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PROVIDE A FLEXIBLE INTEREST RATE ON LOANS
TO ASSOCIATIONS FOR WATER AND WASTE DISPOSAL

GOVERNMENT

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HEARING

BEFORE THE

SUBCOMMITTEE ON CONSERVATION AND CREDIT

OF THE

COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

NINETY-FIRST CONGRESS

FIRST SESSION

ON

H.R. 5850

JUNE 17, 1969

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(II)

CONTENTS

H.R. 5850, a bill to amend the Consolidated Farmers Home Administration Act of 1961, as amended, to provide a flexible interest rate on loans to associations for water and waste disposal, and for other purposes-----	Page 2
Smith, James V., Administrator, Farmers Home Administration, statement of-----	2

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PROVIDE A FLEXIBLE INTEREST RATE ON LOANS TO ASSOCIATIONS FOR WATER AND WASTE DISPOSAL

TUESDAY, JUNE 17, 1969

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON CONSERVATION AND CREDIT OF THE
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to call, at 10:05 a.m., in room 1301, Longworth House Office Building, Hon. W. R. Poage presiding.

Present: Representatives Poage, de la Garza, Teague of California, Goodling, and Mayne.

Also present: Representatives Jones of North Carolina, Price, and Camp.

Christine S. Gallagher, clerk; William C. Black, general counsel; John A. Knebel, assistant counsel, and Fred Ward, assistant staff consultant.

Mr. POAGE. The subcommittee will come to order.

We are here today to consider H.R. 5850 which is a bill to provide a flexible interest rate on loans to associations for water and waste disposal which is of utmost concern to those concerned with problems of the Farmer's Home Administration. I am certain the Members who were here all remember Jim Smith of Oklahoma who served with us here in the House and who we requested to meet with us and to give us the benefit of his suggestions on these and other problems in the Farmer's Home Administration of which he is the administrator.

We are delighted to have you here and would be pleased to have you give us any suggestions you would like as to the problems of your particular division and as to any legislation you feel would be helpful to solve those problems.

There are several different bills that have been introduced relating to various fragments of all of the problems.

We would like, I think, to consolidate all of these proposals into one and not go out and have any more battles than we have to on the floor. By getting them all at one place, I think we would be in better shape.

I realize that you may not be ready to discuss all of the matters you will want to discuss with us, but we will discuss what we can, and we will be glad to hear from you.

(H.R. 5850 by Mr. Poage follows:)

(1)

[H.R. 5850, 91st Cong., first sess.]

A BILL To amend the Consolidated Farmers Home Administration Act of 1961, as amended, to provide a flexible interest rate on loans to associations for water and waste disposal, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Consolidated Farmers Home Administration Act of 1961, as amended, is further amended as follows:

"Section 307 is amended by changing the period at the end of the second sentence to a colon and adding 'Provided, That in lieu of making grants under subsections 306(a) (2) and (3) the Secretary may from time to time prescribe an interest rate on loans to associations to finance projects for works for the development, storage, treatment, purification, or distribution of water, or the collection, treatment, or disposal of waste in rural areas, which rate shall be based on the ability of the association to pay, considering reasonable user charges for the services to be provided, but shall not be less than 1 per centum per annum.'"

**STATEMENT OF JAMES V. SMITH, ADMINISTRATOR; ACCOMPANIED
BY JOSEPH HASPRAY, DEPUTY ADMINISTRATOR; AND GENE
HOFFMAN, ASSISTANT ADMINISTRATOR FOR COMMUNITY SERV-
ICES, FARMERS HOME ADMINISTRATION**

Mr. SMITH. Thank you, Mr. Chairman.

It is really a pleasure to have this opportunity to appear before this committee, and I would like to express my appreciation for the dedication and the leadership as it relates to agriculture that this committee has demonstrated throughout the years.

I appreciate the opportunity to respond to some of the questions that have been referred to in recent months concerning the programs in the Farmers Home Administration.

Essentially, we are here today at the committee's request to talk about legislation pending before the committee relating to the Farmers Home Administration.

The committee has before it H.R. 5850 introduced by the chairman to provide a flexible interest rate on loans to associations for water and waste disposal. In January we furnished the chairman with a draft of this bill. We are now preparing an official report on this legislation. This report will go through the regular clearance channels to Bureau of the Budget, and Bureau of the Budget undoubtedly will ask for comment from other agencies administering grant funds.

We understand that the committee has before it a report on proposed legislation to place the FHA operating loan program under the insured loan fund.

The proposal covered by the report has four principal features as follows:

1. Authorizes the insuring of operating loans.
 2. Increases from \$100 million to \$200 million the aggregate of new loans which may be held at any one time pending sale as insured loans.
 3. Authorizes a sliding scale interest rate, and
 4. Provides that program levels for insured operating loans be established annually by the Congress in the Appropriation Act.
- I will review each of these features in some detail:

1. INSURING OF OPERATING LOANS

The purpose here is to provide a better way to fund this important program. Presently the program is financed in its entirety out of the

direct loan account. Expenditures out of this account are classed as budget outlays. The proposed bill would transfer the program to the agricultural credit insurance fund. This will shift the funding of the program from the Treasury to the private money market. This is done by selling loan paper to private investors. The proceeds of the sale of insured paper is classified as a receipt. The receipt from the sale of insured paper offsets the expenditure recorded when the loan is disbursed to the farmer borrower.

The Bureau of the Budget strongly endorses this proposal as it reduces budget outlays.

We are using the agricultural credit insurance fund to finance the following important programs:

Farmownership loans, \$272 million; association loans, \$121 million; recreation loans to individuals, \$2 million; and soil and water loans to individuals, \$2 million. The dollar amounts are present 1969 budget levels.

2. INCREASE THE LIMIT ON THE AMOUNT OF NEW LOAN PAPER THAT MAY BE HELD

Current legislation places a limit on the amount of new loan paper we may hold. This feature is designed to cause FHA to sell off its loan paper as promptly and expeditiously as possible. The limit is now \$100 million, and it should be raised to \$200 million when the operating loan program is placed under the agricultural credit insurance fund.

We need this increase to compensate for the timelag encountered in closing loans and in assembling the promissory note (and mortgage) preparatory to sale. Checks are drawn in our national finance office in St. Louis, and loan closing is completed in the counties. During the heavy loan making period, large numbers of checks and notes are in transit; and this paper in float is charged against the \$100 million limit.

The present \$100 million limit is designed to give us operating room in assembling and offering paper for sale. Placing the operating loan program under the insured account will add large numbers of relatively small notes to the account, and the limit needs to be raised to provide the time needed to do an orderly job of marketing paper.

3. SLIDING SCALE INTEREST RATE

FHA is now administering a sliding scale interest rate under its housing programs. Interest rates range from a low of 1 percent to a high of $5\frac{1}{8}$ percent on title V loans to low and moderate income families and 8 percent on loans to families with above moderate income.

The proposed bill provides for a similar sliding scale interest rate structure for operating loans. The interest rate on operating loans is now determined annually by the Secretary of the Treasury according to the cost of money to the Treasury. The interest rate during the 1969 fiscal year was $5\frac{1}{2}$ percent per annum. We expect it will be set at a higher rate for the 1970 fiscal year.

Under the sliding scale interest rate we can expand the coverage of our programs to assist low-income families who cannot qualify for loans at the regular FHA interest rate. These would be borrowers who could not pay the established FHA rate of interest, meet their other

obligations, including payment of principal on the loan, and have sufficient income remaining to maintain a minimum essential standard of living. Interest rates would be adjusted periodically to reflect changes in the income of the borrower.

The beginning farmer with small equity provides a good example to illustrate the workings of a sliding scale interest rate arrangement. The beginning farmer typically needs several years to establish himself and to develop his full earning potential. He will have only limited ability to repay for the first year or two of the loan. During this initial period the interest rate on the loan could be scaled down to fit his ability to repay. The loan would be reviewed periodically and as his earnings increased the interest rate could be adjusted upward. The ultimate objective would be to graduate the borrower when his earning capacity improves to the point that he can obtain credit through conventional lenders.

Interest supplements could also be used to assist farmers who, because of age, limited resources, disability or other factors, have low net worth and insufficient income to provide a minimum essential level of living.

Interest supplements would increase program costs. The Government would absorb the difference between the interest earned on the loan and the interest paid to the purchasers of FHA notes. On a 1-percent loan the additional interest cost in fiscal year 1969 would be $4\frac{1}{2}$ percent. Currently we are paying $7\frac{3}{4}$ percent to purchasers of 3-year FHA paper. Thus the full interest cost would be $6\frac{3}{4}$ percent. The added interest cost is classified as an interest insufficiency. The proposed legislation authorizes an annual appropriation for interest insufficiency. The administration of a sliding scale interest rate will create a heavy workload for our county office personnel. The county supervisor will be called on to sit down with each borrower each year and analyze the borrower's income, expenses and financial position and arrive at the proper interest rate to charge. Depending on this analysis, he could continue the rate or he could adjust it up or down. The difficulties the loan supervisor will encounter in this interest rate review are obvious. If the county supervisor were working with salaried employees he could verify income from salaries by checking with the employer. In fact, the county supervisor will be dealing with self-employed persons whose income will fluctuate; and, the country supervisor will be dependent on the borrower's certification and records in making determination of income. The annual determination of interest rates will be time consuming and in some cases could be quite controversial.

At the level of funding provided in the 1970 budget as passed by the House, FHA will not have the personnel to administer a sliding scale interest rate on operating loans. The legislation as written is permissive. As Administrator of FHA, I will counsel with the Secretary on our ability to implement the authority, if and when it is passed by the Congress.

