation allowances provide for the reasonable expense of moving the worker, his family and household goods when he has obtained a new job, plus a lump sum payment equal to two and a half times the average weekly manufacturing wage as stipulated by the Bureau of Labor Statistics.

The U.S.-Canadian Automotive Products Agreement provides for elimination of duties between the U.S. and Canada on motor vehicles and original equipment for such vehicles.

If U.S. auto parts manufacturers move part or all of their operations to Canada as a result of the Agreement, workers displaced

by such moves may be certified by the Board to be eligible to apply for the adjustment assistance provided under the Act.

[Summary of final determinations and notice of certification, Automotive Agreement Adjustment Assistance Board]

PETITION FOR ADJUSTMENT ASSISTANCE BY CERTAIN WORKERS OF THE GENERAL MOTORS CORP., FISHER BODY PLANT NO. 2, GRAND RAPIDS, MICH.

DETERMINATIONS OF THE BOARD

The Automotive Agreement Adjustment Assistance Board determines pursuant to the Automotive Products Trade Act of 1965 (Public Law 89-283; 79 Stat. 1016) that:

Dislocation of regularly employed workers in the General Motors Corporation Fisher Body Plant No. 2, Grand Rapids, Michigan, has occurred since a significant number or proportion of the workers have become unemployed.

The operation of the United States-Canadian Automotive Products Agreement has been the primary factor in causing such dislocation (Section 302, Act; Section 501.9, Board Regulations).

CERTIFICATION

The Board hereby certifies that the workers of Fisher Body Plant No. 2 at Grand Rapids, Michigan, who became unemployed or underemployed on or after January 17, 1966, and prior to June 18, 1966, are eligible to apply for adjustment assistance.

BACKGROUND

A petition for a determination of eligibility to apply for adjustment assistance under the Automotive Products Trade Act of 1965 was filed with the Automotive Agreement Adjustment Assistance Board on April 15, 1966, by the International Union, United Auto Workers (UAW), on behalf of Local 1231, a group of workers employed by the General Motors Corporation at Fisher Body Plant No. 2 in Grand Rapids, Michigan. The petition alleged that 1,100 workers were unemployed as a result of a decision of the General Motors Corporation to transfer the production of interior soft trim for Chevy II and Chevelle models from the Grand Rapids plant to a new "cut and sew plant" in Windsor, Ontario. It further alleged, in effect, that the operation of the U.S.-Canadian automotive agreement was the primary factor in causing such unemployment.

The UAW later withdrew from the coverage of the petition temporary employees who had been hired on or after September 13, 1965. After eliminating these temporary employees, the alleged dislocation amounted to over 600 regularly employed hourly workers.

On April 19, 1966, the Automotive Assistance Committee of the Board requested the United States Tariff Commission to conduct an investigation with respect to the facts relating to this petition. Public notice of both the receipt of the request and the institution of the investigation was given by the Commission through publication in the Federal Register (31 F.R. 6340) on April 26, 1966. The Commission did not order a public hearing in conjunction with the investigation; the petitioners did not request such a hearing, nor did any other interested party.

The Commission submitted its report on this investigation on June 8, 1966 (APTA-V-2). As stated by the Commission in its public announcement with respect to this report, the entire report could not be made public since much of the data it contains was received in confidence (TC Publication 176, June 8, 1966). On June 23, 1966, in accordance with section 302(f)(2) of the Act, the Automotive Assistance Committee of the Board requested the Commission to furnish additional information on certain specified matters. A supplemental report was submitted to the Board on July 18, 1966.

In accordance with section 501.11 of the Board Regulations (31 F.R. 828, January 21, 1966), the UAW requested an opportunity to make an oral presentation to the Board. This request was granted and the oral presentation was made on July 22, 1966. The General Motors Corporation was notified of the request and representatives of the corporation attended the presentation.

The Board also obtained advice from the Departments of the Treasury, Commerce, Labor, and the Small Business Administration under section 302(f)(1) of the Act.

CONSIDERATIONS

In accordance with the Automotive Products Trade Act of 1965 the Board considered the following:

Automotive product

The workers must be in a firm which produces an automotive product as defined by the Act. The petitioners are or were employees of the General Motors Corporation, which produces such automotive products. The petitioners worked in a plant manufacturing "soft trim" for use almost entirely as original equipment in the assembly of motor vehicles. "Soft trim" is the term used to describe collectively a variety of motor vehicle components, some of which are used as interior furnishings and some as exterior coverings (such as convertible tops). Pursuant to concessions granted under the U.S.-Canadian automotive agreement, soft trim moving between the United States and Canada, which meets established criteria, enters both countries free of duty. In the absence of the Agreement, entries of such articles would generally be dutiable at 25 percent on entry into Canada and at 8½ percent on entry into the United States.

The requirements of section 302(a)(2) and 302(l)(1) of the Act are satisfied.

Dislocation

Dislocation in the case of a group of workers means unemployment or underemployment of a significant number or proportion of the workers of a firm or an appropriate subdivision thereof. Significant number or proportion of workers means in most cases five percent of the workers or 50 workers in a firm (or appropriate subdivision thereof), whichever is less (sections 302(b)(1) and 302(l)(2)(B), Act; section 501.2(i)(2), Board Regulations). Between November 1, 1965, and the date on which the petition was filed, employment at Fisher Body Plant declined from about 2,800 hourly workers to 1,600-1,650 hourly workers, a net decrease of more than 1,100 persons.

The Tariff Commission report to the Board indicates that in large part the machinery and equipment at the Grand Rapids plant are used interchangeably to produce soft trim for various series of motor vehicles. The Commission also notes that workers have seniority "bumping" rights throughout the plant. The Board, therefore, determines that the entire plant is the appropriate subdivision of the General Motors Corporation for considering dislocation and certification.

The requirements with respect to dislocation are met.

Role of the operation of the agreement criteria

The Board considered the economic criteria set forth in the Act. The Tariff Commission obtained data representative of U.S. production, U.S. imports from Canada, U.S. exports to Canada, and Canadian production of soft trim for use as original equipment in the assembly of motor vehicles. The data indicate that U.S. production of soft trim has been substantially larger in recent months than in the corresponding months of the 1964 model year. Similarly, U.S. imports of soft trim from Canada, U.S. exports of soft trim to Canada, and Canadian production of soft trim in recent months have all been appreciably larger than in the corresponding months of the 1964 model year. Accordingly, the economic criteria set forth in section 302(b)(2) of the Act with respect to U.S. production are not met.

The Board then considered whether the operation of the Agreement has nevertheless been the primary factor in causing or threatening to cause the dislocation (section 302(d), Act). "Primary factor" means a factor which is greater in importance than any other single factor present in a given case, but which does not have to be greater than any combination of other factors (section 501.2(j), Board Regulations). The Act (section 302(1)(4)) defines "operation of the Agreement" to include governmental or private actions in the United States or Canada directly related to the conclusion or implementation of the Agreement.

General Motors soft-trim operations, United States and Canada

a. Soft trim for General Motors' automobiles is produced at several plants in the United States, including Fisher Body Plant No. 2, and two plants in Canada (Oshawa, Ontario, a large multi-purpose plant, and a soft-trim plant at Windsor, Ontario). Two of these plants first began production in mid-1965 at the start of the 1966 model year; one was the plant at Windsor, Ontario, the other a plant at Tecumseh, Michigan.

b. According to General Motors, the plan to construct the trim plant at Windsor was initiated in 1963, prior to the Agreement, and was undertaken to provide a base for future expansion of the Canadian automotive market: "In the long term, it is expected that Canadian demand will utilize the capacity of this plant fully, however, in the short term, it is being used to relieve the production overload at the U.S. plants."

According to an affidavit of July 8, 1966, submitted by the UAW, a General Motors' representative advised the union in the spring of 1964 that the Oshawa passenger soft-trim operation would be completely shifted to the Windsor plant starting in the fall of 1964. The affidavit further stated, in effect, that with the advent of the Agreement, General Motors changed its plans with respect to the transfer of soft-trim production from Oshawa to Windsor, decided to keep Oshawa in production, and instead move more U.S. work into Windsor.

General Motors allocated the production of the bulk of the soft-trim for 1966 Chevelles and Chevy II's to Windsor from Grand Rapids. Only a segment of Oshawa soft-trim production was transferred to Windsor during the course of the 1966 model year. General Motors indicated that it expected the employment impact of the transfer from Grand Rapids to Windsor would be more than offset by an expansion of production at Grand Rapids of trim for Chevrolet Caprice models and by trim requirements for the Oldsmobile Toronado. This expectation did not materialize.

c. During the early part of the model year, because of production difficulties at Windsor, a substantial share of production of soft trim for 1966 Chevelles and Chevy II's was retained at Grand Rapids; the transfer to Windsor was not completed until December. This, in combination with high initial demand and start-up problems on the 1966 models, caused employment at Grand Rapids to expand very rapidly. By November 1, 1966, employment was 500 to 600 workers higher than any previous peak. These were mainly temporary employees hired after mid-September. After November 1, employment at Grand Rapids decreased rapidly; by the end of December 1965, all workers with less than 90 days' seniority (temporary employees) had been terminated; and by mid-January employees with over a year's

seniority were being laid off. Production of soft trim for the Toronado was shifted to another U.S. plant in November.

d. The definition of "operation of the Agreement" is intended to permit consideration of the economic effects of the arrangements concluded between the Canadian Government and automotive vehicle manufacturers in Canada, including the General Motors Corporation. The value of the production at Windsor of soft trim for Chevelles and Chevy II's transferred from Grand Rapids represents a significant portion of one of the General Motors' commitments in its letter of undertaking of January 13, 1965. This commitment was to increase the Canadian value-added of its automotive operation by C $121 million by the end of the 1968 model year.[1]

Evaluation

The Board attaches special significance to the indicated changes in plans by General Motors, after the Agreement was signed, for the utilization of the soft-trim plants at Grand Rapids, Windsor, and Oshawa; the economic advantages of Windsor operations compared to Grand Rapids, particularly given the elimination of the duties on U.S.-Canadian trade in automotive products in addition to the 15–20 percent difference in wage rates; and the material contribution of the Windsor Chevelle-Chevy II operation to the General Motors' commitment to Canada with respect to Canadian "value added." In light thereof, the Board is of the opinion that the opportunity to rationalize operations afforded by the Agreement was the compelling circumstances in the General Motors' Corporation decisions regarding the allocation of its soft-trim production among U.S. and Canadian plants. The Board therefore has concluded that the operation of the Agreement has been the primary factor in causing dislocation at Fisher Body Plant No. 2.