4. PROGRAM LEVELS

This language is intended to incorporate into legislation a practice now followed in the budget process. We now show program level amounts in the budget schedules for the insured loan funds. The pro-

posed language formalizes this process and provides that program levels will be set annually by Congress in the appropriation acts.

The 1970 budget anticipates that Congress will enact this legislative proposal. The budget tables show the adjustment proposed, when the legislation is passed. The direct loan account will be reduced by \$250 million and the authorization for insured operating loans will be set at \$350 million for fiscal 1970, a \$100 million increase in authorization.

Assuming that the new legislation is enacted in fiscal year 1970, the greater part of the 1970 program will be funded through the insured account. To carry out the changeover and to be consistent with our practice on other insured accounts, we will want to make use of a limited amount of direct loan account funds through the end of the fiscal year.

Mr. Chairman, this concludes my review of the provisions of the bill. I would like now to talk about the broader question of the program goals of FHA in helping to maintain the family farm system and to develop rural America.

FHA is a lending agency directed by Congress to provide credit to farmers and to other rural residents who are unable to obtain adequate financing from other sources. FHA loans and credit assistance are supplemental to the lending activities of commercial banks, insurance companies, and of the Federal land banks and the production credit associations.

For many farm families we are the only source of credit available. The level of need is many times larger than the resources available to meet that need.

It is disturbing to me as FHA Administrator to look at the record of the operating loan program the past several years and to note the deterioration in our ability to help farmers.

Operating loan program levels (dollars available for loans) have been held at \$300 million, or less, for the past 7 fiscal years. Program levels have been held constant in a period when the cost of farming has been going up.

In the decade ending March 1, 1968, land values went up 70 percent. During the past 7 years, investment in machinery has gone up 79 percent, cash input in fertilizer went up 64 percent, and purchased feed went up 33 percent.

It is obvious from these figures that a \$275 million loan program at 1969 price levels will not assist as many farmers as were assisted with \$275 million in 1962.

The following table shows the decrease in the number of farmers helped and the increase in the size of the loan. I will not quote these figures since the table will be before the committee.

(The table referred to follows:)

Fiscal year	Total number loans made	Average size
1963.....	77,992	3,852
1964.....	76,611	3,916
1965.....	72,597	4,138
1966.....	64,743	4,262
1967.....	64,899	4,627
1968.....	52,321	5,256
1969 ¹	48,928	5,449

¹ Through May 31, 1969.

Mr. SMITH. The rate of decline illustrated in the above table will accelerate under our present level of funding.

The transfer of the operating loan program into the insured loan fund will extend to this program the tried and tested funding arrangements we are using for other major programs. The authorities available under the fund provide a most desirable method for financing loan programs. The following programs are currently under the insured fund and these account for over 60 percent of our total programs:

	<i>Fiscal 1969 program levels (millions)</i>
Agricultural credit insurance fund:	
Farmownership	\$272
Association	121
Recreation, individual	2
Soil and water loans, individual	2
Rural housing insurance fund:	
Individual housing loans	478
Rental and labor housing loans	35
Total insured loans	910

Mr. SMITH. As this committee is well familiar with it, Mr. Chairman, this will complete my statement on the operating loan program. With your permission I would like to conclude with a quick capsule overall view of the total FHA program. First, I would like to call the committee's attention to the dramatic change that has taken place in the past 10 years in the program goals of the FHA both in dollar levels and in the number and variety of programs administered.

FHA was established originally to provide credit help to rural people. Supervised credit has been the distinguishing feature of the agency's programs. And I certainly want to emphasize that, this morning—supervised credit. In the public eye the FHA is primarily a lending agency to help farm families own and operate farms. From the early thirties and continuing to the 1960's our main energies were directed to helping farm families through the supervised credit programs. Since 1961 Congress has enacted legislation that has set into motion forces of change that are causing a major reorientation in FHA program activity. Among the principal legislative changes are those which:

1. Authorized nonfarm rural housing loans (Public Law 87-70, June 30, 1961).
2. Created the rural housing insurance fund for the purpose of making housing loans on an insured basis (Public Law 89-117, Aug. 10, 1965).
3. Authorized loans for waste disposal facilities and recreational development; and grants for planning and development of water and waste disposal systems (Public Law 89-240, Oct. 7, 1965) (Poage-Aiken bill).

The following table shows the major redistribution of activity resulting from this legislation from 1960 to 1970:

(Table follows:)

[In thousands of dollars]

Fiscal year	Farm family			Association ²	Housing
	Farm ownership	Operating loan	Other family ¹		
1961.....	57, 229	233, 368	28, 824	5, 846	70, 306
1962.....	183, 007	275, 329	68, 096	14, 271	96, 337
1963.....	221, 756	300, 408	66, 788	17, 952	186, 653
1964.....	206, 281	299, 984	54, 498	49, 125	132, 472
1965.....	182, 591	300, 414	101, 627	79, 905	132, 878
1966.....	233, 237	275, 957	136, 130	153, 343	266, 393
1967.....	260, 000	300, 263	130, 385	231, 116	439, 441
1968.....	205, 000	275, 000	141, 103	211, 775	491, 336
1969 (estimate).....	300, 000	275, 000	155, 500	249, 487	543, 000
1970 (estimate).....	365, 000	250, 000	100, 500	245, 900	1, 296, 000

¹ Emergency loans; soil and water to individuals; economic opportunity loans; and recreation loans to individuals.

² Water; sewer; recreation; grazing; rural renewal; resource, conservation, and development; and watershed.

MR. SMITH. Congress has passed other legislation that is broadening and diversifying the services rendered by FHA.

The Economic Opportunity Act of 1964 authorized loans to low-income farm families for agriculture and nonagriculture enterprises. Funds for these programs are appropriated to the Office of Economic Opportunity and transferred to the Department of Agriculture for administration. The activity under these programs is relatively small as measured by the level of funds made available. The program is significant because it is expanding the coverage of FHA programs to include loans to low-income families and also to include loans to cooperatives in low-income rural areas. In fiscal year 1969 this program is funded at \$14,500,000.

In 1968, Congress instituted the interest supplement housing loans for families of low to moderate income and authorized the Secretary of Agriculture to make interest supplement loans in rural areas for the Department of Housing and Urban Development.

FHA is authorized to make 1-percent loans for minor repairs to homes and farm service buildings. These low-interest housing loans account for only a small part of the housing program. They are significant because they represent an effort by Government to help low-income people with low-interest loans.

MR. CHAIRMAN, I appreciate this opportunity to appear before the committee and to review with you some of the key features of the FHA program. I am prepared to respond to any questions you may have.

MR. POAGE. Certainly, we are very much obliged to you for this appearance. I think it important that we review the activities of your agency and other similar agencies from time to time because legislation that is adequate one year, we find is not sufficient a little bit later. Conditions change and your activity changes. Right now, of course, we are faced with a situation that is more extreme than any we have experienced recently and during the time I have been chairman of this subcommittee—and that is our high-interest rates.

What effect will the tight money market have on the demand for Farmers Home loans?

MR. SMITH. This has certainly created a problem for our agency, Mr. Chairman, as well as the whole of Government.

We can make loans only to applicants who cannot obtain credit through conventional sources, as mentioned a few minutes ago, and the

tight money supply and resulting high-interest rates are drying up our conventional sources for financing our farming operations.

Mr. POAGE. Yet, at the same time, it is directly increasing the number of people who are eligible for your loans; is it not?

Mr. SMITH. This has occurred, Mr. Chairman, in some areas. Now, we expect demand for FHA assistance, fiscal assistance, to intensify during the coming year for many reasons. The increase in population and the desire for financing as a result of the tight money situation and inflationary conditions that we have in our country at this time will doubtless increase the need from an economic viewpoint. Of course, our interest rates are fixed by statute. The interest rate for operating loans is set at the cost of Treasury borrowing, and in fiscal 1969 the rate was 5½ percent, and it will be higher in fiscal 1970. We do not know exactly how much. In our judgment, the demand for assistance is not created by our low-interest rate but rather by the inability of the applicant to qualify for a loan through the normal credit channels.

Mr. POAGE. Well, now, you have made some direct loans, of course. You also make insured loans, and the insured loan business has become—the insured portion of this business has become relatively larger over the years. What has been your experience in marketing these insured loans? You sell these loans in order to get the money on them. Now, what has been your experience in marketing them?

Mr. SMITH. It has had considerable effect, Mr. Chairman. We are suffering from the tightening of money supplies. The Farmers Home Administration finances its insured loan accounts through the sale of promissory notes into the commercial market, as you have mentioned. Until December of last year, investment money was relatively plentiful and we could find buyers for our paper, particularly through country banks. And I should mention here, Mr. Chairman, that there was a time when we were able to sell the paper for a higher rate than we were lending, which made a profit for the Government.

However, beginning about February of 1969 the money supply began to tighten, interest rates began to climb, and the demand for FHA insured paper fell off to half the needed rate. The fall off in sales of our paper became so serious that the Director of the Budget wrote a cautionary letter to the Secretary of Agriculture in March of 1969 in which he stated that the FHA must accelerate its sales of insured notes or else cut down on the volume of new loan activities.

FHA undertook a top level policy study of the market potential for its insured notes. We concluded that in its present form Farmers Home insured notes could not be sold in volume in a tight money market without paying a prohibitively heavy interest premium. The FHA asked the Treasury Department for authority to market a new security instrument. Treasury under its responsibility for debt management developed an alternative procedure for the remaining balance of fiscal 1969. Treasury arranged to offset short falls in FHA sales by increasing receipts in other Government accounts.

We will have the same problem with us in fiscal year 1970 in a more acute form—the volume of paper we will have to sell next year will be double the current year volume. We have opened discussion with the Treasury Department to obtain administration approval to propose new legislation which would authorize FHA to market a security instrument more acceptable to investors in the primary money markets.

We do not have assurance at this time that Treasury will give us clearance on our proposal.

The ability of FHA to carry out the lending programs authorized by Congress is completely dependent on its ability to sell increasing volumes of its insured paper in the commercial money markets. We know that this committee will want to keep informed on the progress we make in developing an effective marketing program for our insured paper.

We understand, of course, this is a crisis period and cannot very well be judged by economic history, and we would hope this situation will alter in the foreseeable future where we have a situation that would enable us to move our paper as the need developed in our programs at a rate that would not be so much of a burden on Treasury.

Mr. POAGE. Well, Mr. Smith, I am not sure I know just how you borrow money from one part of the Government and send it to another, but, as I understand it, last year, the Farmers Home borrowed from the CCC. This year, you are borrowing from an FHA account. I cannot say that I know exactly how you do this. Would you explain how and why you do it?

Mr. SMITH. I appreciate that question, Mr. Chairman, and I think this is a good illustration of what happens sometimes when new people take a fresh look at an ongoing operation. As you mentioned, Congress authorized FHA to borrow \$30 million from the Commodity Credit Corporation last year because our people were not alert to the fact that the same transaction could be made easily within the FHA structure. There was no need to go to CCC and we could have saved most of the interest cost by using cash available in our own FHA accounts.

An outsider looking at FHA for the first time is struck by the fact that the FHA is carrying on a large Government banking-type operation within the framework and authorities of an administrative organization. Its volume of business has grown to over \$2 billion a year and if the present rate of growth continues the program will go over \$3 billion by fiscal 1972. Practically all FHA programs involve making and supervision of loans.

Now, FHA program activity has expanded at a spectacular rate in the past decade. Programs which were in their infancy in the late 1950's, notably housing and the popular water and waste disposal programs, have grown in size so that today they are overshadowing the original and basic FHA programs; the family farm-type programs, farmownership, and operating loan programs. Many other new programs designed to build and develop rural America and to help lower income families have been assigned to FHA in this same period. As these additional programs grow and become established they will further change the character of FHA's program mission.

This growth in FHA program activity has followed no set plan or design and the new authorities are in addition to and unrelated in many cases to the long-standing farm family programs. Congress has found FHA to be an excellent organization to administer action programs in rural areas and has freely assigned rural oriented programs to the agency. Today FHA's program authorities, funding, financing, and business arrangements are governed by a complex of varying and uncoordinated legislative and procedural provisions.

Congress has found it desirable several times in the past to consolidate and update the authorities of FHA. In 1937, Congress estab-

lished the Farm Security Administration succeeding the Resettlement Administration. This was followed by the Farmers Home Administration Act of 1946 and by the Consolidated Farmers Home Administration Act of 1961.

In my judgment, we have reached the point in our growth where Congress should take another look at FHA and again update its authorities and structure. Congress could well examine the benefits that would flow from establishing a Federal corporation to service FHA financial affairs in about the same way as Commodity Credit Corporation services ASCS programs. We have reached the stage of development in the FHA program where we need similar authorities to improve the efficiency of the financial and business activities of FHA. What I am saying, Mr. Chairman, in essence, is: If we are to be responsible and responsive in the times in which we live, as we view the next decade, we need to give attention to some of these matters of our fiscal arrangements and procedures.

Mr. POAGE. Well, Mr. Smith, I agree with you in that need, but you are getting ahead of me in your thinking. I still do not understand, just because I do not know the works of it. Why did you borrow from Commodity Credit last year and why you borrowed from one of your own funds this year, and what difference does it make to the Government whether you paid interest to the Commodity Credit Corporation or whether you paid the Farmers Home Administration and, as far as the taxpayer is concerned, what difference is there?

Mr. SMITH. Mr. Chairman, we have this money available in our direct loan account. In borrowing, so to speak from ourselves, within our own organization, we were able to effect a savings of approximately \$1 million in interest.

Mr. POAGE. You were not able to effect any savings in interest, as I understand it. I think it is desirable; I am not criticizing, because it seems to me, if I understand it, it all makes sense to conserve your own money, but you did not conserve any tax money and you did not save an money for the Government.

Mr. HASPRAY. Mr. Chairman, this is a technical matter. When we borrow from Commodity Credit Corporation, Commodity Credit charges us the cost of money borrowed. We had a lower interest rate, because we had longer term paper, so there was a small difference between the Commodity Credit cost of money and FHA cost of money. But the year before, the year in which we borrowed from Commodity Credit, we had a cash over-plus in our direct loan account for which we were not receiving an interest credit from the Treasury. If we have cash on deposit in the Treasury to cover our obligations to them we receive an interest offset between what we borrow from the Treasury, and the cash we have on deposit in Treasury. It happened last year that we had \$50 million over-plus in the amount of cash, so Treasury had the money, and they did not give us an interest credit, and this reduced the amount of Treasury borrowings. So, technically, FHA could have saved the \$1 million interest that we paid to Commodity Credit.

Now, in terms of the total taxpayer, the total Federal budget, the total Federal Treasury account, it is true, the effect to the taxpayer would have been the same, but within the Department of Agriculture, it would have been a saving.

Mr. POAGE. I am finding no objection to your trying to keep as much of your own money as possible. That is perfectly laudable if practicable and reasonable, but on the other hand what I am getting at is that it does not change the status of the taxpayer whether you borrow that money from one fund or whether you borrow it from another, as I see it—that is, Government funds. It does not change the status of the taxpayer whether you pay interest to Commodity Credit Corporation or whether you pay it to FHA. The interest you pay is entirely within the Government; one agency of the Government pays out and another agency of the Government pays in, and the consequence to the taxpayer is not involved in this. But the efficiency of operation of your Department, I think, is involved in it, and I am not suggesting this by way of criticism, but I am suggesting that I do not think that we want to go on the assumption that this is something which involves the waste of public funds or something of that kind.

Mr. HASPRAY. No; you are exactly right; and the Administrator of FHA was just trying to establish a record as a prudent businessman, and it was cheaper for him to borrow from himself. This, he figured, is what he ought to do.

Mr. POAGE. This seems to me to be a proper procedure, and I want it understood that I am making no complaint at all, but I do find that, oftentimes, within the Government we are given excuses for failure to do something on the theory that it would cost a particular agency of the Government and that there is a difficulty for us to have the responsibility of the whole Government to departmentalize it as you do, and it is difficult for you, in turn, who has a special responsibility for a particular branch to look at the whole broad spectrum.

In this case, I see no objection to what you are doing, none at all, but on the other hand I would say that too often we find that somebody is doing that which is detrimental to the Government simply in order to make an agency look a little better than it otherwise would. I do not mean that that is the case here. Again, I make that plain. But I do mean that there is a strong tendency in our Government, it being inherent in the very nature of the setup, for a particular agency to try to build its own empire without regard to the effect on the Nation as a whole. I do not want to let that happen, and I do not think it has to happen here, but we do not want to let that happen, and I do not think we want to get into the position of trying to claim for one agency of the Government a great savings at the cost of another agency.

So, regardless of how you got the money, I mean as to the agencies, just what sort of progress are you making in assisting the rural communities for water and waste disposal systems?

This is in the appropriations bill now. How is that getting along?

Mr. SMITH. The Poage-Aiken bill, which we refer to as Public Law 89-240, is one of the most effective tools, Mr. Chairman, that we have at our disposal for helping build and revitalize rural communities. The fact that rural community leaders show so much interest in this program emphasized to me that the Congress, in its wisdom in passing this valuable legislation, did, in fact, recognize the importance of developing new and more effective methods of assisting the Nation's rural areas.

This program got off to a slow start but it is now coming on stronger. Demand is outrunning the funding available. In 1961, we received only 110 applications. In 1965, the number of applications had jumped to 1,422 and in fiscal 1966, it had jumped to 4,206 applications. The deluge of applications continues, Mr. Chairman. The number of applications received is not the true measure of demand. Many needy communities are discouraged in filing an application when they learn that applications already on hand are far in excess of the funds available. We have received so many applications that we have established a priority system clearing only the applicant with the greatest need and we give notice to those we cannot fund in the immediate future. In the past 2 years we have turned back approximately 3,000 requests amounting to over \$600 million for water and waste disposal loans and 2,100 requests amounting to about \$300 million for grant funds.

Since the passage of the Poage-Aiken bill, we have made grants to 1,200 rural communities totaling over \$88 million. We have made loans to 4,000 rural communities for the development of water and waste disposal systems totaling over \$600 million.

According to an October 1968 Economic Research Service Report, there are 34,763 named rural communities that do not have central water systems and 44,567 named rural communities that do not have central sewer facilities. A 1967 national assessments prepared by the Water Resources Council estimates that there are 47 million rural residents not being served by central water supply systems. All these estimates are based on existing housing units. The need for service will expand as additional new homes are built in rural areas, and building of such new homes is bound to be accelerated. The Farmers Home Administration alone has \$1.25 billion budgeted for housing loan assistance in 1970.

To further emphasize the seriousness of the need, I point out that the above figures deal with named communities and exclude many unnamed rural areas which need central systems. FHA is scheduling a survey to be made by our county supervisors to obtain more complete information on need. We will inventory named and unnamed rural communities at that time.

The water and waste disposal program, Mr. Chairman, has come to be recognized by those interested in rural America as a powerful tool to help build and to revitalize the rural economy. It is one of our more popular programs. The demand for financial aid, through loans and grants, exceeds by many times the funds made available to us by the Congress.

I know the chairman has a right to have pride in his program and his bill, and we are delighted to tell you this morning, that it is one of the most popular programs in the Farmers Home Administration.