The Board has determined that only those workers of Fisher Body Plant No. 2 who became unemployed or underemployed on or after January 17, and prior to June 18, 1966, have been dislocated as a result of the operation of the Agreement. Because of the existence of plant-wide seniority, the Board believes it is these workers—the most recently laid-off regular employees—whose jobs would have been maintained if the production of trim for Chevelle and Chevy II had been retained at Grand Rapids. Of the approximately 1,100 workers laid off from the plant in model year 1966, the Board has excluded temporary workers hired on or after September 13, 1965, as not having been dislocated as a result of the operation of the Agreement. By its certification the Board has also excluded workers adversely affected by the transfer of the Toronado trim production to another U.S. plant and by the decline in demand for certain General Motors' vehicles.

(Section 302, Automotive Products Trade Act of 1965, 79 Stat. 1018, Executive Order 11254, 30 F.R. 13569, the Automotive Agreement Adjustment Assistance Board Regulations, 48 CFR, Part 501; 31 F.R. 827, and Board Order No. 1, 31 F.R. 853.)

JULY 28, 1966.

ESTABLISHMENT OF A PUBLIC COMMUNITY COLLEGE AND A PUBLIC COLLEGE OF ARTS AND SCIENCES IN THE DISTRICT OF COLUMBIA

Mr. MORSE. Mr. President, on August 10, 1966, Congressman ANCHER NELSEN, of the Second District of Minnesota, introduced in the House of Representatives H.R. 16958, a bill to authorize the establishment of a Public Community and Vocational College and a Public College of Arts and Sciences in the District of Columbia. I rise to make a few comments on the Senate bill and the House bill dealing with the subject of a public college in the District of Columbia, but I rise also to highly commend Congressman NELSEN for the bill he introduced on August 10.

Members of the press, representing the newspapers in the District of Columbia, have suggested that I make comment on this problem before the Senate adjourns today because of its great importance to the District of Columbia, and also, because it is hoped that the Senate committee will take final action on this subject matter on Monday. The Committee on the District of Columbia, under the able leadership of the Senator from Nevada [Mr. BIBLE], the chairman, plans to mark up into final form a college bill for the District of Columbia and send it to the calendar of the Senate, if at all possible, on Monday.

Mr. President, I ask unanimous consent that Congressman NELSEN's bill, H.R. 16958, be printed in the RECORD at this point.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

H.R. 16958

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 "District of Columbia Public Higher Education Act".

SEC. 2. As used in this Act—

(a) The term "public college of arts and sciences" means an institution of higher education established pursuant to this Act and which is organized and administered principally to provide a four-year program in the liberal arts and sciences acceptable for a bachelor's degree, including but not limited to, courses in teacher education, and such additional program of study as may be acceptable for a master's degree, and courses on an individual, noncredit basis to those desiring to further their education without seeking a degree.

(b) The term "public community and vocational college" means an institution of higher education established pursuant to this Act and which is organized and administered principally to provide a two-year program which is acceptable for full credit toward a bachelor's degree or for a degree of associate in arts, which program shall include, but shall not be limited to, courses in business education, secretarial training, and business administration, and courses in engineering, mathematics, and the physical and biological sciences which are designed to prepare a student to work as a technician and at a semiprofessional level in engineering, scientific, and other technological fields requiring the understanding and application of basic engineering, scientific, or mathematical principles or knowledge, and which college also provides courses on an individual, noncredit basis for persons desiring to further their education without seeking a degree.

(c) The term "Board of Higher Education" and "Board" mean the Board of Higher Education established by section 3 of this Act.

(d) The term "Board of Education" means the Board of Education of the District of Columbia established by the Act of June 30, 1906 (34 Stat. 316), as amended (D.C. Code, sec. 31–101 et seq.).

SEC. 3. (a) The control of the public college of arts and sciences and of the public community and vocational college is hereby vested in a Board of Higher Education, which shall consist of nine members of whom not less than five shall have been residents of the District of Columbia for a period of not less than three years immediately prior to their appointments. The members of the Board (including all members appointed to fill vacancies on such Board) shall be appointed by the President of the United States, by and with the advice and consent of the Senate. The President shall designate one of the members as Chairman, who shall serve at the pleasure of the President. Such members shall be appointed for terms of three years; except that the terms of offices of the members first taking office shall expire, as designated by the President at the time of appointment, three at the end of one year, three at the end of two years, and three at the end of three years. Any member appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of that term. Members of the Board shall serve without compensation, but may be reimbursed for their travel expenses, including per diem in lieu of subsistence, as authorized by law (5 U.S.C. 73b–2) for persons serving the Government without compensation.

(b) The President of the United States may remove, in accordance with the provisions of this subsection, any member of the Board of Higher Education for adequate cause affecting his character and efficiency as a member. If the President determines that, with respect to any such member, there is adequate cause affecting his character and efficiency as a member, the President may appoint a special investigating board, consisting of not more than three members, to consider the matter. The investigating board, in considering such matter, shall hold public hearings and, on the basis thereof, report to the President with respect to their findings of fact and recommendations. Following the receipt by him of such report, the President may remove such member from office.

(c) The members of the Board shall not be personally liable in damages for any official action of the Board in which such members participate, nor shall they be liable for any costs that may be taxed against them or the Board on account of such official action by them as members of the Board, but such costs shall be charged to the District of Columbia and paid as other costs are paid in suits against the municipality; nor shall the Board or any of its members be required to give any bond or security for costs or damages on any appeal whatever.

SEC. 4. The Board is hereby vested with the following powers and duties:

(1) To develop detailed plans for and to establish, organize, and operate in the District of Columbia a public college of arts and sciences and a public community and vocational college, both colleges shall be located on the same campus;

(2) To establish policies, standards, and requirements governing admission, programs, graduation (including the award of degrees) and general administration of the colleges established pursuant to this Act;

(3) To appoint and compensate, without regard to the civil service laws or the Classification Act of 1949, as amended, a president for each of the colleges established pursuant to this Act, each of whom shall serve for a term of four years;

(4) To employ and compensate such officers as it determines necessary for each of the colleges established pursuant to this Act, and such educational employees for each of such colleges as the president thereof may recommend in writing, without regard to the civil service laws, the Classification Act of

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[1] A copy of this letter appears among other places in Appendix C of House Report No. 537, Committee on Ways and Means, 89th Congress, 1st Session.

1949, the Annual and Sick Leave Act of 1951, the Act entitled "An Act to prevent pernicious political activities", approved August 2, 1939 (63 Stat. 1147), the Civil Service Retirement Act, as amended, and the Dual Compensation Act, but subject to the Federal Employees Compensation Act, the Federal Employees Group Life Insurance Act of 1954, the Federal Employees Health Benefits Act of 1959, and the Veterans' Preference Act of 1944, as amended: *Provided*, That subject to the approval of the Commissioners, the compensation schedules for such officers and employees shall be fixed and adjusted from time to time consistent with the public interest and in accordance with rates for comparable types of positions in like institutions of higher education. The Board, with the concurrence of the Commissioners, is authorized to determine which officer and educational positions shall be subject to the coverage of the higher education salary schedules. Salary levels shall be determined based on duties, responsibilities, and qualifications. The Board, upon the recommendations of the presidents of the colleges, shall establish, with the approval of the Commissioner and without regard to the provisions of any other law, retirement and leave systems for such officers and employees which shall be comparable to such systems in like institutions of higher education;

(5) To employ and compensate noneducational employees of the Board and of the colleges established pursuant to this Act in accordance with the Civil Service Act, the Classification Act of 1949, the Civil Service Retirement Act, the Federal Employees Compensation Act, the Federal Employees Group Life Insurance Act of 1954, the Federal Employees Health Benefits Act of 1959, the Veterans' Preference Act of 1944, and any other statute applicable to noneducational employees of the Board of Education;

(6) To fix, from time to time, tuition to be paid by nonresidents attending any such college, but in no event shall any legal resident of the District of Columbia be required to pay any tuition charge to attend any college established pursuant to this Act. Tuition charged nonresidents shall be fixed in such amounts as will, to the extent feasible, approximate the cost to the District of Columbia of the services for which such charge is imposed, and shall be deposited to the credit of the general revenues of the District of Columbia;

(7) To fix, from time to time, fees to be paid by students attending any such college established pursuant to this Act (including charges for room and board), and receipts from such fees shall be deposited into a revolving fund in a private depository in the District, which fund shall be available, without fiscal year limitation, for such purposes as the Board of Higher Education of the District shall approve, and the Board of Higher Education is authorized to make necessary rules respecting deposits into and withdrawals from such fund;

(8) To transmit annually to the Congress and the Commissioners of the District of Columbia estimates of the appropriation required for the colleges established pursuant to this Act for the ensuing year;

(9) To accept services and moneys, including gifts or endowments, from any source whatsoever, for use in carrying out the purposes of the Act. Such moneys shall be deposited in the Treasury of the United States to the credit of a trust fund account which is hereby authorized and may be invested and reinvested as trust funds of the District of Columbia. The disbursement of the moneys from such trust funds shall be in such amounts, to such extent, and in such manner as the Board of Higher Education, in its judgment, may determine necessary to carry out the purposes of this Act;

(10) To submit to the Congress and the Commissioners of the District of Columbia recommendations relating to legislation affecting the administration and programs of such colleges;

(11) To make such rules and regulations as the Board deems necessary to carry out the purposes of this Act;

(12) To assume control of the District of Columbia Teachers College established pursuant to the Act approved February 25, 1929 (45 Stat. 1276; D.C. Code, sec. 31–118) from the Board of Education at such time as may be mutually agreed upon by such Board and approved by the Commissioners. At such time personnel, property, records, and unexpended balances of appropriations, allocations, and other funds available or to be made available for such Teachers College are authorized to be transferred and be under the control of such Board of Higher Education: *Provided*, That the laboratory school shall remain under the control and management, and the employees assigned to such schools shall remain subject to the supervision of, the Board of Education: *Provided further*, That noneducational employees of the Teachers College at the time the control of such college is assumed by the Board of Higher Education shall retain all benefits provided by any law applicable to noneducational employees of the Board of Education, and shall be subject to any benefits provided for noneducational employees of the Board of Higher Education: *Provided further*, That educational employees of the Teachers College at the time the control of such college is assumed by the Board of Higher Education shall be subject to the same benefits provided for all educational employees of the Board of Higher Education pursuant to paragraph (4) of section 4 of this Act except that such educational employees may elect, within ninety days of such time, to remain subject to the provisions of the Act entitled "An Act for the retirement of public school teachers in the District of Columbia", approved August 7, 1946 (60 Stat. 875), as amended; and

(13) To provide for the crediting to educational employees of the Teachers College, pursuant to the leave system established for educational employees of the Board of Higher Education under this Act, leave accumulated pursuant to the provisions of the District of Columbia Teachers' Leave Act of 1949.