Mr. POAGE. Mr. Smith, just how much money was available for these loans and grants for this fiscal year and how much will be available next year or how much do you think will be available?

Mr. SMITH. Proposed for 1970, Mr. Chairman, was \$174 million.

Mr. POAGE. Now, you say the total for 1970—did you say \$174?

Mr. SMITH. Yes, sir.

Mr. POAGE. You mean the next fiscal year?

Mr. SMITH. That is correct.

Mr. POAGE. And when you say "total," what is that the total of? Is that the budget requests, or what is that?

Mr. SMITH. The original budget called for \$184 million, and it was reduced by the Congress by \$10 million.

Mr. POAGE. Well, the bill—

Mr. SMITH. Correction, there was a reduction of \$10 million, as it was submitted to the Congress.

Mr. POAGE. The bill has passed the House but it is pending in the Senate, is it not?

Mr. SMITH. That is right.

Mr. POAGE. The appropriations bill.

Mr. SMITH. That is right.

Mr. POAGE. Now, of that \$174 million what part is direct appropriation and what part is guaranteed loans?

Mr. SMITH. Mr. Hoffman?

Mr. HOFFMAN. Mr. Chairman, there is \$64 million in the budget submission for direct appropriations which we would use for loans to tax-exempt public bodies.

There is \$110 million in the budget submission for insured authorizations for loans for water and waste disposal systems.

Mr. POAGE. Well, now, this \$64 million then is nothing except just to avoid the statement that we are buying bonds that under the Constitution are tax exempt; is that not right?

Mr. HOFFMAN. Yes.

Mr. POAGE. It does not add anything to what you can do?

Mr. HOFFMAN. No, sir. The \$64 million, Mr. Chairman, is direct appropriations that we would use to make loans to public bodies. You asked how much was available last year. We had \$74 million available for direct loans in this fiscal year.

Mr. POAGE. This is in fiscal 1969?

Mr. HOFFMAN. There was \$74 million available in fiscal 1969.

Mr. POAGE. \$10 million less?

Mr. HOFFMAN. And \$64 million in the budget for fiscal year 1970.

Mr. POAGE. And as to the guaranteed funds, how did they compare, the guaranteed loans?

Mr. HOFFMAN. We had \$110 million available this year, Mr. Chairman, but part of that was reduced in the last 2 months. Mr. Smith has explained, we were having trouble selling our insured paper, so we reduced some of the funds, and at this point we are using \$88 million, instead of the \$110 million.

Mr. POAGE. Beg pardon?

Mr. HOFFMAN. \$88 million this year for the insured loans for water and sewer.

Mr. POAGE. Well, in other words, you started out with \$110 million, and you hope to start out with \$88 million this year?

Mr. HOFFMAN. We hope to start out with \$110 million next year, but we are only going to use \$88 million of the \$110 million this fiscal year, Mr. Chairman.

Mr. POAGE. You are only going to use \$88 million of the \$110 million?

Mr. HOFFMAN. This fiscal year.

Mr. POAGE. Fiscal 1969?

Mr. HOFFMAN. Yes, sir.

Mr. POAGE. That means there is some \$22 million that you did not use?

Mr. HOFFMAN. It was held back, Mr. Chairman, because of the difficulties Mr. Smith explained in selling our insured paper.

Mr. POAGE. I understand the problem. I am just trying to get to the amounts.

In other words, it is about \$22 million?

Mr. HOFFMAN. Yes, sir; that we—

Mr. POAGE. That was authorized by the Congress?

Mr. HOFFMAN. That we may not be able to use.

Mr. POAGE. Yes, which probably will not be used.

Mr. HOFFMAN. We are taking a look at it in the last 2 weeks of the fiscal year.

Mr. POAGE. That does not carry over, does it?

Mr. HOFFMAN. No, sir.

Mr. POAGE. So that, next year, if you get your \$110 million, you hope you will be able to use a little more than we used this year?

Mr. HOFFMAN. We always have in the past. We have always used every bit that has been made available.

Mr. POAGE. No, you cannot. You did not use it this year. And I realize your problem. You could not use it effectively, and you will not be able to next year, will you, but you hope that you will be able to do a little better?

Mr. HOFFMAN. We hope that we can use it all, Mr. Chairman.

I think, as Mr. Smith explained it, Mr. Chairman, that it depends on the money market and our ability to sell paper.

Mr. HASPRAY. Mr. Chairman, it was the result of our inability to sell paper.

Mr. POAGE. I know that.

Mr. HASPRAY. That is right, sir. We had the demand—

Mr. POAGE. I know that, but I think it is wishful thinking to assume that you can sell \$110 million next year. I hope that we will more nearly approach that \$110 million, and I recognize you will do your best to get, but I do not think you will. I think there is going to be some slippage there. I think there is bound to be. I do not think you can sell \$110 million next year. Do you?

Mr. SMITH. Mr. Chairman, I might mention that in January the rate on our paper was about 6½ percent. The Treasury has increased this now to a maximum of 7⅞ths, and while we thought this would facilitate the sale of paper more rapidly, much more rapidly, than it has, it is difficult to predict what the turn of the next few months could bring in regard to the sale of insured paper for the Farmers Home program. There could be a dramatic pickup if the financial interests decide that the interest rates have reached their peak and they want to invest their money. We do find that there are some that have resources which could be used by the Farmers Home Administration, but they are in a quandary at this time as to which way to go regarding the investment of their money.

Mr. POAGE. I do not question but what, if the prime interest rate goes down to 5 percent, you will be able to use your \$110 million, but if the prime interest rate goes to 10 percent—and I think it is more likely to go to 10 than it is to 5—then I do not think you will be able to use all of that \$110 million.

Mr. SMITH. We would certainly hope so, and we will give maximum effort to it, but there will be some problems connected with it; there is no question about that.

Mr. POAGE. Now, I would like to get back to that \$64 million, because to me—Again, I want to make it plain that I am not criticizing you on that. I know where that criticism started. It started down here with a Democratic Attorney General. I know that. And I think it is just about as good law as the Supreme Court handed down yesterday, and you know how good I think that law was.

But what you are going to use that for, as I understand it, is really to make it possible for you to deal with these—make it possible under the budget ruling for you to deal with these tax-exempt municipalities. Is that what you are doing with it?

Mr. SMITH. I would like to go into some detail concerning that, Mr. Chairman, if you would permit me the time to do so.

Mr. POAGE. Yes.

Mr. SMITH. For a long time, the Farmers Home Administration has had statutory authority to make loans to rural communities for their public facilities on an insured basis. Now, this program is working wonderfully well for loans to organizations, other than tax-exempt bodies. We are, however, restricted in our authority to insure loans to tax-exempt public bodies because the Treasury Department objects to such practice.

Mr. POAGE. Now, wait a minute. You are not by law restricted. You are restricted by the Treasury Department?

Mr. SMITH. That is correct, Mr. Chairman.

Mr. POAGE. The law does not restrict you.

Mr. SMITH. I need at this point to explain that the term "insured loans" has a special meaning under FHA legislation. To insure a loan means to take the security from the borrower and for FHA to sell the security in the commercial money market. The security we take from tax-exempt public bodies are tax-exempt bonds. Under our present practice the tax-exempt provision of the bond is passed on to the investor who buys the bond from FHA. Treasury considers this a wind-fall benefit.

About 70 percent of the applications we are receiving for water and waste disposal systems are from municipalities, districts, public authorities, and other types of public bodies that issue tax-exempt bonds. We are using direct funds to make loans to tax-exempt bodies to avoid the issue of passing special benefits on to an investor. We can not sell loan paper made out of the direct loan account, and this is restricting our ability to help tax-exempt bodies.

Loans made out of the direct loan account are classed as budget outlays. As we all understand, we are seriously restricted in the amount of money made available to us in the form of direct loans. Both the Bureau of the Budget and Congress are more liberal in authorizing the use of insured loans.

Two bills have been introduced to treat with the sale of tax-exempt bonds by FHA, S. 414 and H.R. 4607.

Under these bills, earnings received by private investors on insured loans to public bodies would be subject to Federal income taxes. The Farmers Home Administration would purchase the bonds or notes from the tax-exempt body and resell them to investors who would agree to pay Federal income taxes on the interest received as long as the Federal Government insured such obligations. This would over-

come the objection raised by Treasury to the sale of insured loan obligations of public bodies. The ability to make such sales would reduce the need for direct appropriations and, at the same time, enable us to get on with the job of serving the rural communities at an accelerated pace.

This legislation would in no way impinge upon the authority of communities to issue tax-exempt bonds, nor would it result in an increase in interest rate to the borrowing community. The community would obtain its loan at a rate not to exceed 5 percent under present law, which ordinarily would be comparable to the market rate for better quality, long-term tax-exempt bonds. The cost of any differential between the lending rate to the borrower and the rate at which loans would be sold to private investors would be paid by the fund. This would be to the advantage of the taxpayer, since income taxes paid on the interest earned on such investments would far exceed any differential or subsidy paid from the agricultural credit insurance fund.

The Secretary of Agriculture has reported favorably on S. 414 and H.R. 4607 and has recommended passage.

Mr. POAGE. Well, I think that it is like killing the cat by choking him on butter, but it is more or less the policy of the Treasury Department in all of the administration, as far as I can understand, so I wonder if—well, you mentioned legislation at that time—I know there are two bills pending. So, now, I wonder if you would review for the committee your thinking on the proposal to use these self-help lower cost water and waste disposal systems?

Mr. SMITH. I am not sure I understand the question, Mr. Chairman.

Mr. POAGE. Well, you have given us the Treasury viewpoint. Now, will you review for the committee your thinking on the proposal, on the lower cost of water and waste disposal systems? That is just what we have been discussing, I know, but you gave us what the Treasury thinks.

Mr. SMITH. Well, in November of last year, I understand Chairman Mills wrote you a letter suggesting that the Agriculture Committee give consideration to the use of interest supplements to help finance water and sewer systems in rural communities. Chairman Mills had just returned from his home district. He found a number of communities in his district interested in Farmers Home Administration water and sewer loans. Farmers Home Administration had the authority to help these communities but it was short on loan money and was completely out of grant money. These communities needed grant money in addition to loan money to help finance water and waste disposal systems.

Chairman Mills has suggested that you consider the possibility of using interest supplements to take the place of grants and called attention to the interest supplement programs that have been developed for housing through the Department of Housing and Urban Development.

On January 16, 1969, we provided you, as requested, our unofficial analysis of this proposal and on February 3, 1969, you introduced H.R. 5850. We reported that it would be possible to use interest supplements to accomplish the same purpose as a combination of grants and loans. We provided examples to show that the cost to the community using interest supplements would be approximately the same as the cost using a loan and grant.

We are now preparing at your request a formal report on the bill. This report will need to clear through the central office of the Department and also through the Bureau of the Budget. The Bureau of the Budget will in turn undoubtedly ask for comment on the bill from other departments administering grant funds. We do not know at this time the position the administration will take on the bill.

We have among ourselves discussed the pros and cons of using flexible interest rates to accomplish the purpose of grants. We have given special attention to one factor that may not be apparent from a quick consideration of this use of interest supplements. There is a fundamental difference between a grant and an interest supplement. A grant is a single and one-time transaction. The grant money is given to the community; the expenditure is charged to the current year budget.

An interest supplement on the other hand creates a long-term installment contract. Initial funds are made available in the same way as in a grant loan. There is a difference, though, in the way in which we account for the reduction in cost—grant money equivalent—to the borrower. In the interest supplement procedure the grant equivalent would be amortized over the life of the loan. This point should be examined from all angles by the committee.

Here is the sleeper in the interest supplement procedure. The intent behind the interest supplement would be the same as for a grant; to bring the cost of the system down to the level that it can be paid for by reasonable charges to the user. Under a grant the ability to pay determination is made one time—at the time the application is approved. Under the interest supplement procedure the loan would be subject to periodic recertification and the determination as to ability to pay would be made several times during the life of the loan. A community could start out with a 1-percent loan, for example. If it were to a rapidly expanding community taking on new users its ability to pay would improve to the point where the loan rate would be adjusted upward ahead of the planned schedule. This would result in a smaller credit to the community over the life of the loan than would have been obtained by a one-time grant.

As we understand it, the intent behind H.R. 5850 is to develop a way to give grant aid to communities for water and waste disposal systems using a financing method that will reduce budget outlays during the current fiscal year. A grant is a budget outlay and grant money is always in short supply. An interest supplement loan could be used for this purpose.

Farmers Home Administration has authority under its housing loan program to make interest supplement loans. It has been using this authority since August 1968. The Department of Housing and Urban Development has similar authority in its housing programs authorized under section 235. Farmers Home Administration is administering these sections 235 housing loans in rural communities.

Farmers Home Administration could use its insured loan authority in combination with new authority to make interest supplement loans for water and waste disposal systems as follows:

Farmers Home Administration could make a loan to a community covering the full cost of the system; that is, equal in amount to the sum of the grant and the loan. Farmers Home Administration could

take a note or a bond from the community for the full cost of the system and sell this paper to private investors under its "insured loan" authorities. The effect of this sale would be to fund the initial cost of the system with private moneys rather than Treasury outlay. The grant equivalent would be included in the loan and both the loan portion and the grant portion would be included in the note or bond sold to the private investor. The grant portion of the loan would be amortized over the life of the loan through annual payments of interest and principal to the private investor purchaser of the note or bond.

Mr. POAGE. What do you think is the outlook for that part of the program—the rural housing part?

Mr. SMITH. The rural housing loan program of the Farmers Home Administration has increased from about a half a billion dollars for the current fiscal year to \$1.3 billion for fiscal 1970. This is almost five times the 1966 level. This level of activity is necessary if the Nation is to move toward the goal of providing adequate housing for its families.

The Farmers Home Administration has oriented its rural housing program toward low-income rural families to the extent they have ability to repay a loan. We intend to continue this effort. The increase in size of the program will, if adequate manpower is available, also enable us to meet more of the critical housing needs of other rural families who cannot obtain adequate housing credit. These are families of skilled workers, foremen, small businessmen, teachers, and others whose presence in rural communities is essential to their economic strength and growth.

The sharp increase in the authorized volume of rural housing loans, as well as the responsibility the Farmers Home Administration has assumed for handling applications for Federal Housing Administration insured section 235 mortgages in rural areas, places an additional heavy burden on the staff of our organization.

Four million rural families are living in substandard homes. The rural housing program of the Farmers Home Administration is the only hope many of these families have to own a decent home. The proposed increase in program level is urgently needed, but to do the job, the experienced and overworked staff of the Farmers Home Administration will need to be increased substantially.

Mr. POAGE. Well, I do not want to let your statement go by that the Farmers Home is the only hope that these people have of getting better housing. You lived in a country, and so do I, where a lot of people lived in dugouts, and most all of them hoped to get better housing and most all of them have. There are very few people who now live in dugouts that I know of; most everybody in that country has improved their housing, and they did it on their own, and they did not do it through the Government.

Now, that is not to say that I do not believe the Government should not provide help, because I do, and I support the housing program. I think it is a good program. But I do want the record to show that so far as I am concerned, there are other ways for people to get ahead in this world than to rely on the Government. One of the ways is to stay out there and work for themselves.

Mr. SMITH. Mr. Chairman, I would like to support your statement. My reference here in this statement is that if they are to secure financing that it would be one course that some could follow, many of

the rural residents—and certainly I support strongly the attitude of an individual helping himself through his own means to the maximum extent.

Mr. POAGE. Well, I am sure you do. And I think it is just one of those statements which we are all getting so prone to making because we are looking so much to the Government to do everything that we have almost gotten to where we are prone to say that if a man is going to have anything on the table tonight that the only way he can get it for his family is for the Government to put it there. Well, that is not true, and when it becomes true, I want to move to Russia or some other country where they do not have so much government involvement.

Well, I do not want to continue to take too much time, but we all know that our colleague, Mr. Price, who is here, has introduced legislation to increase the limit and size of these ownership operating loans.

What would you like to say about that?

Mr. SMITH. Mr. Chairman, this is a difficult problem for us in the Farmers Home Administration.

At current price levels, present statutory indebtedness limitations of \$60,000 for farm ownership loans and \$35,000 for operating loans do not permit us to finance the full range of family farms as authorized in the Consolidated Farmers Home Administration Act of 1961, as amended. Since these limits were established in 1961, substantial changes have occurred. Land values have increased 70 percent in the decade ending March 1, 1968, and 37 percent from November 1, 1962, to the same date in 1967. Commercial farms had an average value of \$100,000 on March 1, 1968, which is substantially greater than the present FO indebtedness limitation.

During the past 7 years the investment in farm machinery has increased by 79 percent, the cash input in fertilizer has increased 64 percent and purchased feed 33 percent. The average capital investment on farms has increased very substantially from a base period of 1957-59 to 1967. For example, the average operating capital investment on cattle ranches in the Northern Plains area has increased from \$44,229 to \$84,269 and from \$30,107 to \$50,290 for grade A dairy farms in eastern Wisconsin. Comparable increases have occurred in other systems of farming.

The scope of farming operations has increased from an average acreage per farm of 288 acres in 1959 to 377 acres in 1969. An efficient family-sized farmer needs more capital today than in the 1950's. The loan levels established by legislation in 1961 limits the assistance we can give to an important group of farmers who would otherwise be eligible for FHA loans.

We feel that there are a large number of our young married persons who would like to be involved in agriculture today if they had the opportunity. With the limitation of \$35,000 for operating loan and \$60,000 for farmownership, they are absolutely precluded from consideration by the Farmers Home Administration. This is not to say they could not be considered by other organizations or commercial interests, but the initial farm costs of man and machinery being as high as they are, the assets of most young people would not be sufficient to entitle them to an opportunity to become involved in modern-day farming, and I know this committee is aware of this fact.

Mr. POAGE. Well, let me ask you as to just one other item. We have all observed the flurry of activity about the emergency loans last year. In fact, we have seen it happen before. Just what can we do to stabilize this emergency loan program?

Mr. SMITH. Well, emergency loans are made out of the emergency credit revolving fund, Mr. Chairman. These loans are classed as budget outlays. In an effort to hold down budget outlays the budget provides a minimal amount for this program. In fiscal 1968 and in fiscal 1969, the Congress acted to provide additional funds for making emergency loans.

This program was established by Congress to provide emergency credit assistance to help farmers affected by natural disaster. We cannot predict a year in advance the conditions that may cause either an increase or a decrease in the demand for emergency loans.

Because of the unpredictable demand for emergency loans and because of the ever-present pressure to hold down budget outlays, Congress could authorize a base level program and create supplemental authority as follows:

1. Congress could provide for a contingency amount, in addition to the regular budget amount, to be released only on the showing of need.
2. Congress could give the FHA Administrator standby authority to borrow cash from one of the other FHA accounts to meet unexpected demands for cash in the revolving fund. Congress authorized FHA to borrow \$30 million from CCC, which we mentioned a while ago, in fiscal 1968. The supplemental appropriation bill now in the Senate provides for a loan of \$25 million from the FHA direct loan account to be available for making emergency loans.