SEC. 5. The Commissioners and the Board of Education may furnish to the Board, upon request of such Board, such space and facilities in private buildings or in public buildings of the government of the District of Columbia, records, information, services, personnel, offices, and equipment as may be available and which are necessary to enable the Board properly to perform its functions under this Act.

SEC. 6. All obligations and disbursements for the purpose of the Act shall be incurred, made, and accounted for in the same manner as other obligations and disbursements for the District of Columbia and, except as provided in paragraph (9) of section 4 of this Act, under the direction and control of the Commissioners.

SEC. 7. (a) Subchapter 1 of chapter 18 of the Act of March 3, 1901 (31 Stat. 1280), as amended (D.C. Code, sec. 29–401, 419), is amended (1) by striking out "Board of Education" wherever it appears in such subchapter and by inserting in lieu thereof "Board of Higher Education", and (2) by adding at the end thereof the following new section:

"Sec. 586g. As used in this subchapter, the term 'Board of Higher Education' means the Board of Higher Education established pursuant to the District of Columbia Public Higher Education Act."

(b) Nothing contained in the amendment made by this section shall be construed as affecting the validity of any license issued by the Board of Education prior to the date of the enactment of this Act.

SEC. 8. (a) There are hereby authorized to be appropriated from the revenues of the District of Columbia such sums as are necessary to carry out the purposes of this Act.

(b) Subsection (b) of section 1 of the Act entitled "An Act to authorize the Commissioners of the District of Columbia to borrow funds for capital improvements programs and to amend provisions of law relating to Federal Government participation in meeting costs of maintaining the Nation's Capital City", approved June 6, 1958 (72 Stat. 183), as amended (D.C. Code, sec. 9–220(b)), is amended (1) by striking out "$225,000,000" and by inserting in lieu thereof "$245,000,000", and (2) by inserting immediately before the period at the end thereof a colon and the following: *"And provided further*, That $20,000,000 of the principal amount of loans authorized to be advanced pursuant to this subsection shall be utilized to carry out the purposes of the District of Columbia Public Higher Education Act".

Mr. MORSE. Mr. President, I also ask unanimous consent that my bill, which proposes the establishment of a public college in the District of Columbia be printed immediately following the Nelsen bill.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 293

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 "District of Columbia Public Higher Education Act".

SEC. 2. As used in this Act—

(a) The term "public college of arts and sciences" means an institution of higher education established pursuant to this Act and which is organized and administered principally to provide a four-year program in the liberal arts and sciences acceptable for a bachelor's degree, including, but not limited to, courses in teacher education, and such additional program of study as may be acceptable for a master's degree, and courses on an individual, noncredit basis to those desiring to further their education without seeking a degree.

(b) The term "public community college" means an institution of higher education established pursuant to this Act and which is organized and administered principally to provide a two-year program which is acceptable for full credit toward a bachelor's degree or for a degree of associate in arts, which program shall include, but shall not be limited to, courses in business education, secretarial training, and business administration, and courses in engineering, mathematics, and the physical and biological sciences which are designed to prepare a student to work as a technician and at a semiprofessional level in engineering, scientific, and other technological fields requiring the understanding and application of basic engineering, scientific, or mathematical principles or knowledge, and which college also provides courses on an individual, noncredit basis for persons desiring to further their education without seeking a degree.

(c) The terms "Board of Higher Education" and "Board" mean the Board of Higher Education established by section 3 of this Act.

(d) The term "Board of Education" means the Board of Education of the District of Columbia established by the Act of June 20, 1906 (34 Stat. 316), as amended (D.C. Code, sec. 31–101 et seq.).

SEC. 3. (a) The control of the public college of arts and sciences and of the public community college is hereby vested in a Board of Higher Education, which shall consist of nine members of whom not less than five shall have been residents of the District of Columbia for a period of not less than

five years immediately prior to their appointments. The members of the Board (including all members appointed to fill vacancies on such Board) shall be appointed by the judges of the United States District Court for the District of Columbia from a panel of nominees submitted to such judges pursuant to subsection (b) of this section. Such members shall be appointed for terms of six years; except that the terms of office of the members first taking office shall expire, as designated by the said judges at the time of appointment, three at the end of two years, three at the end of four years, and three at the end of six years. Any member appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of that term. Members of the Board shall serve without compensation, and may be removed in the same manner as that provided for members of the Board of Education under section 2 of the Act of June 20, 1906 (34 Stat. 316), as amended (D.C. Code, sec. 31-101).

(b) There is hereby established a committee to be known as the Board of Higher Education Nominating Committee, which shall consist of seven members of whom not less than four shall have been residents of the District of Columbia for a period of not less than five years immediately prior to their appointments. The members of the Committee shall be appointed by the judges of the United States District Court for the District of Columbia for terms of six years; except that the terms of office of three of the members first taking office shall expire, as designated by the said judges at the time of appointment, at the end of three years. Members of the Committee shall serve without compensation, and shall be subject to removal in the same manner as that provided for members of the Board of Education. The Committee shall elect a Chairman and a Vice Chairman from among its members. It shall be the duty of the Committee, as soon as practicable following the enactment of this Act, to submit to the said judges a panel of not less than twenty-seven nominees for consideration as initial appointees to the Board and to thereafter submit to the judges, in connection with any vacancy on the Board, a panel of not less than three nominess for consideration by such judges in filling that vacancy.

(c) The Commissioners of the District of Columbia and the Board of Education may furnish to the Board of Higher Education, upon request of such Board, such space and facilities in public buildings of the government of the District of Columbia, records, information, services, personnel, offices, and equipment as the Commissioners and the Board of Education determine are available to enable the Board of Higher Education properly to perform its functions.

SEC. 4. (a) The Board of Higher Education shall, at such time as may be mutually agreed upon by the Board and the Board of Education, merge the District of Columbia Teachers' College (established pursuant to the Act of February 25, 1929 (45 Stat. 1276; D.C. Code, sec. 31-118)) into the public college of arts and sciences. At the time of such merger, all personnel, property, records, and unexpended balances of appropriations, allocations, and other funds available to, or to be made available to, such Teachers' College shall be transferred to, and shall be under the control of, the Board of Higher Education.

(b) Notwithstanding any other provision of this Act, the laboratory schools in the District of Columbia shall remain under the control and management of, and the employees assigned to such schools shall remain subject to the supervision of, the Board of Education.

SEC. 5. (a) The Board of Higher Education is hereby vested with the following powers:

(1) To prepare plans for the establishment of a public college of arts and sciences (including the selection of a site), and, subject to the provisions of subsection (b) of this section, to establish, organize, and administer such college;

(2) To prepare plans for the establishment of a public community college (including the selection of a site), and, subject to the provisions of subsection (b) of this section, to establish, organize, and administer such college;

(3) To fix, from time to time, tuition and fees to be paid by residents and nonresidents attending any such college, which tuition and fees shall be deposited to the credit of the general revenues of the District of Columbia. Tuition and fees charged nonresidents shall be fixed in such amounts as will, to the extent feasible, approximate the cost to the District of Columbia of the services for which such charges are imposed;

(4) To appoint, for a term of four years, a president for the public college of arts and sciences and a president for the public community college;

(5) To appoint, promote, demote, transfer, suspend, or dismiss such administrative, educational, or noneducational employees of any college established pursuant to this Act as the president thereof may recommend in writing;

(6) To accredit junior colleges operating in the District of Columbia;

(7) To award appropriate degree and certificates of completion of courses of study in the colleges established pursuant to this Act; and

(8) To make such rules and regulations as the Board deems necessary to carry out the purposes of this Act.

(b) No action shall be taken with respect to the actual establishment of any college authorized under this Act prior to the expiration of ninety calendar days (which ninety days shall not include days on which either the Senate or the House of Representatives is not in session because of an adjournment of more than three calendar days to a day certain) after the plans for such college have been submitted to the Congress.

(c) The Board of Higher Education shall annually on the first day of October transmit to the Commissioners of the District of Columbia an estimate in detail of the amount of money required for the colleges established pursuant to this Act for the ensuing year, and the Commissioners shall transmit the same in their annual estimate of appropriations for the District of Columbia, with such recommendations as they may deem proper.

SEC. 6. All obligations and disbursements for the purposes of this Act shall be incurred, made, and accounted for in the same manner as other obligations and disbursements for the District of Columbia.

SEC. 7. (a) Subchapter 1 of chapter 18 of the Act of March 3, 1901 (31 Stat. 1280), as amended (D.C. Code, sec. 29-401—29-419), is amended (1) by striking out "Board of Education" wherever it appears in such subchapter and by inserting in lieu thereof "Board of Higher Education", and (2) by adding at the end thereof the following new section:

"SEC. 586g. As used in this subchapter, the term 'Board of Higher Education' means the Board of Higher Education established pursuant to the District of Columbia Public Higher Education Act."

(b) Nothing contained in the amendment made by this section shall be construed as affecting the validity of any license issued by the Board of Education prior to the date of the enactment of this Act.

Mr. MORSE. Mr. President, I not only commend Congressman NELSEN and those on the House committee who have worked closely with him on this subject, but I want them to know that I shall do everything that I can to work out a common bill that will be acceptable to Congressman NELSEN and his House colleagues.

The Senate bill and the House bill are not so far apart that it will not be a matter of easy accommodation in reconciling the two bills. The Senate bill does not contain a proposal for a vocational training center, specifically spelled out, but as I have made clear to the press, it never was the intention of any of us in the Senate committee that vocational training would not be made available to young men and women in the District of Columbia, because the community college concept across the country invariably includes vocational training.