We feel that this year, Mr. Chairman, through the Farmers Home Administration emergency loan program we have enabled hundreds of farmers to remain on the land who otherwise would have had to effect a farm sale. The situation is still critical throughout the Nation in some areas, and we do not indicate that we have been totally responsible to the needs that exist. We have this year received authority for an expenditure of \$120 million for the emergency loan program. The amount expended last year was \$108 million, and I believe the figures will show \$104 million the year prior.

As I indicated, we cannot predict with accuracy, of course, the weather conditions that bring about the need for the designation of emergency counties. We would hope that our farmers would not be faced with this calamity, but we feel that when they are oppressed by conditions beyond their control, such as a natural disaster, and when they have property and crop damage, we should be able, if called upon and if needed and if they qualify, to respond to the type of loan that they need which they could not receive from other sources of credit.

Mr. POAGE. Well, thank you, Mr. Smith.

Mr. Teague wants to ask a question.

Mr. TEAGUE of California. Mr. Smith, I am naturally interested in this emergency loan situation, because, as you know, one of my counties alone had about \$60 million of flood damage this year, and probably half of that was to farmlands. So, certainly, this has my sympathetic understanding.

Now, I do want to ask you a question. First, I would like to say that I think the greatest contribution I could make to Congress would be to start to move to do away with fiscal years. Then, we would know whether we were talking about 1969 or 1970, when we went back to a calendar-year basis. That may take a little doing.

So, can you or your colleagues, if you cannot produce this now, perhaps, you can for the record give me a rough approximation. Out of the total dollar volume of loans of all types made by your agency, in dollars, about what percentage is in the form of subsidized or, as you call them, supplemental interest loans?

I do not expect you to have that answer right now, but I would like to have it in the record.

Mr. SMITH. I would be glad to supply that for the record, Congressman.

(The information follows:)

At present, interest supplement loans are authorized only under Section 521 of the Housing Act of 1949 as amended by Public Law 90-448, approved August 1, 1968. That amendment authorized interest supplements on loans to persons of low and moderate income and on loans to provide rental or cooperative housing to persons and families of low and moderate income or elderly persons and elderly families.

As of May 31, 1969 interest supplement loans totaling \$49.2 million had been made for these purposes. This amount is 10.3% of the total housing loans of \$478.2 million made during fiscal year 1969; and four-tenths of one percent of the \$1.3 billion in loans of all types made during this fiscal year.

Mr. POAGE. Mr. de la Garza?

Mr. DE LA GARZA. No questions.

Mr. POAGE. Mr. Goodling?

Mr. GOODLING. Two questions, Mr. Chairman.

In your prepared statement, you said this:

It is disturbing to me as the FHA Administrator to look at the record of the operating-loan program of the past several years and to note the deterioration in our ability to help farmers.

Was not FHA originally set up to help farmers?

Mr. SMITH. Yes, sir.

Mr. GOODLING. Can we justify FHA getting into the field of making loans and grants to municipalities for sewage and water systems?

Mr. SMITH. Congressman, the Farmers Home Administration, as all other agencies of government, must administer the laws as the Congress directs. This was provided for by legislation, and it has been administered by the Farmers Home Administration. It would be at the discretion of the Congress as to how these programs were designed and administered in the public interest.

In our opinion, the loans which have been made to municipalities, 5,500 and under in population which is our authority, have been very responsive in assisting in bringing to rural communities industries of various kinds and number, and also an increasing of the opportunity for residents to move out into rural areas where they really and truly would like to live and from whence many of them came. I would have to say that I believe it should be a good program.

Mr. GOODLING. Well, is it not true that everytime you make a loan or a grant to a municipality you have that much less money to help the farmers in these communities?

I think one of the first grants that was made by FHA for a sewage system came right to my district, within a few miles of my home, and

I have never been able to justify that from the standpoint of an FHA loan. You are not helping the rural people when you do that, a community of the size of the one I have in mind. I do not consider it a rural community. While it is not a big city, there are no farmers there, and we are trying to help farmers under this bill, not municipalities, as I see it.

Mr. SMITH. We have all observed the change in the semantics as they relate to agriculture in recent years. The term family-sized farm, we have seen that changed from the figures that I have given you, from 150 or 160 acres, for example, to over 300 acres, and it still supports one family. And what some people call a rural community has changed in nature and in scope in the eyes of the Congress in recent years, and thus they have propounded legislation to respond to this need.

Now, this will be determined, as I mentioned, by the Congress, as to what the Congress wants the Farmers Home Administration to do regarding the development of rural America, to respond to the rural needs. It should be mentioned here, Congressman, that we have throughout the Nation over 1,700 county offices and 41 State offices which can administer to the needs of rural America. We feel that our personnel are trained, by virtue of their background and the nature of their jobs, to respond to this need.

I realize that there will be differing opinions upon the question you referred to, but we do feel that it has helped to bring industry to rural America and it has helped to maintain a better life for those who are at present living in these cities of 5,500 and less and has encouraged many others to move into them.

Now, I would like to mention, if you will pardon me just one second, that the moneys appropriated to these areas cannot be diverted to other channels. In other words, we could not divert money which is authorized by the Congress for a water and sewer loan to make an operating loan or a farmownership loan to a farmer. This is governed by the Congress.

Mr. GOODLING. Is this not one more expenditure that is charged to the Department of Agriculture that, in effect, should not be charged to the Department of Agriculture?

We are criticized for the amount of money the Department of Agriculture spends. We are criticized by the city people, and is this not another expenditure that you actually should not charge to the Department of Agriculture?

Mr. SMITH. Well, as I mentioned, I consider that our people are best able to administer this by the nature of their work and by the fact that we have the people onsite in these communities; whereas, the other organizations of the Government, in the normal sense of lending, do not have personnel onsite to treat this particular problem.

Mr. GOODLING. Thank you.

Mr. POAGE. Thank you, Mr. Goodling.

May I comment just a moment in connection with that?

What he was talking about was the Poage-Aiken bill, and I have got a little interest in that. I thought it was a good program when it was passed, and I still think it was one and is one of the better programs that we have. Obviously, what Mr. Goodling says is correct, that the Farmers Home Administration was originally established for

the purpose of buying homes for young farmers. It had a \$12,500 limit on it, and we changed that, and there is no such limit on it now. But I think that in itself indicates that we are not now doing business the same as we were when the Farmers Home Administration was originally established. I think there are a whole lot of erroneous conclusions going on all over this country, because people take the position that we are legislating for conditions as they existed a generation ago. We are not. We have changed these laws almost every year, and that is why we are here today, because we need to determine whether or not there should be a change in the present laws and regulations of the Farmers Home.

I think the time came a long while ago when we needed to change some of the objectives of the Farmers Home, and we did change them. And, of course, as a principle of law, the last-enacted statute is the one which is enforced, and the Poage-Aiken bill is a whole lot more recent than the \$12,500 loan to young people, which was the original Farmers Home Administration loan. Of course, it originated a way back, but if you want to go clear back to the origination, the Rural Rehabilitation Administration went a long ways back and had a whole lot of purposes, some of which we now think were good and some of which we now think were not. I think that the farm purchase program is a sound one and a good one and one that we should continue and one which is continued by the law right now. But it is only a rather small part of the present functions of the FHA.

I think that when we talk about what we are going to do to make farm living better, most of us think in terms, first, of the REA because it did make farm living better all over this country. Whether you like REA or not, you have got to admit that it made farm living better, a whole lot better, all over the United States.

Of course, there are a lot of people now that would say that REA was originally established to build nothing except small lines, single-phase operations, and that therefore, today, you ought not to build anything but single-phase operations because it was originally established to build such lines. Nobody thought of using the larger, heavier lines that we use today. But I do not believe that you have got to keep these things confined to what was originally contemplated. I think you have got to recognize that conditions change, and that Congress has a right to change programs. One of the changes we have seen is that when Farmers Home Administration or its predecessor was originally established, some 25 or 30 percent of the people in America were living on farms. Today, it is possibly 5 percent. That is one of the things that has and is happening. And these rural communities from 5,500 down had no source of assistance—none. It is true that these urban programs, some of them by law, could operate in those small communities, but the administration of those urban programs did not put a dollar of this kind into any community of less than 5,500 population. We picked this figure of the big people—the big people were coming down to this, the big people would just come down to 5,500, and quit. We thought the little people ought to move up to 5,500. If the urban people would not take care of anybody under 5,500, we did not see any reason why the Federal Government should make a grant to the city of Waco, Tex., or Oklahoma City or York, Pa. to build a waterworks, and they had been

making grants for that purpose to the cities. We do not see why there should not be some program that would take care of these people who were essentially rural in their communities, and we provided that we could, and the Congress provided it, and it is the law of the land just the same as the rest of the Farmers Home is.

Now, the whole thing may be wrong. I do not think it is. I think it is pretty good. But the fact that we originally passed something that only allowed one to buy a home does not seem to me to preclude us from making a provision to say that the fellow who lives in this small country town should not have some of the assistance we have long been granting to the big cities. And that is what the Poage-Aiken bill does. It does not give a single thing to the small communities that had not already been granted to the big cities, but the big city people cut it off at 5,500 by their own administration, and we thought that that gap should be filled, and I still think it should be filled. I am not suggesting that any administration or court has the right to change the law but I do say that Congress has the right to update any law.

Mr. GOODLING. Mr. Chairman, I am not objecting to the program, but I am not so sure it should be charged to the Department of Agriculture. It makes us look worse in the eyes of our city cousins.