The community colleges of 2 years' duration, commonly referred to as junior colleges, as well as community colleges, offer educational facilities and training programs, including an emphasis on vocational training as well as the other parts of the curriculum of a community college.

My bill was introduced on January 6, 1965, on behalf of myself, Mr. CLARK, Mr. DOUGLAS, Mr. GRUENING, Mr. MCGEE, Mr. MCINTYRE, Mrs. NEUBERGER, and Mr. YOUNG of Ohio. It is the bill that I asked to have inserted in the RECORD immediately following Congressman NELSEN's bill.

The community college concept, which in most instances is a 2-year program, is almost invariably a vocational training program within its curriculum, but we did not spell it out in the Morse bill. I completely accept the concept that Congressman NELSEN set out in his bill in regard to vocational training. I not only intended such training, but it is essential, for we have hundreds of young men and women in the District of Columbia who have no opportunity for advanced education, when they come from poverty-stricken homes, when they labor under great financial obligations in respect to those homes, and cannot afford to go to private universities and colleges or, for that matter, to private vocational training institutes that are available in various parts of the District of Columbia. They are not available in the District of Columbia, even if these young men and women could afford to go to them. The type of training institute or curriculum that is needed is not available in the District of Columbia.

So there is no variance between the House bill and the Senate bill except in language. There is no variance in intent, and there is no variance in objective.

I shall tell the Senate in a moment the understanding we reached in committee the other day. I have the revision of the Morse bill that I agreed upon, and in fact proposed on Monday when the Senate committee met. If the Senate passes the bill that I shall modify in committee on Monday and the House passes the bill,

even in the form that Congressman NELSEN introduced it, I cannot imagine any difficulty whatsoever in the two bodies through their respective conference committees agreeing in conference.

My hope is that before either bill reaches final passage in the two bodies we can have a formal understanding and modifications of the two bills so that they will be identical in language and that no conference will be needed.

Why do I say that? Because it is important that we pass a college bill for the District of Columbia and get started with the obligation of providing hundreds and hundreds of young men and women in the District of Columbia who have not the slightest chance of going on to educational opportunities beyond high school because of their economic status.

That is why the Senator from Oregon, as chairman of the Committee on Education, and as well a member of the Committee on the District of Columbia in the Senate, and the subcommittee of the Committee on the District of Columbia that has jurisdiction over educational problems in the District of Columbia, has been urging for years that we proceed to meet this great and dire educational need in the District of Columbia for these hundreds and hundreds of young men and women whose intellectual potentials we are wasting because we do not provide them with educational facilities to make it possible to develop them to the maximum extent possible.

(At this point Mr. HARTKE took the chair as Presiding Officer.)

Mr. MORSE. Mr. President, I am very much pleased—in fact, this is the appropriate place to say that I am very happy—that Representative NELSEN has introduced his bill. I shall do everything I can next Monday to try to reconcile the two bills as nearly as possible so that there will be minimum difficulty, if any, in reaching agreement between the two bodies on a higher education bill for the District of Columbia.

Last Monday, in the committee meeting, we were advised by counsel for the committee that some of the staff members of the House and Senate committees, including some conversations with some of the members on the House committee, and including Representative NELSEN and others, talked about the desirability of having a bill which would provide for vocational training, and also for the so-called 2-year college program in which students who did not care to go on to a 4-year program could attend a 2-year college and receive a diploma or certificate covering the curriculum made available to them there, and also for a 4-year college.

A question was raised whether there should be two campuses or one. The Morse bill provides for two. The Nelsen bill provides for two. The meeting last Monday occurred before the Nelsen bill was introduced. We were advised by staff members that a one-campus bill might be more acceptable to some on the House side. I stated that a one-campus bill would be all right with me. Of course, there are some problems connected with a one-campus approach. There are some assets, too. It would mean one administration, and the administration costs would be less. It would mean a concentration in one area. I recognize also that the program throughout the country is not to bring the educational services together on one campus. There are various reasons for that. I suppose the main reason is geography.

This is important in a given State, such as in my State of Oregon, for example, where we have a community college in Coos Bay, one in Bend, one in Astoria, one in Portland, and one planned for Eugene, the seat of the State university, which serves different students but serves different educational needs, as well.

The practice has been to have a community 4-year college in one location, a so-called junior college, sometimes called a community college, of 2 years' duration in another town, so that there can be spread throughout the State the availability of facilities for all the young men and women qualified to take courses in any one of these colleges but who could not possibly go to college unless it was located close to their homes, where they could live at home, work in their communities, and at the same time go to school, sometimes in the morning, sometimes in the afternoon, and sometimes in the evening.

Do not forget that the population of the District is larger, as I recall, than that of some 11 States. Most people do not realize that. But when we get to a population of 850,000, we are far above the populations of a considerable number of our States.

There is certainly no doubt that more young people in the District of Columbia are being denied a public institution of higher learning than is the case in several of the States. Furthermore, the poverty level of the students in the District is much lower than in some of the States where we are providing community colleges and junior colleges for students that do not have the economic means to go to college.

I said at the meeting last Monday that I would be perfectly willing to put them all together, although I thought it would be better to keep the vocational and 2-year training programs separate. There are a great many reasons for that. Some of them are psychological—and, by the way, psychological reasons are very important in an educational program, too.

Two-year students desire to have that autonomy which will become attached to a 2-year institution, the building up of an esprit de corps, and the building up of a sense of oneness—having those students studying and working together in a common educational goal and objective. This is very desirable in the educational process.

I said that if it would help us to get a public institution established in the District of Columbia to bring all the programs together on one campus, I would go along with that.

I understand that since last Monday there has been further discussion of this matter on the House side. The result has been the Nelsen bill, which provides for two campuses, one for the 4-year course and one for the 2-year course, including the vocational training program.

We can thresh this out at the meeting next week, and in the conferences with the House, if necessary; but I think, after mentioning it tonight in this speech, that that leaves the matter of teacher training. I repeat what I said last Monday: The teacher training program should be on the campus of the 4-year institution instead of having a separate college or a separate institution such as the Washington, D.C., Teachers College which, in my judgment, has done a truly remarkable job in the field of teacher education over the years of its existence.

I shall have something to say about that next week, at the retirement of its president, Dr. Carr. I am sure that Congress is not fully aware—and I doubt whether the people of the District of Columbia, by and large, are fully aware—of what we owe to Dr. Carr for his educational leadership over the years as he has helped to train, through the District of Columbia Teachers College, scores and scores of teachers, the large majority of whom, after they have completed their teacher education, have entered the public schools of the District and wrestled with what is recognized as one of the most serious educational problem cities in the whole Nation.

But, Mr. President, I said Monday that unless one can convince me I am wrong, if we develop the type of public education institution we are working for, I would like to see the so-called teacher training program be part of the 4-year institution and consist of a department or school of education.

The Presiding Officer [Mr. HARTKE] knows that is precisely what there is at the University of Indiana. In fact, it is true that in institutions of higher learning in Indiana or my State the education department or school is an integral part of the 4-year institution. I think that gives us the soundest teacher training program.

I know 20 years ago—and in some places less than that—in some of our States there was a so-called 2-year teachers college. That was true in Indiana. My mother was a graduate of Downer Teachers College at Milwaukee. That was the pattern for teacher training at that time. But as times have changed, the need for teacher training has also changed. Now we know that a bachelor's degree is considered the minimum requirement we expect for qualified teachers, and we are providing, in the various educational acts, institutional programs and fellowship programs and scholarship programs to make it possible for teachers to get their master's and even doctor's degrees.

I intend to have included in the redraft bill that I shall offer to the Senate committee on Monday a program whereby we will have two campuses, but the teacher part will be part of the 4-year institution, and the work now done by the Teachers College in the District of Columbia will become part—and I think it is very appropriate to say it—of an academic integrated program in the District of Columbia, curriculumwise.

I shall have more to say about it next week at the time I offer the redraft bill to the Senate committee and on the floor of the Senate.

I close this part of my remarks tonight by again commending Representative NELSEN and saying to the people of the District of Columbia from my desk tonight that I have never been so encouraged as to the possibility of our getting legislation on this subject passed as I am right now.

I think it is now becoming recognized by more and more in both the House and the Senate that we just have no right to adjourn and go home and not pass legislation, thus denying these hundreds of young men and women in the District of Columbia the opportunity they so sorely need in order to go on with an educational program.

I am only asking for an investment in the future of our country when I ask for an investment for facilities that make it possible to develop the intelligence potential of young men and women who would otherwise be denied that educational opportunity.

USE OF TONGUE POINT NAVAL BASE BY JOB CORPS

Mr. MORSE. Mr. President, many months ago it was my pleasure to work closely with the administration and particularly with the very capable and dedicated Sargent Shriver, Director of the Office of Economic Opportunity, in convincing the administration of the wisdom of making use of the magnificent facilities of the then inactivated Tongue Point Naval Base, Astoria, Oreg., I urged its use as one of the major job training centers of the Job Corps. I took the position that the use of the Tongue Point facilities would offer a tremendous opportunity to salvage for useful citizenship, young men of the school dropout class who were otherwise destined to swell the ranks of our unemployed and to become, through poverty conditions, burdens on our society.

At that time, as at present, there were a few critics who made public statements against the use of this facility as a job training center because of the cost of rehabilitating these young men.

Their argument was, in part, that it would cost more than high school training for young men of high school age. My reply then was the same as it is tonight: "What do you think it costs to keep a young man who is not rehabilitated in prison? How much do you think it costs to take care of years of public welfare? How much do you think it costs as a result of the loss to society of the economic contribution he can make to our economy if he has developed into a sound, wage earning citizen?"

I am not moved by the argument that some of these job training centers to rehabilitate young men to make them useful citizens cost more in some instances than it would cost if they did not need rehabilitation and went to a standard high school.

Mr. President, this happens to be a serious social problem that confronts us. I insist that it is a wise investment to put these young men through the type of job training centers, under the program being developed, of which Sargent Shriver is the head. Regardless of the cost, it is an economic investment, and it is one that we should be willing to invest in.