Mr. POAGE. Well, the city programs had the authority to do it, and I think this authority went down to 1,500, but they did not serve these areas of 4,000 people, in there between 1,500 and 5,500, and I felt, and I still feel, that those people do have—and I recognize that there are areas where they do not—I visited Mr. Goodling's home and his home community, and I recognize it is closely associated with the city, but I also recognize that by and large over this country that these towns under 5,500 are basically rural oriented; they are dependent upon the rural people for their business, and they are the communities which supply the centers of rural life, and it seems to me that it is logical. Maybe it should not be under the Department of Agriculture, but wherever it should be, I certainly think that the program ought to be continued.

Mr. MAYNE?

Mr. MAYNE. Mr. Chairman, thank you.

Mr. SMITH, you have indicated several times in your testimony that there are a great many more qualified applicants for these ownership and operating loans than the FHA is able to take care of at the present time.

Mr. SMITH. That is correct.

Mr. MAYNE. I wonder if you could give us some idea of the extent of this unsatisfied demand for such loans from people who are eligible and qualified under the present \$60,000 or \$35,000 limitation?

Mr. SMITH. Congressman, in the operating loan division, we consider that there are about 3 million farms.

Mr. MAYNE. Well, I am just trying to get some idea of how serious this crunch is, where people would qualify if you had the money to expend to people who want to make a loan under \$60,000 and \$35,000. How serious a shortage do we have? Just give us some rough idea.

Mr. SMITH. Congressman, we would also have to furnish that for the record. We do not have accurate figures on it, but we know that it is substantial.

You take in the Midwestern area of the United States, for example—we just mentioned that an average size farm is, I believe, 367 acres,

and a quarter section of land in Oklahoma and Texas and the Dakotas and Kansas would cost virtually \$60,000, depending upon the area, so we can see that a quarter section would not by any measure or means constitute a family unit or enable him in any sense to be able to pay his loan and his operating costs.

Mr. MAYNE. I have heard the generalities already, but certainly your agency has on record a certain number of applications that are qualified in every respect, that you cannot fill because there is not enough money, do you not?

Those figures ought to be readily available, and in addition to those applicants, there are people who know that the money is used up who are not even applying. Now, information as to the latter group would be harder to come by.

Mr. SMITH. The operating loan applications on hand on January 31, 1969, were 8,048, which we could not process; and on February 28, we estimated 9,200, and the estimated number of applications we will receive between February 28, and June 30, 1969, would be 9,085.

Mr. MAYNE. Now, does that mean that approximately 10,000 applications are on file for which there are no funds available?

Mr. SMITH. The total number of applications would be 18,285, Congressman, and 80 percent of these could result in a loan, or 14,630.

Mr. MAYNE. You say "they could"? You mean, if there were funds available?

Mr. SMITH. That is correct.

Mr. MAYNE. But is it also true that there are not funds available?

Mr. SMITH. That is correct. The program funding has declined rather than increased in the last 5 years.

Mr. MAYNE. Now, these are all applications that would qualify and be eligible under the present \$60,000 and \$35,000 limitations?

Mr. SMITH. Now, Congress increased \$25 million in the operating loan funds this year which would enable us to loan \$275 million.

Mr. MAYNE. But all of these 14,000 you are talking about are the ones that qualify under the present \$60,000 and \$35,000 limitations?

Mr. SMITH. That is correct.

Now, then, in the farmownership, we received 32,000 applications and only made 10,800 loans.

Mr. MAYNE. Well, then, there are 14,000 applications which qualify for loans to relatively smaller farmers under the \$60,000 ownership limitation and the \$35,000 operating expense limitation; is that correct?

Mr. SMITH. The figure would not be exactly correct, but your premise would be correct.

Mr. MAYNE. Well, I got this 14,000 applications, I thought, from your testimony. What is approximately the right number, if I am mistaken on that?

Mr. SMITH. Well, your 14,630 is the operating loan figure.

Mr. MAYNE. Oh, 14,600 is just operating applications?

Mr. SMITH. That is right.

Mr. MAYNE. Well, how many more on ownership loan applications?

Mr. SMITH. The figure which I just gave you was 32,000 applications received, and loans made were 10,800.

Mr. MAYNE. Does that mean there are about 20,000 to 30,000 that you cannot handle just because there are not enough funds even though they would otherwise be eligible under the present guidelines?

Mr. SMITH. That is correct.

Mr. MAYNE. Well, now, if you start making loans over \$60,000 and over \$35,000 to larger farmers, there is going to be just that much less money for the smaller farmers of whom there are at present 14,000 in the operating loan category and 22,000 in the farmownership category who are still in line waiting for money that you cannot take care of now; is that not correct?

Mr. SMITH. Well, you mentioned larger farmers. I am not certain that figure would be accurate. Many are not going to become farmers at all with a \$60,000 limitation in a good many areas of the United States; secondly, with the legislation authorizing the ability to make a loan at a higher rate would of necessity bring about legislation hopefully to fund the program at that level. That would enable us to make that type of loan.

Mr. MAYNE. But we are already very seriously short of adequate funding for taking care of the smaller farmers, are we not?

Mr. SMITH. That is correct.

Mr. MAYNE. That is all. I thank you.

Mr. POAGE. Mr. Jones, we are delighted to have you here. Would you care to ask a question?

Mr. JONES. No, thank you, Mr. Chairman.

Mr. POAGE. Mr. Price, we are very happy to have you with us. And if you would like to ask a question, we would be glad to have you do so.

Mr. PRICE. Mr. Chairman, I would like to speak to my bills and in their behalf, with Mr. Smith. Being a rancher and farmer myself, I would like to speak to the operating loans first. As we all well know, the \$35,000 limitation for a person to operate a half section or a section of land today, to have a well-rounded and manageable operation does not give sufficient funds. I cite as an example, if a man, along and in conjunction with his farming operation, were to buy some cattle, let us say, or some hogs, in order to make this a well-rounded operation, \$35,000 does not go very far. Cattle, today, at 30 cents a pound even, is \$120 a head for a 400-pound steer, and this, you can see within itself, would only allow you to buy a few head to make a well-rounded program. It is not an attempt—I do not believe—to help a large farmer; it is simply an attempt to help a farmer that is trying to run a well-rounded operation and to stay in business as a small farmer, even on a half section or a full section of land.

Because of inflation and because of increased cost of machinery and operating expenses this simply is not enough.

So, I have asked for an increase to \$50,000. I think it should be nearer \$75,000, but to be realistic I only asked for \$50,000.

As to the figures that Mr. Smith has quoted here, 18,285 applicants for operating loans of which 14,000 of them are qualified, but that is just an insufficient amount of money to get them right to the point where they can make their operation efficient. They do not have enough money to buy a baler or another tractor, say, in order to make this an efficient operation.

I know many young farmers in the State of Texas, as well as through the Midwest who I have talked to, and they simply say that there is no way that they can get into the farming business unless their family has owned a farm and has passed it on to them. There are many young

people who do not have the assets with which to go into the farming operation, and so in our part of the country he probably could buy a dry-land farm for \$100 an acre possibly, but with a 19-inch rainfall it is not very practical. So, most of the lands, dry lands, will go for \$100 to \$200 an acre, and with irrigated lands going from \$500 to \$700 an acre, figuring that out, even taking it at \$200 an acre for a section of land it is \$128,000. So, I think if we are going to try to help young people stay on the farms and help revitalize our rural communities and keep this exodus of people from going off the farms to the city, I think this is a means by which we can help alleviate all of these people going to the big cities and causing more problems.

Now, this is a program in which these people pay back the money for operating loans and for the purchase of farms. This money comes back in taxes three or four fold, and I think it is a well-rounded and sound program.

However, Mr. Chairman, I do think that some consideration might possibly be given to an approach to the situation. I can see, because of the conditions of farming today, that this thing can grow and will continue to grow maybe to an outlandish proportion, and maybe some consideration should be given to an approach like the Federal land bank, like the REA banks that we were talking about, as a possibility, rather than a bureaucracy being created in the FHA that would grow to such large proportions that it would be almost unimaginable. The Federal land bank is one example where this has worked efficiently, production credit and bank cooperatives are areas where it has met the demand for farmers and people in agriculture, and I think some consideration to a corporation-type approach to this thing might be something to think about.

Now, Mr. Smith, you said that the Treasury, I believe, had raised the interest rate to $7\frac{5}{8}$ on which you could sell your insured paper. Would this alleviate the possibility of not selling some of this paper, if the interest rates were raised some more and you could raise your interest rates? Would this help you sell more paper to banks?

Mr. SMITH. We would hope so, Congressman Price.

I would like to respond to a prior matter before I answer that, if I may.

I would first like to have this in proper context relative to the funding of family-type farmers.

We mentioned earlier in the testimony that the decade ending March 1, 1968, where land values had gone up 70 percent. Well, we have had the \$35,000 limit and the \$60,000 limit since 1961, so we are not responding to the family-type farmer. He has gone completely beyond our grasp in this modern day. In the past 7 years, investment in machinery has gone up 79 percent, so we cannot help the family-type farmer with this type of loan in many, many instances, and I just wanted to get that in proper context before we drift from that to another matter.

In response to your question relative to the sale of Farmers Home Administration insured paper, in January the rate was about $6\frac{1}{2}$ percent, Congressman Price, and the Treasury has raised the rate twice since that time. At present, we are able to sell for $7\frac{5}{8}$ for 1-year paper, and $7\frac{3}{4}$ for 3- to 5-year paper, and $7\frac{7}{8}$ for 10- to 25-year paper. And with the fiscal crunch being what it is, we find the paper moving slowly even at these exorbitant rates.

Mr. PRICE. When was your last raise?

When did the Treasury allow you to do this? Last month or the month before?

Mr. SMITH. Last week we received this final rate which I quote to you.

Mr. PRICE. Was that after the Federal went up to $8\frac{1}{2}$?

Mr. SMITH. Yes, it was.