My answer to these critics is that every cent we invest in a worthwhile project which gives true recognition to human values and which prepares these young people for useful roles in our society is worth the cost even though it may be higher than that which is computed in educating young people who enjoy the good fortune of not being afflicted with poverty, and who have not lived in an environment that has produced the problems that have been produced in these young people we select to put through these job training centers.

It is becoming more and more evident that the Tongue Point Training Center, although confronted by enormous problems at the outset, is now beginning to demonstrate its real value to our society. In that connection, Mr. President, I was pleased to read an article which appeared in the July 26, 1966, issue of the Los Angeles Times, entitled, "Hopes Look Up for Job Corps Camp in Oregon." I commend this article to the attention of my colleagues because I think it points up the importance of the fine work that is being done at present at Tongue Point and the extremely encouraging prospects for even greater contributions from this Job Training Center in the future.

In addition, I would not wish to let this occasion pass without paying tribute to the fine staff of educators and administrators who are performing such dedicated and outstanding work at the Job Corps Training Center.

I ask unanimous consent to have the article to which I have referred inserted in the RECORD at this point.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

HOPES LOOK UP FOR JOB CORPS CAMP IN OREGON—SECOND YEAR OF OPERATION FINDS DECLINE IN DROPOUTS, MORE QUALIFIED GRADUATES

(By Ed Meagher)

TONGUE POINT, OREG.—The first-year record of the Job Corps Center here could hardly have been worse—162 boys were graduated, compared with 534 who quit or were thrown out as too tough to handle.

Racial violence broke out at the center, and in nearby Astoria, student brushes with police were all too frequent.

But now, halfway into its second year, the record is a little brighter. Costs, which in the first year amounted to about $12,500 a boy, are dropping, and the ratio of graduates to dropouts is rising.

However, the center, one of eight established by the Office of Economic Opportunity, still has a long way to go before breaking out of the experimental woods.

HARD-CORE UNEMPLOYABLES

Operated under government contract by the University of Oregon and the Philco Corp., the center was envisioned as a place to provide school dropouts with basic education and a vocation to move them out of the ranks of hard-core unemployables into the respectable mainstream.

The trouble is, thus far, fewer than a third of the students have made the leap. Not only that, critics say, but the center's costs are out of line.

Douglas V. Olds, director of the Tongue Point center, believes the program is worthwhile.

"We expect," he said, "soon to be graduating from 75 to 100 students a month. They will thereafter be off the welfare rolls, with prospects good that their children will not be on them later as adults.

"Usefully employed graduates will have an estimated life expectancy of $100,000 in earnings. Some of this will be returned to society in taxes."

MANY BUILT-IN PROBLEMS

Any program that could effect such a social transition in a substantial way would seem to be a bargain, regardless of cost.

But Tongue Point and the other Job Corps centers, investigation indicates, have so many built-in problems that critics believe they should be returned to the drawing board or scrapped entirely.

The Office of Economic Opportunity's determination to bring about instant integration to the centers may be blamed for one of the problems.

The Tongue Point center (and the others as well) was established as an interracial, intercultural and interregional melting pot.

Students come from all 50 States. Almost half, 43%, are Negroes. Seven per cent comprise Mexican-Americans, Indians and Hawaiians.

FROM DIVISIVE BACKGROUNDS

They arrive from such divisive backgrounds as city slums and the hills of Appalachia, from small towns and isolated farms.

The only things they have in common—poverty, ignorance and too often a festering problem of immaturity—are hardly the ingredients to promote togetherness.

Other built-in problems, in center director Olds' view, have to do with the minimum age of 16, which he believes is too low, and the screening of applicants which, while improving, still leaves much to be desired.

The screening is done at youth opportunity centers and state employment offices throughout the country.

"Screening seems to be improving generally." Olds said, "but recently we were sent a youth on parole following his conviction on auto theft and assault charges. Another came from a mental institution."

Trainees are supposed to have had at least a fifth grade education, but, according to Olds, a number of illiterates have been sent to Tongue Point.

SOCIAL OUTLETS

Still another problem inherent to this center is the unavailability of social outlets normal to young men.

Astoria is a small town of less than 10,000. Most residents are fishermen and their families are of Scandinavian and Finnish descent.

No Negroes live within its boundaries.

Thus, out of necessity, social affairs for the trainees are centered almost entirely in Portland, about 100 miles away. Because of the distance, students are restricted to one weekend visit there a month.

Transportation and lodging at the YMCA are provided by the government and dances and other mixed social gatherings are arranged under auspices of the Portland Urban League and other organizations.

However, center officials admit that opportunities for the students to make outside contacts are too limited.

DRAWN FROM SCHOOLS

Olds was recruited by the university from the Springfield (Ore.) School District, where he was assistant superintendent. Most of his staff were drawn from Oregon schools. Few had experience with students such as those who came to Tongue Point.

"Academic and vocational training of the students is comparatively routine," Olds said. "Trying to make responsible men out of some of them is what takes most of our time and understanding and patience."

"There is no doubt, however," he continued, "that most of these boys are well worth saving. It is tremendously satisfying to see young men develop skills and exhibit definite leadership qualities within a matter of a few months."

Dale Owen, head of the center's art department, agrees. One of his students, Paul McCaskill of Miami, is an inspired professional painter, to be taken seriously right now, according to Owen. The University of Oregon invited McCaskill to exhibit his works at a one-man show.

Neither Arthur S. Flemming, president of the University of Oregon, nor Olds denies that the first year's costs seem unreasonable. But both have pointed out that substantial amounts were needed to meet nonrecurring expenses and predicted that expenses per boy will be more than halved during this fiscal year, to about $5,300, when enrollment reaches capacity of 1,250 students this fall.

"Although this may seem too high," Olds said, it must be remembered that we operate the year around and pay all of the students' expenses, including medical and dental."

But reducing the center's other problems to a reasonable size remains to be accomplished.

The age minimum should be raised, Olds recommends, and students should be assigned to centers in their own region.

Olds does not see Job Corps centers as the ultimate answer to the problem of salvaging school dropouts.

"In time," he said, "I think their function should be turned over to the nation's public schools. But, meanwhile, the centers are building up a body of knowledge and experience that will be invaluable to any program that follows.

"I believe they are worthwhile," Olds said.

CAMBODIA AND THE WAR IN VIETNAM

Mr. MORSE. Mr. President, last week I received a cablegram from the head of the Cambodian Government, Prince Sihanouk; and I ask unanimous consent that the translation of his cablegram, together with my reply to him under date of August 10, be printed in the RECORD at this point.

There being no objection, the translation and reply were ordered to be printed in the RECORD, as follows:

I would like to express, Mr. Senator, my very sincere congratulations for the statement full of commonsense, courage, and justice which you gave on the occasion of the departure of the Americans Want to Know Mission to Cambodia. I hope that thanks to you and some of your colleagues who, like you, have a clear view of the problems of the Asian Continent, the great American Nation, which was not so long ago in conflict with colonialism and imperialism, will return to its noble tradition. In the dark times in which we live, your advice is comforting to hear.

With all my gratitude,

NORODOM SIHANOUK,
Chief of State of Cambodia.

AUGUST 10, 1966.

HIS EXCELLENCY,
PRINCE SIHANOUK,
Phnompenh,
Cambodia.

DEAR SIR: Your cablegram commending my statement of July 25 was deeply appreciated. Be assured that I greatly admire your efforts to maintain the sovereignty and dignity of your country, and the safety of your people, amid the trespasses and provocations being committed against Cambodia.

It remains my hope that the nations of the world still on the sidelines will step in to stop the war in Vietnam before it engulfs more people. The parties to the war seem no longer to have the capacity either to stop it or to limit its scope.

Respectfully yours,

WAYNE MORSE.

Mr. MORSE. Both documents speak for themselves, but in view of the fact that the head of the Cambodian Government referred to a public statement that I made at a press conference, I ask unanimous consent that there be printed in the RECORD at this point a copy of the press release which I issued on July 25, when that group of American citizens who call themselves "Americans Want To Know" held a press conference before they left for Cambodia.

There being no objection, the press release was ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATOR MORSE ON "AMERICANS WANT TO KNOW" TRIP TO CAMBODIA

"Americans Want to Know" are to be commended for undertaking a fact-finding mission to Cambodia to determine whether the war is spreading to that country, and if so, at whose instigation.

We have the tragic picture in Southeast Asia of American financial and military power being brought in in massive quantities on the ground that the United States must stop Chinese aggression on the borders of China. How many millions of people and how many nations are to be made party to this endeavor is a question no American outside the inner councils of the Administration can really answer.

We hear daily rumors of intrusions into Cambodia by the Vietcong and by American forces in pursuit of them. We already know that Thailand is for all practical purposes swallowed up in the American encirclement of China. We know that the 1962 Accord on Laos is a thing of the past, observed only in diplomatic lip service.

The tragedy of Belgium, which twice was trampled in contests between great powers, is being repeated in Southeast Asia. Fortunately, there are still some Americans who believe that the many countries who rank below the great power level are entitled to exist without serving as steppingstones for great powers.

The record of the last five years demonstrates that far from preserving the right of these Asians to live their own lives and run their own countries, we are competing with the Communists in trying to take them over before the other does. We and the Communists have dragged Laos into the war; we and the Communists are dragging Thailand into the war; we and the Communists are endangering the Philippines over the war; and we and the Communists apparently are determined that Cambodia will not fall to the other if her sovereignty and soil have to be destroyed to prevent it.

The pious cloak of humanitarianism with which the Administration seeks to disguise our nationalist aims in Southeast Asia is belied by the facts. The facts are that we are not bringing any Great Society to Asia; we are destroying the societies of Asia, great and small, that existed long before our own.

A nation that has not yet created a Great Society at home, nor produced progress by alliance in Latin America, is hardly the country that is going to remake Asia except through air power and artillery.

Many of us hope that Cambodia can yet be saved from the fate of South Vietnam, North Vietnam, Laos, and Thailand. I commend these Americans for their effort to preserve the truth in a welter of nationalism, jingoism, and flag-waving. I congratulate them and I wish them well in their journey.

Mr. MORSE. I await with great interest the official report of this group of American citizens upon their return to the United States. I have been reading the newspaper stories about their visit to Cambodia, and what some of them have said, or allegedly have said, in various interviews in Japan and elsewhere. But I shall await their official statements upon their return to the United States with great interest. Apparently their visit to Cambodia was approved by the head of the Cambodian Government, and I judge that they were given complete access to take trips wherever they wished within that country while they were there.