Mr. PRICE. What attempts have you found since that time in the last week or two where the interest rates have helped you to move some of this paper? Or do you feel it should be raised some more?

Mr. SMITH. I do not like to see the increase in interest rates. It is a matter of concern and of serious consequence to the taxpayer and the Government, and, of course, to our program and to the Congress. It is difficult to predict the future of the money market, and how the people who have the resources which could be used by the Farmers Home Administration will respond to an increased interest rate in this period of fluctuation.

Mr. PRICE. Have you been able to move the paper?

Mr. SMITH. We have been moving paper at the rate of about \$3 to \$4 million a day; and we recently had a man in your home State from our organization who had received indications that they would pick up \$50 million of Farmers Home Administration paper. Upon contact on last Friday, they declined, the reason being that the rate, in their opinion, would rise, and this is a condition that prevails throughout our Nation today and does affect the sale of our paper.

I would like to mention, Congressman Price, one other factor that does bear heavily, in our opinion, in the sale of our paper. We must place in the hands of the lender a note which declines in balance during the time that the lender has this note and requires considerable bookwork on the part of the purchaser in order to keep his records current. We feel that we should have consideration given to a negotiable instrument which we might place in the hands of the purchaser in lieu of the loan document itself. We are aware of the fact that many of the larger purchasers of paper are hesitant to buy Farmers Home Administration notes for the reason of incurring considerable bookwork, and they can buy a certificate of interest in a much simpler form of fiscal transaction from most any other quarter of the Government or private enterprise. This, again, I think points up one need for the Congress and others to examine the program of the Farmers Home Administration, to, shall we say, update our technology and our business arrangements to be more responsive to the need that lies before us.

Mr. PRICE. Well, would this bill I introduced, H.R. 11604 to insure the operating loans, letting loans to low-income farmer-ranchers—would this help move this paper?

Mr. SMITH. I could not say that it would help to move the paper, Congressman. It would conceivably increase the problems relative to that particular point. But, again, we must recognize that we are in a crisis period and that we have had periods before in the Farmers Home Administration when they wanted more paper than we had to sell. We could not negotiate it fast enough for them. It has not been that way for the last 18 months or so. But we would hope that this situation, as I said, would resolve itself and we would get back on a more favorable basis.

Mr. PRICE. My purpose, Mr. Smith, in introducing this bill—my thinking was: If the Federal Government were to insure this loan it would give the banks some guarantee rather than just loaning the man the money with no guarantee in case of default. It was my thinking that you could move a lot more of this paper into the private channels.

Mr. SMITH. Well, that is an interesting aspect of it. In the operating-loan division, I believe that the local bankers would cooperate quite well. They have proven in the past to be most helpful, and we approve of the concept of private enterprise making the loan and, as you mentioned, the Government would guarantee it. Then, we would graduate this borrower back to the banks as quickly and as rapidly as possible, and as rapidly as the economic conditions relative to his particular case would permit. So, it would have an appeal to the rural banking system.

Mr. PRICE. This approach, Mr. Chairman, was the reason I introduced this bill, like the FDIC does on people's savings who put them in banks where they feel that if the bank went broke they would have Government insurance on the first \$10,000. Now, I think it has been raised to \$15,000, and it was my purpose introducing this bill to open up more money in private channels for people to loan money to them.

Mr. Smith, do you see a continued increase in the applications for more operating expense and for farm ownership applications?

Mr. SMITH. Yes, sir; we do. We would hope that economic trends in agriculture would be considerably improved in the foreseeable future. At the present we find that any adversity which strikes a farmer, such as a short crop or weather conditions, even many who are considered to be in sound fiscal conditions find themselves in serious difficulty and turn to the Farmers Home Administration for operating capital.

Mr. PRICE. Well, this program was not started, the way I understand it, to make a permanent loaning agency to farmers. It was started to help those who got into problems whose condition did not warrant a loan from a private bank. In other words, a man had gone along having been in business for himself—and I know we handled some where a man borrowed \$30,000, and the next year he had a bad crop, and then he got into \$40,000 and \$50,000, and he got to a point where you could not afford to loan him money. This is the type of person that FHA stepped in and was supposed to try to help. That is my understanding.

Mr. SMITH. That is correct.

Mr. PRICE. I think, if we are not careful, we are going to get into a condition possibly where we would be competing with these banks. I believe there are some rural banks that are more or less sloughing off their bad loans onto FHA if they can, and they do not stand up, let us say, to a man who is an inefficient operator, a man perhaps who is a poor manager. I think there are many cases where your organization could tighten down on the ways in which a man could apply for money. I think there are a lot of inefficient operators in agriculture today. I think this is what has brought on your larger operation and more inefficient farmer who has gone broke.

Mr. SMITH. I would like to refer to some of the points mentioned in your remarks, Congressman. We do not compete with private lending interests. It is not our intention to arrange a competitive situation between the Farmers Home Administration and the local lending

interests, whether they be rural banks or the farmer-credit system or whatever.

Now, I think that we should not subsidize inefficiency, whether it be in the Farmers Home Administration or other avenues of government, and I believe that the repayment record on the operating loan program in the Farmers Home Administration will bear out the fact that we have not subsidized inefficiency because they have paid these loans, and we have emphasized that. Perhaps, it needs to be emphasized a bit more today. I would not say that we could not improve our program. I think we can.

Mr. PRICE. Do you know what the payback is, overall, throughout the States?

Mr. SMITH. 95.5 percent collection of money loaned.

Mr. PRICE. I think this speaks for itself.

This money is being paid back. It is not a giveaway.

Mr. SMITH. Of course, we will never be satisfied until it reaches 100 percent, and we will continue to press for that, but it must be understood that we accept the client who cannot be treated through the normal lending channels, and we do realize, too, that the success of our program is the result of the supervision which we are able to give to them. We wish that we could report 100 percent today; but, in consideration of all of the facts, we like to say that we intend to improve it, but we do not think it is poor.

Mr. PRICE. I think it is outstanding, compared to other agencies.

I think we ought to go deeper into this thing for a moment if we have time, Mr. Chairman.

Mr. POAGE. It is getting about that time.

Mr. PRICE. Well, in a moment I will quit.

I look back, and I want to know what is causing all of these people to apply for operating loans; what is causing them to apply for more money to buy farms?

Evidently, our farm programs were meant to be helpful, but we have not found the solution as yet, and I see that if the condition of people leaving the farms continues, it is going to throw a burden upon the FHA and other agencies to continue to expand and accelerate to no telling what.

Mr. SMITH. Well, I know that you, being a farmer and, of course, serving in the Congress, are aware of the exodus from rural America which is due to many factors. We, too, hoped that the situation would improve and would stabilize, but the indications are that this will not happen within the next few months or a year or so. We hope that it will.

In this interim period, we feel like we are called upon to render assistance to those applicants who indicate to us that they can repay a loan but are unable to get a loan from other sources. If we do this, we feel we have contributed to the local tax base; we have kept the family on the farm and have given his children an opportunity to experience a better life. We have done this at a minimum cost to the Government.

Mr. PRICE. That is all, Mr. Chairman.

Mr. POAGE. Thank you, Mr. Price.

We have a visitor here—Congressman Camp.

Would you like to say anything?

Mr. CAMP. Well, Mr. Chairman, I appreciate the opportunity, of course, and knowing Mr. Smith, as I do, and his interest in this particular program, I might add that I have been in the small community banking business since May of 1928, and, then, of course I came along to the political life, and, so, I believe that I can substantiate many of the statements that I have heard here this morning, not only from the Farmers Home Administration but also from you gentlemen here in Congress. There is no question in my mind but what this program, as Congressman Price mentioned a moment ago, was started for the purpose of taking care of the man who could not get his loan from the usual loaning agency and it was because of this that that came about.

I might add that as far as the water and sewage, and so forth, is concerned, the only way that I know of, with the experience I have had, that these smaller communities have been able to progress and to have the facilities that were needed for industry has come through this particular type of program. In fact, in my home community of about 750 people down in Oklahoma they happen to have one of these loans as of today, Congressman, and I do think that there is a place for it, and, as the chairman said earlier, there is no question but for our society and the men in Congress at this particular time that this is needed, and I also agree with what Mr. Smith said, that there certainly needs to be changes.

I appreciate the opportunity to be here and also to address myself to you.

Mr. POAGE. We are very glad to have you, Mr. Camp. We are appreciative of your testimony, and we are right on time.

And we are greatly obliged to you, Mr. Smith, for your discussion. The committee will continue the discussion at a later date, to be set by the Chair.

The committee is in recess.

(Whereupon, at 12 noon, the subcommittee recessed, subject to the call of the Chair.)



The Commission on the Status of Women, established in 1946, was the first of its kind. It was created by the United Nations to address the needs and concerns of women worldwide. The Commission's mandate was to promote the advancement of women and to ensure their full participation in the development of their countries. It was a significant milestone in the history of international women's rights.

The Commission's work was carried out through a series of sessions, each held in a different country. These sessions provided a platform for women from various nations to share their experiences, discuss common challenges, and propose solutions. The Commission's reports and recommendations were presented to the United Nations General Assembly, which would then take action on them.

Over the years, the Commission has played a crucial role in shaping international policies and programs aimed at improving the status of women. It has been instrumental in the development of the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW), which is now a cornerstone of international women's rights law.

The Commission's work has also been instrumental in raising awareness of women's issues and in promoting gender equality. It has provided a space for women to voice their concerns and to demand change. Its efforts have led to significant progress in many areas, including education, employment, and political participation.

The Commission's legacy is one of dedication and commitment to the cause of women's rights. Its work continues to inspire and guide efforts to achieve gender equality and the full participation of women in society.