THE AIRLINE STRIKE

Mr. MORSE. Mr. President, I ask unanimous consent to have printed in the RECORD an editorial entitled "Still No Planes," published in the New York Times of 2 days ago, and an article entitled "Are Mechanics Overpaid?" written by Stanley Levey, and printed in the Washington Daily News of Thursday, August 11, 1966.

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

STILL NO PLANES

The chance that strikebound airliners might get back aloft on the wings of a voluntary arbitration agreement seems to have been shot down even before the union rank and file is asked to pass on it. Strike leaders, still staggering under the membership's overwhelming rejection of the wage agreement they joined President Johnson in endorsing, obviously have no appetite for going back to the strikers now with the arbitration proposal made by Chairman Staggers of the House Commerce Committee and accepted at once by the employers.

Putting the disputed wage issues up to an impartial board for review represents the soundest road now open for resolving a conflict in which layer after layer of governmental intervention has effectively eliminated any possibility of return to "free collective bargaining." The union has already turned down a Presidential emergency board's recommendation of increases that exceeded the old anti-inflation guideposts. It has spurned a pact calling for much higher increases negotiated at the White House. In turning its back on arbitration, it plainly counts on the Administration to use its influence with the tightly regulated airlines to go higher still—no matter how much of a shambles it makes of the whole stabilization program.

The only defense against the success of this tactic lies in passage of the back-to-work bill now awaiting action in the House. Acceptance of voluntary arbitration would have averted the need for another step toward compulsion in labor relations, but the union preferred economic muscle to reason.

[From the Washington (D.C.) Daily News, Aug. 11, 1966]

IT'S NOT A NUMBERS GAME TO AIRLINE STRIKERS: ARE MECHANICS OVERPAID?

(By Stanley Levey)

The current rage here is playing the numbers game with wage rates. Depending on your point of view, you can prove that striking airlines mechanics are overpaid, underpaid, or paid just right.

But to members of the International Association of Machinists it's not a game. And because they rejected the White House settlement 2 weeks ago and will service the planes when they fly again, their sentiments carry clout, in the Washington idiom.

Airlines mechanics believe they are underpaid—not in general, not on the average, and not statistically. Specifically, they feel they are getting less money in cities where they are concentrated than workers with comparable or lesser skills and responsibilities.

Of the 35,000 striking workers, 19,000 are mechanics. Of the latter 12,000 are licensed by the Federal Aviation Agency and must sign out (or certify) the engines, electrical equipment, and frames of planes they repair.

FIGURES CITED

These employees—the most vocal and militant in the union and in short supply—cite the following figures to prove they are underpaid at the present rate of $3.52 an hour, or would be under the rejected White House settlement which would have raised their hourly rate to $4.08 by mid-1968.

In New York City, garbage truck mechanics for the Sanitation Department receive $4.53 an hour. In Denver the rate for city auto and truck mechanics is $4.05; in San Francisco it is $3.91. Greyhound mechanics in the West now get $4.61, and in 1968 will get $5.09. Greyhound machinists rates will go to $5.21 in 1968 from the current $4.74.

San Francisco auto and truck mechanics are paid $4.33 an hour. Electric utility maintenance mechanics in Chicago earn $4.10. The same classes of workers receive $4 in New York, $4.14 in Detroit and $4.10 in St. Louis.

UNION FEELING

The union contends there has been a sharp rise in wages for construction workers in major population centers where its members perform comparable duties at generally lower rates. In Denver, for example, the current hourly rates for seven unionized building crafts, not including employer-paid fringe benefits, are:

Bricklayers, $4.70; carpenters, $4.41; electricians, $4.77; painters, $3.97; plasterers, $4.55; plumbers, $4.51; laborers, $3.02. In other cities, such as Chicago, Los Angeles, Miami, Minneapolis, New York, San Francisco and Washington these rates are even higher.

Sen. WAYNE MORSE (D., Ore.), chairman of a presidential Emergency Board which recommended other settlement terms in the airlines dispute that were rejected by the union, recently had printed in the CONGRESSIONAL RECORD a memorandum comparing airline rates with those of comparable industries. The report sought to counter IAM claims that airlines workers are underpaid.

LOWER FIGURES

Noting new high rates for Greyhound mechanics in the West, the memorandum cited lower figures, ranging from $3.32 to $3.39, for bus mechanics in Miami, Chicago, Washington-Baltimore, New York, Boston, Atlanta, Pittsburgh and Minneapolis-St. Paul. It also noted the small number of western bus mechanics assigned to top-rated jobs.

The same memorandum noted that under the Emergency Board recommendations (for an 18-cent increase for mechanics this year) these workers would have been "far ahead of the majority of their colleagues working in truck repair around the United States."

The figures painted a similar picture (except for the West Coast, a high-wage area) for wages paid truck mechanics under IAM contracts:

In Albuquerque, the present rate is $3.33, in Cincinnati $3.55, in Cleveland, $3.37; in Columbus, $3.37; in El Paso, $3.68, increasing to $3.82 next May, and in Pittsburgh, $3.52.

"I am surprised as I read the newspapers," said Sen. MORSE, "to read the impression created by some of these articles that the workers in this industry are an underpaid group.

"They are not underpaid workers in comparison with wages prevailing in comparable industry generally. This does not mean they are not entitled to a wage increase. I have always said they are. It is a question of how much they are entitled to."

Mr. MORSE. Mr. President, the ticker carries the information this afternoon that the House committee, by a vote of 17 to 13, has reported to the floor of the House a resolution which, if the ticker is accurate, follows the major premises of the Senate resolution. There apparently are some differences in details, but the House resolution appears to have supported, as did that of the Senate, the principle that under the interstate commerce clause, it is the duty of Congress to regulate interstate commerce, and not the President; and that in fact the President does not have the authority to regulate interstate commerce, but only Congress.

I hope, Mr. President, that one of two things will occur by the first of the week: Either that the House will pass the legislation, and the two Houses will reach a common agreement in regard to the final form of the legislation in Congress, so that there will not be any need for any newspaper to write an editorial such as the one I have just put in the RECORD under the heading "Still No Planes"; or that the end of this strike against the public interest, to which the American public is entitled, will be forthcoming. It is a strike, now, against the public interest and not against the carriers; that feature is only secondary. It is a strike by a union working in a regulated industry, and in that industry the public interest is paramount. It calls for legislation that does not break a strike, in spite of all the propaganda of the unions, and I am surprised at the politicians who seem to fear if they vote for an extension of the Railway Labor Act for x number of days—and our resolution would make it 180 days, if that becomes necessary—they are voting to break a strike.

That is utter nonsense. The Railway Labor Act provides that men cannot strike for 60 days when the act is applied to them. Do my fellow Members of Congress think that when that act is applied, we are parties to breaking a strike? More nonsense, I say.

The resolution which we passed in the Senate simply says to the employees, "Go back to work for 180 days." It provides for procedures for mediation during the 180-day period. Not only do the best interests of the public call for that course of action on the part of the union, but the best interests of labor call for it also.

Of course, we have labor leaders who seem to feel they must encourage their union members to stay out on the picket line until they break the will of both the carriers and the public. In my judgment, that is not labor statesmanship. In my judgment, those labor leaders who are following that course of action and not only giving that advice to the members of this union, but seeking to induce members of other unions to put the political heat on Members of Congress in an endeavor to block the passage of legislation, are only injuring the best interests of labor and tarnishing its image.

For I say to the labor leaders of America: We are at war. We are at war, and increasing numbers of American boys are dying in Asia. In my judgment, no union has a right, in the midst of that war, to strike against the public interest in a regulated industry, when there are plenty of peaceful procedures available to the union leaders and the members of that union to carry out the precious right of collective bargaining.

Mr. President, in this case the designated officials of the union, the men selected by the union members to represent them in a collective bargaining session, agreed on a collective bargaining agreement. I wish to say that the members of no union can justify, after such an agreement, in time of war, engaging in a strike against the public interest.

Oh, I know. I was called off the floor of the Senate yesterday by a couple of labor leaders who were incensed at my position.

"Why," they said, "we have supported you in every election, the four times that you have run for Congress."

My reply to them was:

Do you think you bought me? You can tell the leaders of your unions that they have declared political war on me and that I accepted the declaration. I intend to put the public interest first. When I think you fellows are wrong, I shall vote against you, as I have voted against you for 32 years in my involvement in major labor disputes in this country, and I shall continue to vote for you when I think you are right. That is the only thing you have a right to receive from me.

I represent all the people of my State, and not just the members of organized labor. In this instance, I think you are dead wrong, and I hope you will recognize, before it is too late, that you have a responsibility of citizen statesmanship to stop this strike against the public interest.

Mr. President, there is no other alternative to the passage of legislation which, in my opinion, the Members of Congress have a clear duty to pass early next week, unless this union returns to the collective bargaining table and settles on the basis of a fair and reasonable adjustment. The agreement that their negotiators agreed to just a few nights ago was such an agreement.

This union would change its image and role in the minds and eyes of millions of Americans if it reconsiders its action in refusing to accept that agreement, for that agreement eliminated the wage issue as far as the hourly rate is concerned. This union never asked for more than $4.04 for its highest paid employees. They got $4.08 the other night.

I know it is said that they want certain fringe benefits such as an escalator clause. Again, I want to say that we are in the midst of a war, with increasing numbers of American boys dying in Asia, and it is well known, as my remarks on another subject will show momentarily, that I have not supported our getting involved in this war.

I think it has been a great mistake, but we are in it and as long as we are, then let me say here on the homefront, where we are perfectly safe and secure,

for we do not run any risk of getting shot in a jungle, we at least have the public obligation of seeing to it that we do not tear asunder the economic fabric of this Republic.

Any proposal to use naked, economic power on the part of any union in a regulated industry to have its will forced upon the public because it has the economic muscle is not a public service, to put it by way of understatement. So, I hope that over the weekend the lights of industrial statesmanship will return to the eyes of the union leaders and the members of this union and that a good-faith collective bargaining agreement will be entered into that will make it unnecessary to pass legislation.

My last sentence in this regard, in reply to the wires I am receiving from labor leaders in my State, as to where I stand on this legislation is: "I stand for its early passage next week, unless you people in labor carry out your responsibility to the public by agreeing to the type of a fair settlement that the labor leaders for this union agreed to with the carriers and with the Secretary of Labor and the Assistant Secretary of Labor not so many nights ago."

VIETNAM

Mr. MORSE. Mr. President, I ask unanimous consent that an article entitled "Services Feud Over Vietnam News," written by William Tuohy, and published in the Washington Post on yesterday, be printed at this point in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the Washington (D.C.) Post Aug. 11, 1966]

SERVICES FEUD OVER VIET WAR NEWS

(By William Tuohy)

SAIGON, August 10.—The long simmering feud between the U.S. Military Command and the Air Force over military information policy in Vietnam broke into the open today.

The intramural quarrel between jealous services, in the view of many observers here, involves the deeper question of the degree to which the Pentagon is practicing "news management" in releasing information about the war.

The controversy surfaced when it was learned that the highly regarded Air Force information chief, Col. William J. McGinty is being summarily transferred from Saigon to a non-information post in Washington.

His information policy ran afoul of the Military High Command information office in Saigon, where frankness and efficiency are in chronic short supply.

In Vietnam, the Marines have been as helpful as the Air Force in providing correspondents access to information. The Navy has been woefully erratic and inept, and the Army, excellent in the field, defers to the Saigon command—whose top information officers in the past 18 months have been Army General Staff officers.

Currently, the chief information officer in Vietnam is Army Col. Rodger R. Bankson, who came to the job from the Pentagon office of Arthur Sylvester, Assistant Secretary of Defense for Public Affairs.

Bankson's office is charged with holding the daily military briefing for correspondents, which, in the view of many reporters, are often inaccurate, misleading, and valueless.

There is a widespread feeling that the responsibility lies not so much with Bankson as with his boss, Sylvester, or with Sylvester's boss, Defense Secretary Robert S. McNamara.

Sylvester has said he favors government "news management," including lying to the press in times of crisis. On a trip to Vietnam, he declared the press ought to be the "handmaiden" of the Government, as far as reporting the war went.

It is generally believed here that the Defense Department tries to call all the shots from Washington. Information officers privately complain they spend so much time trying to determine sources of unfavorable stories that they haven't time to do their job of assembling and disseminating a coherent account of military activities.

The Command Information Office invariably gives "military security" as the reason for its reluctance to give out information, but many veteran correspondents suspect that much of the information is given or withheld not for security reasons but for domestic political gain.

In Operation Double Eagle earlier this year, the U.S. Marines landed the largest number of troops in an amphibious operation since Korea. Even after two days the region commander refused to release the news, although the Marines had no objection. Saigon claimed release would violate security even though every Vietcong within ten miles of the beach head could tell by the number of ships, planes, and helicopters what was going on. The Saigon Command, say the Marines, was waiting for a favorable kill count to go with the news of the landing.

In any event, the Air Force's free-wheeling policies of giving out as much information as possible ran head-on into the Saigon Command's reluctance to disclose facts.

Col. McGinty refuses to comment on the situation, but it seems clear that he is taking the rap for a "maximum" Air Force disclosure policy at odds with the establishment's rule of "minimum disclosure."

In Saigon, Air Force information specialists feel their whole effort to give fast news to the public has been jeopardized by McGinty's sudden transfer.

But in the view of many observers here, in and out of Government, the real victims are the Johnson Administration and the public itself.

The Pentagon, these observers say, has so often mismanaged the news that the Administration's credibility on the whole subject of the Vietnam war has suffered. And it often seems, they add, that the American people are entitled to more accurate information about a complex, crucial war than the Pentagon is prepared to give them.

Mr. MORSE. Mr. President, this article bears out what I have said so many times during the last 3 years about this war in southeast Asia.

The American people are getting managed news. They are getting censored news. They are getting slanted news. That is why, if we want to know what is happening in southeast Asia, we cannot get it from the American press. We have to read the foreign press. We have to read the French press, the Canadian press, the Great Britain press and the press of the Low Lands of Scandanavia. We have to read the press of the noncombatant countries that have correspondents in Asia. It is quite a different thing. For example, that press leaves no room for doubt as to whether we are killing civilians.

It is a shocking thing that this administration continues to misrepresent to the American people that our bombing in the Hanoi area within 3 miles of the center of the city is not killing civilians.

The foreign press tells us quite to the contrary. Not only that, but the foreign press also depicts the tragedy which is shocking and should be shocking to moral men and women. We cannot do what we are doing in the bombing in the Hanoi and Haiphong area and claim that we are moral, for our actions spell out immorality. All Asia knows it. All Europe knows it. Criticism falls upon us from Africa, Latin America, and all over the world.

Mr. President, I raise my voice once again to make this plea to the administration: "You tell the American people the truth and all the truth about the course that we are following in prosecuting the war in southeast Asia."

I want them to know the truth also concerning the shocking brutality and cruelty and atrocity of the enemy, but that does not justify our immorality.

It does justify that, before it is too late, we make perfectly clear to the other nations of the world, through some international body, preferably the United Nations, that we are ready to have them take over. We are ready to have them declare a cease-fire. We are ready to have them declare that they will carry out their obligations to enforce the peace.

That continues to be my answer to the repeated misrepresentation of this administration that those of us who criticize the policy have no alternative to offer. We have been offering the alternatives in detail for 3 years.

We have been offering the alternative of a General Ridgway, a General Gavin, a George Kennan, and the others who are warning us and have been warning us that we cannot escalate this war, as we are escalating it, and not end up in a massive war that undoubtedly will engender the beginning of the third world war.

Oh, Mr. President, I want to say to the American people: "If you want to know what your Government is doing in southeast Asia, you had better start subscribing to the foreign press."

Mr. President, I ask unanimous consent to have printed at this point in the RECORD, relating to what I have just said on another facet of the problem, an article entitled, "Pentagon Readies More U.S. Troops for War in Vietnam," published in the Washington Post of August 11.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

PENTAGON READIES MORE U.S. TROOPS FOR WAR IN VIETNAM

(By John G. Norris)

Several additional American divisions, still in training but rapidly nearing combat readiness, will be sent to Vietnam under tentative plans that are virtually certain to receive top level approval.

Authoritative Pentagon sources forecast this action after Gen. William C. Westmoreland told newsmen yesterday during a visit to U.S. Pacific Headquarters at Pearl Harbor that more troops will be needed in Vietnam.

Westmoreland, the U.S. commander in Vietnam, made the statement when asked about reports of mounting North Vietnamese

troop infiltrations into the south and recent press reports of rising troop requirements.

WON'T GUESS ON NEEDS

Westmoreland declined to speculate on the number of additional troops that ultimately may be needed. He said that U.S. troop requirements depend upon enemy action, but stressed that there is "no magic ratio" that would tell how many American troops are needed to offset any given number of Communist troops.

"It is difficult to compare power by relating people, because we have the firepower and the mobility that the Communist troops do not have," said the General. "I believe more troops will be needed. We have increments arriving almost every month, such as elements of the 4th Division last month."

There now are about 290,000 American servicemen in Vietnam, plus about 60,000 in the U.S. Seventh Fleet offshore and 25,000 or more in Thailand and elsewhere taking part in the war. It is understood that another 20,000 to 30,000 troops are under orders to move to Vietnam, including the remainder of the 4th Infantry Division.

PREDICTION BY STENNIS

Sen. JOHN C. STENNIS, Democrat of Mississippi, chairman of the Senate Preparedness Subcommittee and a member of the Senate Armed Services Committee, said yesterday that an eventual 500,000 to 600,000 men will be needed to win in Vietnam.

Last January, STENNIS predicted that U.S. troop strength might reach 400,000 by the end of 1966. Pentagon sources indicate that if pending plans—expected to be approved—go through, the total by the end of December will be between 360,000 and 380,000 men.

Where will the troops come from? The Army divisions at home that were converted temporarily into training divisions for Vietnam replacements last summer have ceased taking recruits and should be combat-ready this fall.

That will make available the 5th Mechanized Infantry Division at Ft. Carson, Colo., along with the new 9th Infantry Division at Ft. Riley, Kan., sizeable portions of the 82d and 101st Airborne Divisions not now committed, as well as three new brigades—a division equivalent—and one or two older brigades.

Mr. MORSE. Mr. President, this is another trial balloon following the most recent ascent of our trial balloonists in South Vietnam. To keep this little tyrant military dictator Ky in power, we are killing American boys. What a shocking page of American history that a single American boy is being sacrificed to keep that little tyrant in power.

A few days ago—in fact, the very day after Ky sent up that trial balloon—and I have been heard to say for many months past that if one wishes to know what the Pentagon is up to, he should keep his ears and eyes open for what Ky says—when Ky made that statement in South Vietnam, in Saigon, including his interview with the correspondents for U.S. News & World Report, and urged the sending of troops into North Vietnam, he was talking about American troops.

The interesting thing is that the American troops have replaced South Vietnam troops to a striking degree. The South Vietnam troops have been too busy quarreling among themselves. But he is talking about our sending American troops into North Vietnam.

There was a press conference some days ago with Mr. Dean Rusk. Again I say that if one wishes to know what Rusk says in a press conference, one should pay more attention to what is between the lines than what is on the lines, for one always has to be ready for double-talk. In that press conference the Secretary of State refused to exclude the possibility of sending American troops into North Vietnam.

May I say to the American people that that is the beginning of this administration's propagandizing you to get ready to put American ground troops into North Vietnam.

If we do, Mr. President, we increase the danger of an all-out war in Asia. I do not intend to support it. It is not justified. It is immoral, obviously illegal.

Mr. President, we have to get back to the framework of international law. We cannot follow this unilateral aggressive course of action. When I say unilateral and aggressive, I mean with respect to the great powers of the world who are more and more isolating us in connection with this war. We cannot follow this unilateral course of action, we cannot send American troops into North Vietnam, without getting ourselves involved in a war with China and Russia. If that happens, then history will record that the nation responsible for the beginning of the third world war was the United States. I do not wish to leave that heritage to future generations of American boys and girls.

Read between the lines of that article—because that is an official reporting of our Government. Read between its lines. It is an article that seeks to get the American people ready for a great increase in American troops into southeast Asia. In my judgment, when they get those troops over there, the 17th parallel will become meaningless. We will be marching across it, and I believe we will be on our way to world war III.

Again I wish to say that it never makes me happy to express these differences of opinion with my Government on foreign policy; but in the absence of a declaration of war. I shall continue to plead that we stop this butchery in Asia, that we recognize that the jungle law of military might cannot produce a peace. It may produce a surrender; but it will only cause millions and millions of Asians, who hate us already with an intensity of fury, to continue to hate us as we maintain hundreds of thousands of troops in Asia for half a century, if necessary, before they finally throw us out.

So, Mr. President, I wish to raise my voice in opposition to what I am satisfied is at the present time a covert plan to get enough American troops into Asia so that we can give a rationalization to the American people, by way of propaganda, for marching into North Vietnam.

I hope that the leaders of my Government will recognize that, after all, we ought to place our professings about religious principles above the immoral course of conduct that, as a nation, we are following in Asia.

(At this point Mr. MORSE assumed the chair as Presiding Officer.)

LAKE MICHIGAN POLLUTION MUST BE HALTED

Mr. HARTKE. Mr. President, during the last few days, a matter of serious concern has been brought to me as the Senator from Indiana; a matter of concern to the people of my State; and certainly to all the people of the Great Lake States. The Army Corps of Engineers is dumping at least 75,000 yards and perhaps as much as 160,000 cubic yards of polluted filth into a 70,000 acre area of Lake Michigan. This recent "sludge" has been dredged from the North Branch of the Chicago River. The corps, for navigation purposes, is removing it to increase the depth of the channel from 9 to 12 feet in some areas and 21 feet in others.

The dumping of this "sludge," some 13 miles off the shoreline into Lake Michigan further increases the pollution level of the lake and creates a menace to health and welfare of millions of people in the Chicago area and endangering Gary, Hammond, and East Chicago, all in Indiana—and neighboring Wisconsin and Michigan communities. This dumping may lead to further contamination of water supply and closing of beaches. It can plunge us, who are trying to work out ways to clean up the lakes, into a situation so catastrophic that it will require billions of dollars to remedy.

The reason for dredging is understandable. Several years ago the city of Chicago reversed the flow of the Chicago River, in order to provide flow for treated sewage. The Chicago treatment plants operate on the so-called 90-percent basis, which represents a high degree of treatment, for the removal of BOD—the biochemical oxygen demand. However, over the years the sediment has built up on the bottom of the river and must be removed to accommodate barge traffic. The systematic pollution of the vast fresh water supply that is Lake Michigan is tragic.

It is tragic because this latest incident aggravates dumping sludge derived from the Calumet and Chicago Rivers, which has been continuous from 1955. Estimates of as high as 2.5 million cubic yards of filth have been dumped from dredging by the corps.

In the course of these dredging activities the corps is harvesting materials which sanitation experts call "nutrients"—sludge which has a high level of nitrogen and phosphates, even after treatment. The nutrient-sludge feeds aquatic life, such as algae, and continue to do so when moved to another environment—such as Lake Michigan.

The release of nutrients causes the algae to grow so rapidly that the growth is similar to an explosion—creating what ecologists call algae bloom. These algae die, sink, and form more sludge which in turn regenerates the cycle. Thus, we have a self-generating unit of pollution. Any given body of water can, under these circumstances, quickly come to be described as "pea soup" or what people from the area describe as "the lake is greening."

The situation is so grave that we must take immediate action to reverse the course of pollution. We have all lagged behind in this duty. No one element is specifically responsible for our total problem of pollution. However, we can move

quickly to stop this one situation. I call upon Chicago to do so.

As to the total problem of water pollution, since we are all responsible—the Federal agencies will have to gear-up to move faster. The Department of Interior, with its new responsibility, is moving slowly. The Enforcement Division of the Federal Pollution Control Agency is possibly undermanned. We have no effective regional commission of the Great Lakes States, which would make certain that situations such as the dumping from the Chicago River into Lake Michigan could not occur. Separate State agencies seem reluctant to cooperate even when faced with such a serious problem.

I urge that we work swiftly toward formation of long-range plans for the Great Lakes pollution reclamation, but I call for the following steps to be taken immediately:

First. That the Army Corps of Engineers immediately cease dumping in Lake Michigan and the corps no longer concern themselves only with navigation and flood control. They, too, are responsible for the public welfare as they operate from the public funds and consequently in the public interest. The Congress may be called upon to create a special section of the corps with skilled sanitation engineers. I would support such legislation, although the Executive Order No. 11258, issued November 1965, should have been sufficient to charge the corps with this responsibility.

Second. The Chicago Sanitary District and responsible officials be called upon to come up with more efficient disposal of waste materials derived from the vast population they serve; and

Third. The Federal agencies responsible for the public welfare must move faster in this area. Significant research in this complicated field must be undertaken to determine new methods of sewage treatment and water reclamation.

If we are not to be short of usable water by 1980, if we are to insure the recreation of the public and the safety of our beaches—and I include our Indiana dunes which I support—and if we are to insure the future prosperity of the Midwest, then we must stop pollution of Lake Michigan and augment current abatement and reclamation work.

ADJOURNMENT TO MONDAY

Mr. HARTKE. Mr. President, I move that the Senate adjourn until 12 o'clock noon on Monday next.

The motion was agreed to; and (at 5 o'clock and 11 minutes p.m.) the Senate adjourned until Monday, August 15, 1966, at 12 o'clock meridian.

NOMINATIONS

Executive nominations received by the Senate August 12, 1966:

FEDERAL COAL MINE SAFETY BOARD OF REVIEW

The following-named persons to be members of the Federal Coal Mine Safety Board of Review:

For the term expiring July 15, 1969:

Edgar F. Talbott, Sr., of Virginia. (New position.)

For the term expiring July 15, 1970:

Harry R. Pauley, of West Virginia. (New position.)

For the term expiring July 15, 1971:

Charles R. Ferguson, of Pennsylvania. (Reappointment.)

HOUSE OF REPRESENTATIVES

MONDAY, AUGUST 15, 1966

The House met at 12 o'clock noon.

The Chaplain, Rev. Edward G. Latch, D.D., offered the following player:

Thou wilt show me the path of life: in Thy presence is fullness of joy.—Psalm 16:11.

O God, our Father, Ruler of nations and the Father of all mankind, Thou hast surrounded us with Thy mercies, Thou hast guided us with Thy wisdom, Thou hast blest us with Thy love. Continue to breathe upon us, breath of God, fill us with life anew, that we may love what Thou dost love and do what Thou wouldst do—so may our lives be more worthy in Thy sight and our labor be in accordance with Thy holy will.

Deliver us from pride and prejudice and bless us with the glorious liberty of the open mind and the responsive heart. Clothe us with the spirit that never fails to bear the fruit of happiness and integrity and love.

Bless Thou our Speaker, every Member of Congress and all citizens of our beloved country. Together may we keep our Nation free and strong and good. In the name of Christ we pray. Amen.

THE JOURNAL

The Journal of the proceedings of Thursday, August 11, 1966, was read and approved.

SUNDRY MESSAGES FROM THE PRESIDENT

Sundry messages in writing from the President of the United States were communicated to the House by Mr. Geisler, one of his secretaries, who also informed the House that on the following dates the President approved and signed bills of the House of the following titles:

On August 11, 1966:

H.R. 3013. An act to amend title 10, United States Code, to provide gold star lapel buttons for the next of kin of members of the Armed Forces who lost or lose their lives in war or as a result of cold war incidents;

H.R. 7327. An act to amend a limitation on the salary of the academic dean of the Naval Postgraduate School;

H.R. 10220. An act for the relief of Abdul Wohabe;

H.R. 11980. An act to authorize the Secretary of the Army to donate two obsolete German weapons to the Federal Republic of Germany;

H.R. 12389. An act to increase the amount authorized to be appropriated for the development of the Arkansas Post National Memorial; and

H.R. 13374. An act to amend title 10, United States Code, to authorize the award of trophies for the recognition of special accomplishments related to the Armed Forces, and for other purposes.

On August 12, 1966:

H.R. 15225. An act to amend section 15d of the Tennessee Valley Authority Act of 1933 to increase the amount of bonds which may be issued by the Tennessee Valley Authority.

On August 14, 1966:

H.R. 14875. An act to amend section 1035 of title 10, United States Code, and other laws, to authorize members of the uniformed services who are on duty outside the United States or its possessions to deposit their savings with a uniformed service, and for other purposes.

MESSAGE FROM THE SENATE

A message from the Senate by Mr. Arrington, one of its clerks, announced that the Senate had passed without amendment a joint resolution of the House of the following title:

H.J. Res. 1207. Joint resolution to authorize the Administrator of General Services to accept title to the John Fitzgerald Kennedy Library, and for other purposes.

The message also announced that the Senate had passed, with amendments in which the concurrence of the House is requested, bills of the House of the following titles:

H.R. 3078. An act for the relief of Lourdes S. (Delotavo) Matzke;

H.R. 5213. An act for the relief of Winston Lloyd McKay; and

H.R. 14088. An act to amend chapter 55 of title 10, United States Code, to authorize an improved health benefits program for retired members and members of the uniformed services and their dependents, and for other purposes.

The message also announced that the Senate insists upon its amendments to the bill (H.R. 14088) entitled "An act to amend chapter 55 of title 10, United States Code, to authorize an improved health benefits program for retired members and members of the uniformed services and their dependents, and for other purposes," requests a conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. SYMINGTON, Mr. RUSSELL of Georgia, Mr. CANNON, Mr. YOUNG of Ohio, Mr. SMITH, and Mr. TOWER to be the conferees on the part of the Senate.

The message also announced that the Senate further disagrees to the amendments of the House to the bill (S. 602) entitled "An act to amend the Small Reclamation Projects Act of 1956," agrees to a further conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. JACKSON, Mr. ANDERSON, Mr. MOSS, Mr. KUCHEL, and Mr. ALLOTT to be the conferees on the part of the Senate.

The message also announced that the Senate disagrees to the amendments of the House to the bill (S. 3155) entitled "An act to authorize appropriations for the fiscal years 1968 and 1969 for the construction of certain highways in accordance with title 23 of the United States Code, and for other purposes," agrees to a conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. RANDOLPH, Mr. GRUENING, Mr. MUSKIE, Mr. MOSS, Mr. COOPER, and Mr. FONG to be conferees on the part of the Senate.

The message also announced that the Senate agrees to the report of the com-